Tuukka Hartikka

Designing a Customer Value Proposition and Marketing Recommendations for Direct Sales Customers

PREFACE

Before choosing the current topic for this thesis, several rounds of iteration needed to be done. The original idea was also to do a research to support the sales and marketing, but the topic at hand was chosen only after few rounds of "test-fail-revise"-actions. In the product marketing department, where I am currently working, emerged a need to create tools for supporting the sales and marketing activities in Sweden.

The whole project was very interesting and educational in various aspects. Firstly, studying the best practice created an understanding of what the most successful companies are doing to market their products and services. Secondly, interviewing the customers created a totally new perspective on thinking about the case company's products. Thirdly, discussing, thinking and co-creating really made me to understand the need for a systematic approach on sales and marketing activities. As a conclusion, as simple as it may sound, the whole process can be crystallized into the following steps: Study what others have been doing (best practice search), understand what customer's need or desire (customer needs analysis), find a match between the customer's needs and your offering.

There are many people who helped me throughout this Master's thesis journey. I received much appreciated support from my company especially from Johan Perander and Fredrik Törnqvist, just to mention a few people. The support from Metropolia has also been extremely helpful. The professional comments and suggestions from Dr Thomas Rohweder and Dr Marjatta Huhta have helped me to create an outcome which has been found valuable also in my company. Also, a special thanks goes to PhL Zinaida Grabovskaia for super positive attitude and professional help in language issues.

Finally, I want to acknowledge my family: My wife, Renske, and my two children, Noa and Mila, who gave me strength throughout the journey. I would not have been able to finish my studies without their support!

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ABSTRACT

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The objective of this study is to create a customer value proposition (CVP) and marketing recommendations for direct sales customers. The case company started new direct sales business in Sweden in the end of 2014. The case company will be selling products through re-sellers who will approach the end-customers. Since the re-sellers are not fully familiar with the case company's products, there is a need to provide them with a CVP and marketing recommendations.

Methods for data collection include questionnaires, qualitative interviews and a workshop. The CVP and marketing recommendations will be validated by systematically colleting feedback and revising the initial proposal accordingly.

The outcome of the study includes a systematic tool for crafting CVPs, CVP content for one end-customer segment and marketing recommendations for re-sellers. The conceptual framework used in this study is based on the best practice from literature and it forms the tool for crafting CVPs. The CVP is created by finding a fit between the customer needs and the case company's product's benefits. The customer needs will be identified by interviewing three end-customers from the chosen segment. The CVP consists of points of parity, points of difference and monetary value of the offering. The marketing recommendations consist of suggestions on service offerings which the end-customers require or find valuable.

The tool used for crafting the CVP proved to be successful and can be further used for crafting CVPs to other end-customer segments. The CVP content will be used for designing targeted marketing material for certain end-customer segment. The re-sellers can utilize this marketing material for approaching the end-customers. Additionally, the re-sellers can show the monetary value of the offering with a value calculator specifically designed for this purpose. The marketing recommendations are guidelines for re-sellers to differentiate from the competitors and offer services that the customers require.

Key words	customer value proposition, marketing, customer needs

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1   INTRODUCTION

Traditional oil business is facing challenges due to implementation of new regulations and introduction of biofuels. This causes a threat for some traditional oil companies, but a major opportunity for companies offering a combination of high-quality fuels and biofuels.

This thesis focuses on developing a customer value proposition and marketing recommendations for direct sales customers. The case company has entered to the Swedish direct sales market in the end of 2014 and will start supplying products to customers as soon as the contracts are agreed upon.

1.1   Case Company Background

The case company of this thesis is an oil refining and marketing company operating globally on a wholesale level and in the Nordic and Baltic countries on a retail level. The company is focusing on high-quality and low-emission traffic fuels and it has production sites in Finland, The Netherlands, Singapore, Bahrain and Sweden. The case company is listed in the Helsinki stock exchange and the major shareholder (50.1%) is the Finnish state. The company employs approximately 5000 people in multiple countries.

In 2013, 61% of the company revenue was generated by oil products, 13% by renewable products and 26% by oil retail business units. In 2013, oil products and renewable products had almost the same operating profit, 280 and 273 million euros respectively, but because of the volatility of the biofuels market the figures might vary largely from year-to-year. In 2014, the case company was the largest company in Finland measured by turnover [Largest companies 2014]. In renewable fuels production, the case company is the largest producer of renewable diesel (Hydrotreated Vegetable Oil, HVO) in the world.

The company operates in three business units: Oil products, renewable products and oil retail. The customers of the case company differ per business unit, but B2B customers are mainly other oil companies, fuel blenders and re-sellers in Finland and worldwide, as well as retail companies in Finland, the Baltic countries and Sweden. Previ-

ously, the case company has been operating in Sweden on a wholesale level, but in 2014 it has also entered to the direct sales market.

1.2   Business Challenge

Sweden is an important market for the case company and has been so for many years. In the strategy work, Sweden was identified as a key market where efforts to grow should be explored. Renting terminal space would be a step into the market where the case company could offer more flexibility to the customers including biofuel solutions.

At the end of 2013, a decision was made to rent terminal storage capacity from Södertälje, Sweden and enter the Swedish direct sales market. The project took thirteen months and the possibility to start the sales realized at the end of 2014. In this project, the mapping of the customers located around Södertälje area was done, but many of the customers have not been contacted yet.

The case company can offer a flexible mix of fossil and renewable traffic fuel products to direct sales customers. The case company has an option to sell either straight to the end-customers or to operate via re-sellers. For this thesis, the assumption is taken that the case company will operate through re-sellers and the re-sellers approach the end-customers.

Currently, there is a need to identify the end-customer needs of the most important end-customer segment and create a customer value proposition (CVP) for this segment. Based on the identification of customer needs, the CVP for the physical product and marketing recommendations for re-sellers will be established.

1.3   Objective and Scope

The objective of this study is to create a Customer Value Proposition (CVP) for a physical fuel product and create marketing recommendations for re-sellers in Sweden. In this study, a systematic way for building a CVP and identifying customer needs, as well as the content for the CVP will be presented.

The objective will be reached by building an approach for the case company to develop customer value propositions for certain end-customer segments. This approach will be used for crafting a CVP for the physical product for one example segment from the end-customer base. The outcomes of the study include: a) a tool for CVP creation, b) the CVP content of the physical product for one end-customer segment, and c) marketing recommendations.

The scope of this study includes defining a tool for CVP creation based on the best practice found in the literature. The customer base has been already segmented, thus this study does not focus on the segmentation but only selecting a certain end-customer segment for which the CVP could be crafted. The marketing recommendations for the case company's customers (re-sellers) will focus on service and solution offering and monetary value of the CVP. The guidelines for marketing the case company's physical product are not explained in this thesis due to confidentiality reasons.

2   METHOD AND MATERIAL

This section discusses the research approach and methods used for conducting the study. It also describes the data collection and analysis methods and explains how reliability and validity will be ensured in this study.

2.1   Research Approach

This study is conducted by utilizing action research as a research approach. The main idea of action research is to use scientific approach to studying organizational issues together with the people who are involved with these issues directly (Coghlan and Brannick 2010: 5). Action research is often presented as a cyclical or iterative process with repeated cycles of planning, action, evaluation and reflection, as presented in Figure 1 below. The person performing action research has a dual role of holding a membership in the organization and research. The main challenge for the researcher is "how do you build on the closeness that you have to the organization and yet maintain distant?", or in other words: how to stay objective. [Coghlan and Brannick 2010: 113-123]. Figure 1 below shows an example model of an action research process.
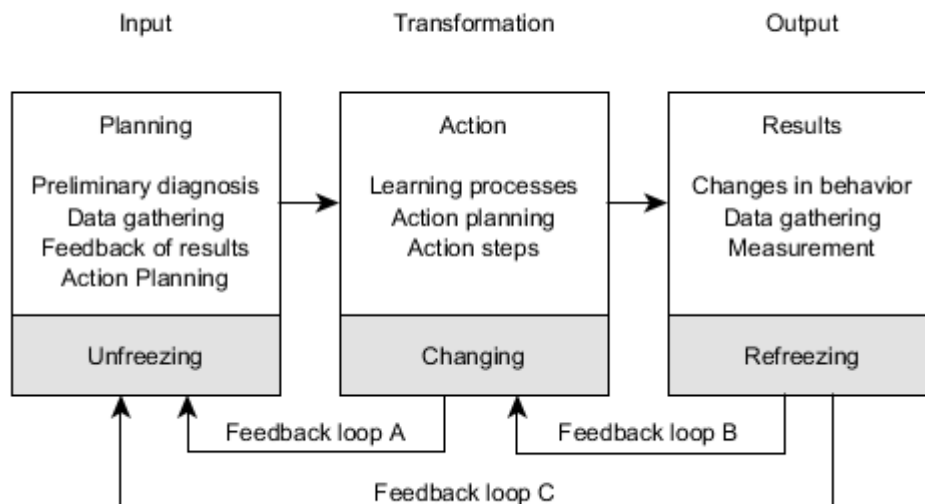
Figure 1. Systems Model of Action-Research Process [Bond 2015].

As seen from Figure 1, action research starts with planning of actions and collecting data. The second stage includes actions related to learning processes and planning the actions steps. In the third stage, the action is realized and the outcome measured and

analysed. Typically, after the output step the process is revised leading to further plan-ning. [Coghlan and Brannick 2010: 5]

In this study, action research is chosen as the research method for this study because of the nature of the business problem. To find a solution to the business problem, it is necessary to involve various internal and external stakeholders in the research pro-cess, which creates a need to adapt the process during the research. Also, the process has several elements which all influence each other. Thus it is important to evaluate and analyse the results continuously and adapt the process accordingly.

2.2   Research Design

This study applies action research approach in the way is presented in Figure 2 below. The process will consist of five steps.
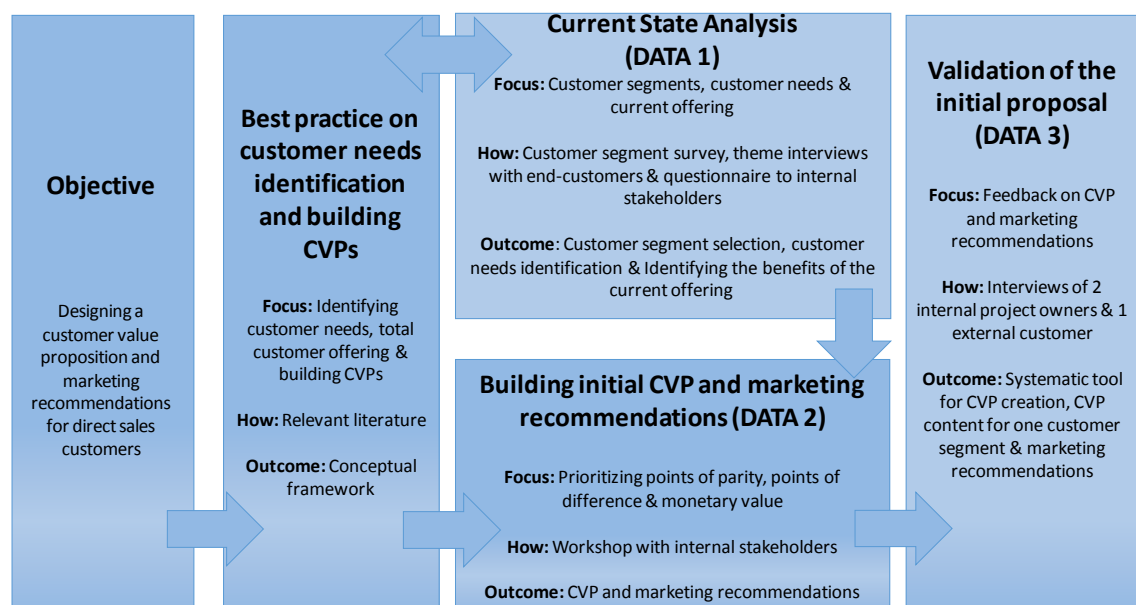
Figure 2. Steps in the research process.

As can be seen in Figure 2, the study starts with existing knowledge and best practice search on identifying customer needs and creating CVPs. Based on the vision of CVP gained from the existing knowledge, the study will move to determining the end-customer segment, mapping the physical products' benefits and identification of cus-tomer needs. To identify the customer needs, three customers from the selected end-customer segment will be interviewed. At the same time, the case company stakehold-

ers will define the benefits that the company's products can offer and how they differentiate from the competitors.

A fit between the identified customer needs and the company offering will be established in a workshop, where the case company stakeholders will be participants. From the outcome of the workshop, the initial CVP will be created and marketing recommendations determined. This initial CVP and marketing recommendations will be presented to the case company key stakeholders and one customer to collect feedback. Based on the feedback, the initial CVP and marketing recommendations will be revised and finally, the CVP content and marketing recommendations for re-sellers will be created.

2.3 Data Collection and Analysis

Data for the study is collected from various sources and relates to three different stages of the study. For the customer needs identification and product benefits mapping (Data 1), there are three types of data: *customer segments, product benefits* and *identification of customer* needs. For building the initial CVP and marketing recommendations, a workshop will be arranged and this makes data 2. Data 3 will consist of the feedback collected for the initial proposal. Table 1 specifies the data collection points and overviews the types of data in more detail.

Table 1. Data collection details.

Data	Type	Topic	Target	Desired outcome	Number of responses
DATA 1	Survey	Customer segments	Customers	Potential customers segmented by industry, volume potential, current provider and logistic solution	-
	Questionnaire	Product benefits and differentiators	Case company stakeholders	Documented product benefits and differentiators	5
	Qualitative interviews	Identifying customer needs	Customers	Customer needs map	3
DATA 2	Workshop	CVP creation	Case company stakeholders	Initial CVP and marketing recommendations	-
DATA 3	Qualitative interview	Feedback on initial proposal	External customer	Comments to initial CVP and marketing recommendations	1
	Questionnaire	Feedback on initial proposal	Internal stakeholders	Comments to CVP, marketing recommendations and CVP approach	5
	Qualitative interview	Feedback on initial proposal	Project owner	Comments to CVP, marketing recommendations and CVP approach	1

Table 1 specifies the topics, outcomes and types of the data collected. The data for the customer segments is provided by a consultant, thus making it secondary data. The data related to product benefits and differentiators will be collected by sending questionnaires to the case company employees familiar with the products. The identification of the customer needs was done by interviewing three end-customers from the chosen segment. Before the final interviews, one pilot interview was performed to confirm the logic and order of the questions as recommended by Turner (2010: 757). After the pilot interview, the themes and questions for the final interviews were revised. The final interviews were recorded and field notes were transcribed based on the recordings.

The data from the customer interviews was analyzed by thematic and content analysis. The findings of the analysis were plotted in customer needs maps. The purpose of the customer needs maps is to illustrate the importance and financial value of the certain customer need themes. These customer needs maps are used as an input for the workshop when building the initial CVP and marketing recommendations. Customer segments, product benefits and differentiators and customer needs identification will form data 1 (Appendix 1 & 2).

The analyses from the case company questionnaires and customer needs interviews will be presented to the case company stakeholders in a workshop. The purpose of the workshop is to find a fit between the identified customer needs and product benefits and possible service offerings.

The workshop was organized by utilizing a Me-We-Us-method recommended by Kantojärvi (2012: 54-55). The purpose of this method is to active all participants and share and create ideas in different phases of the workshop. The workshop consisted of four phases where ideas were generated individually, in small teams and as a group. Figure 3 below shows the different phases of the workshop.
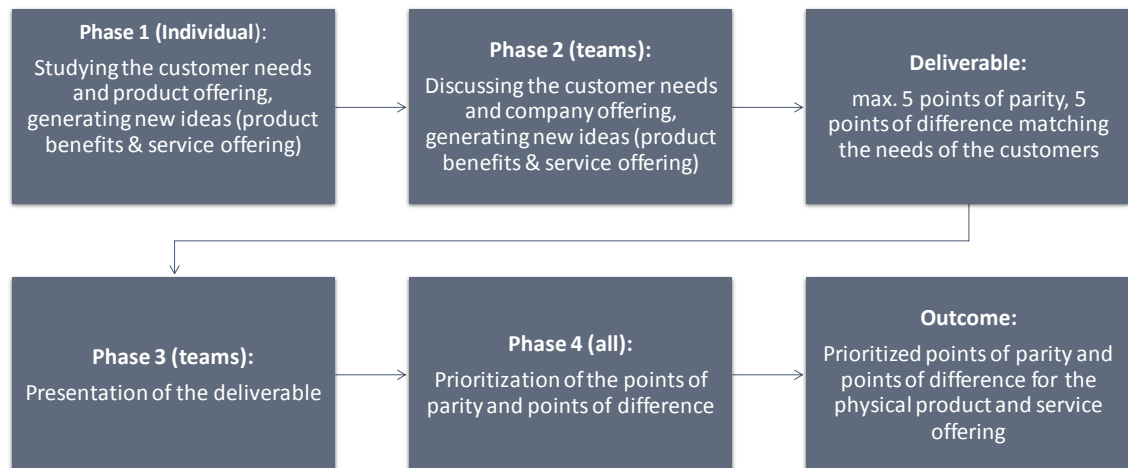
Figure 3. Workshop flow-chart.

In the individual phase, the participants are given time to explore the two documents: the three customer needs maps and product benefit mapping. During this first phase, new ideas related to the benefits of the case company's physical product and possible service offerings are written to Post-it notes.

In the second phase, the customer needs and company offering are discussed in small teams and new ideas are generated. Maximum of 10 ideas are written down to Post-it notes and put on to two flip-charts depending on whether they are something unique to the case company (points of difference) or something that the competitors can offer but are required by the customers (points of parity).

In the third phase, the ideas on the flip-charts will be presented to the whole group by one of the team members. After the presentations, all the participants give votes for the most important points of parity and points of difference, according to the best match with customer needs. This will be used as an input for formulating the initial CVP and marketing recommendations.

The outcome of the workshop and field notes will provide data 2 (Appendix 3 & 4). The outcome from the workshop will be used for building the initial CVP and creation of the marketing recommendations.

For formulating the final proposal, the initial CVP and marketing recommendations will be presented to the case company key stakeholders and one external customer (re-seller). The feedback to the initial proposal is collected from three different sources: by sending a questionnaire to the internal stakeholders who participate to the workshop, by interviewing personally one external customer (re-seller) and by interviewing personally the project owner.

The questions and topics for the feedback are the same in the questionnaire and for the project owner interview. Comments are requested to four topics of the proposal: CVP text, marketing recommendations, value calculator and the approach used for building the CVP. The same topics, except the comments for the CVP crafting approach, are discussed with the external customer.

The feedback collected in the round of interviews and the questionnaire makes the data 3 (Appendix 5, 6 & 7). This round will make the validation of the proposal. After the documented round of comments, the final CVP and marketing recommendations will be formulated.

2.4   Validity and Reliability Plan

To ensure validity and reliability of action research, the researcher has a significant role in creating rigorous, valid and reliable outcomes [Whittemore et al 2001: 534-535]. The role of the researcher is emphasized when conducting a qualitative research and the researcher is a part of the organization that he or she is performing the study for. The researcher should be unbiased and form a uniform and holistic understanding of the research question, yet at the same time be a member of the organization, which may create subjectivity [Näslund et al 2010: 336]. As this research utilizes action research approach and the researcher is a member of the organization that the study is performed for, several aspects to ensure the validity and reliability have to be considered.

To ensure the validity of this research, the following measures are taken into account. First, the data collection is systematically designed and well documented. Second, the qualitative interviews are piloted and the research themes and questions adjusted according to the outcome of the piloting round. Third, the interviews are recorded, rich text and quotes are used to increase the validity of the data. Fourth, the company internal key stakeholders, customers and management are involved in building the pro-

posal and evaluating the outcome, which increases the authenticity. Fifth, the researcher recognizes the possibility for biasness and consciously tries to avoid it by utilizing critical self-awareness.

In order to create a reliable outcome, this research will use triangulation, including rich data, analyzing findings in a collaborative manner and providing an evidence trail. Triangulation is done by collecting data from many different sources, for example in the case of customer needs identification, interviewing three customers from the same segment. Rich data is created by proving authentic field notes and not only collecting quantitative data. The findings and proposals are analyzed and assessed by several people to enhance the accuracy. Evidence trail is created by carefully documenting all the data sources and giving explanations to reasoning.

3 AVAILABLE KNOWLEDGE ON CREATING A CUSTOMER VALUE PROPOSITION

This section describes the best practice used for identifying customer needs and building customer value propositions (CVPs). At the end of the section, the conceptual framework for the study is presented.

3.1 Definition of Value and Value Creation

Traditionally, it has been thought that value is embedded in the products and the value creation takes place inside the company (through its activities), hence the value is determined by the producer. In this goods-dominant thinking, the market is seen purely as a place for value exchange and extraction, which represents to a large extent a company-centric view. The role of the customer, in the goods-dominant logic, is purely a target for firm's offerings (operand resource). [Prahalad and Ramaswamy 2004: 6-9].

Grönroos (2008) argues that this traditional way of defining value (exchange-value) is not relevant anymore, since the customers are ultimately the value creators (value-in-use). Goods-oriented thinking does not support the aim of maximizing customer value, which according to the author is the only value that matters. According to this logic, the value is not produced, or embedded in the products, but resources out of which value can be created are produced (Grönroos and Ravald 2011: 7).

According to Grönroos and Ravald (2011), the customers are the value creators and the supplier is the value facilitator, or during customer-supplier interactions can become the value co-creator. Based on this logic, the company can only produce value propositions for the customer, if it operates outside the customer's sphere; hence the customer alone defines the value of the product or service. During interactions with the customer, the supplier can become the value co-creator, and have a direct impact on value fulfilment, and how the customers' preferences and future purchasing behaviors develop.

> Co-creating value with customers is an integral part of the provider's marketing process directed towards how promises made, or value propositions suggested, are kept. (Grönroos and Ravald 2011: 17).

As seen in Figure 4, customer value can be influenced on various aspects and hence is essential to identify what increases the customer's value.

Figure 4. How customer value is formed (Berry, 2002:86).

As illustrated above, the customer value cannot be reduced to functionality versus price. Instead, it is always a combination of emotional and functional benefits deducted by the price and the negative experiences (Berry, 2002: 86-87). By analysing the customer's needs, it is possible for the company to increase the customer perceived value and reduce burdens while at the same time increase the company profits.

3.2   Identifying Customer Needs

Since the customers are ultimately the value creators, it is essential to understand what constitutes the customers' value. In Business-to-Business (B2B) markets, the salespeople have regular contacts with the customers and hence have the possibility to have face-to-face discussions with the customers. For Business-to-Consumers (B2C) markets, interviewing the customers is more difficult, due to the large amount of customers, and hence different methods need to be used.

Understanding the customer value has to be a systematic process which is properly documented [Keränen and Jalkala 2013: 1312-1313]. Often discussions with customers are not well documented, which leads to lack of comprehensive understanding of the customer processes and unprofitable adjustments to business models [Avery et al 2014: 76-77]. One customer may value one thing, whereas another customer from the same industry and market another thing, hence it is important to divide the customers into relevant segments [Simons 2014]. When customers' feedback is systematically collected and analysed, it will also help segmenting the customer base [Day 2003: 81-82].

As suggested by Osterwalder et al (2014), customer value can be defined in three value categories: Jobs, Gains and Pains Jobs - category describes the tasks that the cus-

tomer is trying to perform and complete, the problems they are trying to solve or the needs they are trying to satisfy. Gains refer to the outcomes the customer wants to achieve or benefits that they are seeking. The types of gains can be: Required, expected, desired or they can be unexpected. Pains are bad outcomes, risks and obstacles related to customer jobs. The pain severity level can vary from moderate to extreme, and it is important to understand the level of severity. [Osterwalder et al 2014: 12-16].

For building a comprehensive understanding of the customer needs, it is critically important to identify and document the customer value in the relevant value categories. The customer needs and preferences should also be prioritized to understand which provide only little value and which create higher value. The value can be technical, economic or social, but all value aspects have to be well documented, hence data management and systematic value analysis has to be performed. It is also important to understand the differences to competitors, for example by asking how the value elements compare with those of the next best alternative [Anderson et al 2006.94].

Customer value identification is a process that needs a systematic, predesigned structure and the findings need to be well documented. It is important to understand the customer's needs and difficulties in a larger perspective and not only in a point of view of one certain product.

Figure 5 below presents the framework which is applicable in this thesis for determining the customer needs.
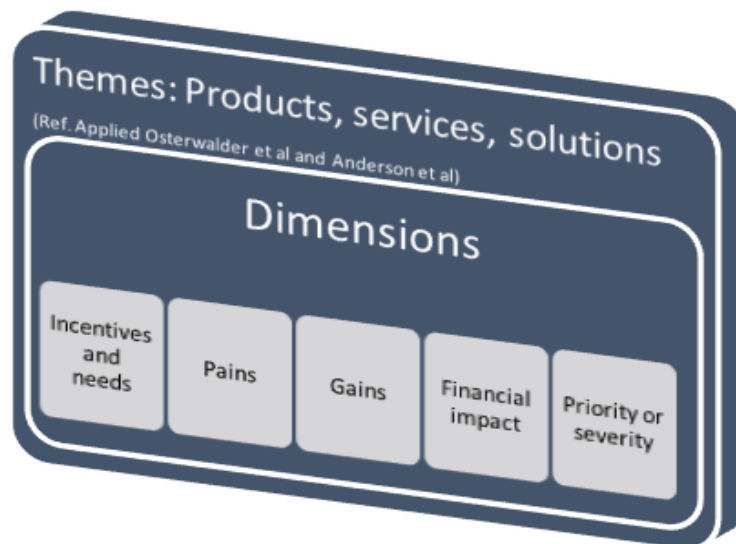
Figure 5. Framework for customer needs analysis. [Osterwalder et al 2014 & Anderson et al 2006].

As presented in Figure 4, the customer needs will be identified within three themes: Products, services and solutions. From all these themes, the dimensions presented above will be identified to provide a comprehensive understanding of the customers' needs. The multidimensional view that the framework creates will provide important input for crafting the CVP and marketing recommendations.

In Osterwalder's value proposition model (2010), one customer value category is *jobs*. The customer jobs related to case company's products are rather obvious, thus the "jobs"-value category has been replaced by "incentives and needs". The purpose of this is to provide more information about the customer's buying behavior and reasons behind the purchase decisions. Financial impact has also been added as one of the dimensions as proposed by Anderson et al. (2006: 96-97). For understanding the monetary value of certain products or services, it is important to understand the direct and indirect costs related to implementing these products or services. All of the customer data has to be well documented and the data has to be analyzed and prioritized before it can be used as an input for customer value proposition.

3.3 Total Customer Offering

Total customer offering refers to a combination of solutions (products, services and emotional benefits) that form a bundle that enhances the customer perceived value.

The total customer value is the perceived monetary value of the bundle or economic, functional, and psychological benefits customers expect from a given market offering. [Customer perceived value 2015].

Business practice suggests that it is but very seldom that products alone offer all the benefits that the customer is looking for. Products must be combined with other elements before the customer can realize the full value of the offering. [Vandenbosch and Dawar 2002: 37-39]. Anderson et al. (2006) argue that suppliers need to be able to convincingly demonstrate the cost savings or added value that their customers are expected to gain from the company's offering. Hence, when identifying customer needs, it is important to ask questions also apart from the product features and document the monetary impacts of different solutions.

Anderson et al (2014) found in their study that, during sales transactions, many companies try to stress features that they have and that their competitors lack, and when this does not work they reduce the prices. Often the customers are looking for neither of these. Offering features that the competitors lack, but the customer doesn't need doesn't bring more value for the customer. The customers are willing to accept deals that they find valuable when it falls within a reasonable range: plus or minus 3% to 5% of the competitors' offerings. Instead of price reductions or randomly emphasizing features that the competitors do not have, the companies should identify the so called *justifiers.* These *justifiers* are the extra offerings whose value is self-evident and will enhance the customer perceived value. [Anderson et al 2014]. The *justifiers* can be supplementary services or solutions, but the value that they bring for the customer need to be identified beforehand.

For identifying these *justifiers* Anderson at al. (2014) propose three approaches: understanding how the customer's actually use the offering, how to combine the products or services with other purchases and what are the customer's business priorities. A holistic understanding of the customer needs on various dimensions offers a possibility to create a targeted offering that truly increases the customer value. Thus, combining product features, service and solution offerings will help to create a successful total customer offering.

3.4   Building a Customer Value Proposition

Successfully crafted Customer Value Propositions are distinct and interesting and they highlight points that truly create value for the customer. The definition of customer value proposition and best practice on creating CVPs are presented in the section below.

3.4.1   Definition of Customer Value Proposition

Value propositions, according to Grönroos and Ravald (2011: 13-17), are promises about the future value, which the customer can expect when purchasing company's product or service. Thus the customer value proposition highlights the primary reasons why the customer should buy from this company and not from its competitors. Value proposition, when crafted correctly, is a great tool for approaching the customer and raising customer's interest on the company's offering.

When the company is operating outside of the customer's value-creating process, the company can only offer value propositions and not create value, since ultimately it is the customer who determines the value [Vargo and Lusch 2004: 11]. But when the value proposition highlights points that truthfully create value for the customer, the company becomes a value facilitator. Thus value propositions are an integral part of the value creation process.

Since the customer determines the value, it is important to understand and identify what the customer values, before creating a value proposition. Therefore, value proposition creation process cannot be alone company's internal process, but has to include identification of customer needs. In many B2B businesses this can be done most efficiently by interviewing the customer face-to-face. [Simons 2014: 52-53].

Customer tastes and needs will change, new technologies will replace old ones, regulations change and population demographics will evolve over time, thus gather customer information and identifying customer value is a continuous process [Simons 2014: 54-55]. Also, the same applies for the customer value proposition and due to the above mentioned reasons, it needs to be revised or replaced over time. Hence a value proposition has a "best before date", which can be determined only by continuous and systematic customer value evaluation and market analysis.

3.4.2 Available Knowledge for Building Customer Value Propositions

The best practice used in this study utilizes the findings from Anderson et al (2006) and Osterwalder et al (2014) on creating successful value propositions. Anderson et al (2006) define the points needed for a successful CVP and Osterwalder et al (2014) describe the approach to determine the fit between the company offering and customer needs.

Products alone very seldom provide all the benefits that the customers are looking for [Vandenbosch and Dawar 2002: 38], thus it is important to include aspects beyond product features in the customer value proposition. According to Anderson et al (2006: 98) a successful value proposition is *measurable, distinctive* and *sustainable. Measurable* means that the features presented in the value proposition can be measured and turned into cost savings or incremental profits. *Distinctive* means that it clearly gives competitive advantage to competitors and *sustainable* means that the CVP is valid for a significant period of time.

Many companies have the same value proposition for all their customers, which means that they have not tailored the CVP according to the customer's needs [Anderson et al 2006: 92). The research from Anderson et al (2006) revealed that in most cases, there are three types of value propositions: all benefits, favorable points of difference and resonating focus.

All benefits simply mean a listing of all the benefits that the customer is believed to receive from the company's offering. This approach requires the least knowledge of the customers and competitors, thus it is rather quick and simple. The drawback is value assertion, which means that the value proposition might emphasize points that do not actually create any value to the customers. The second drawback is that it might emphasize points that the competitor's offer as well and hence dilute the effect of the few real points of difference.

The second type of value proposition is a summary of favorable points of difference, which emphasizes the differences to the next best alternative. This type of value proposition is trying to answer to the question why your offering is more interesting then the competitors, and by this differentiating it from the competitors. This approach requires a detailed knowledge of the competitors' offerings and the benefits they can offer. The

drawback of this approach is that it can lead to value presumption without detailed knowledge of the customers' requirements. Value presumption means that the company may stress points of difference that deliver relatively little value to the customer.

The last type of value proposition is a resonating focus, which according to Anderson et al. (2006: 94) is the most successful approach, since it highlights elements that matter the most to the customers. This value proposition combines elements that the competitors may also be able to offer, but are required by the customer (points of parity), and elements that differentiate the offering from the competitors (points of difference). For this approach the points which deliver the most value for the customer are chosen.

The resonating focus approach combines a detailed understanding of the customer value and knowledge on the competitors' offerings, hence it is the most laborious to construct. (Andersson et al. 2006: 92-96). The resonating focus approach is used in this study for creating the CVP and marketing recommendations. The most important points of parity and points of difference, which have a fit to the identified customer needs, will be used.

The value proposition should also demonstrate documented monetary effects that the offering will have (Grönroos and Helle 2010: 574-575). Therefore, it is important to understand the customers' cost structures, incentives and the kind of cost savings that the company's offering can bring. This requires relatively detailed understanding of the customer's processes and current market conditions, for example regarding legislation.

Business practice suggests that the best way to demonstrate the monetary value is to show examples of reference customers that have realized certain cost savings or increases in revenue by using the company's products or services. Often, this approach is not possible if the products or services are new, and no reference cases exist. In this type of situation, the company can use *value calculators* which are created by value specialists for the salespeople to show the expected savings for the customer. (Anderson et al. 2006: 96-98).

As mentioned above, the customer value proposition should include distinctive points that will actually create value for the customer. Thus customer value should be identified and the company offerings should be mapped and there should be a fit between

these, as presented in the Figure 6 below [Osterwalder et al. 2014: 61]. Figure 6 shows
the value proposition model by Osterwalder et al. 2014.
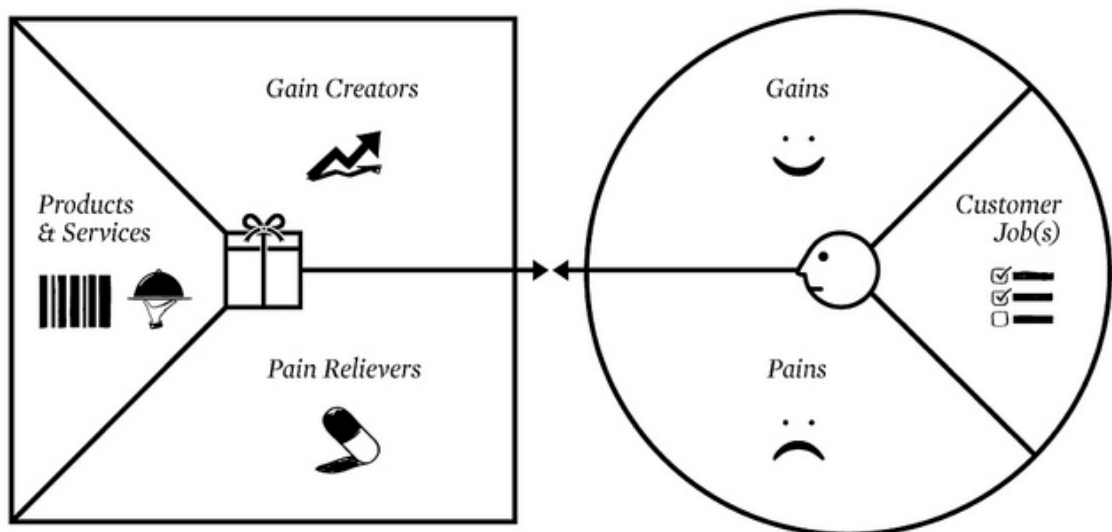
Figure 6. Value proposition map. [Osterwalder et al 2014: 61].

As shown in Figure 6, identifying the customer's pains, gains and jobs will create a
customer profile which can be matched with gain creators and pain relievers that the
products and services can offer. By utilizing this method, the customer value proposi-
tion will include benefits that the customers will actually find valuable.

3.4.3   Conceptual Framework for Creating a Customer Value Proposition

The conceptual framework for this study is created based on the available knowledge
reported above regarding the identification of customer needs and creation of CVPs.
The developed framework starts with selecting the customer segment for which the
CVP will be designed for. After choosing the segment, the customer needs of this par-
ticular segment are identified. The last input is to determine the features, benefits and
differentiators that the company's products can offer. Matching the customer needs and
company offering will lead to a CVP.

The customer needs identification will be done by focusing on three themes: product
benefits, services and solutions. For all these themes, five dimensions need to be iden-
tified as explained in section 3.2. The dimensions include the customer incentives and

needs and what causes the customers' gains and pains. Also, based on the interviews, these value categories are prioritized as for severity levels, as well as their financial impacts. This assessment will provide information for matching the company product benefits and customer needs, but will also help to formulate the marketing recommendations which include suggestions for service offering for re-sellers.

Therefore, in this study, the CVP will be crafted by matching the identified customer needs and the company offering. The CVP will consist of points of parity, points of difference and monetary value. The conceptual framework for building a CVP is presented in Figure 7 below.
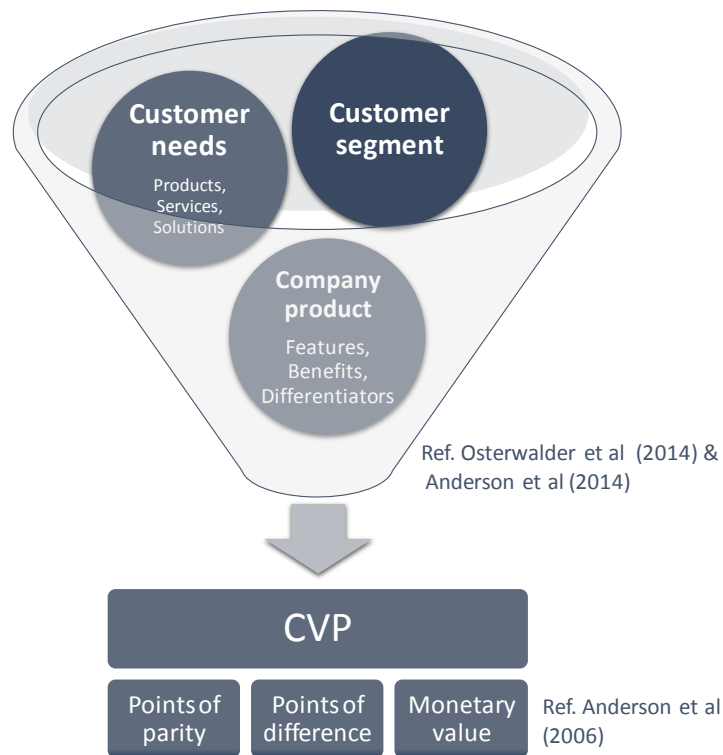
Figure 7. Conceptual framework for building a CVP.

The presented framework is based on the customer value proposition models by Osterwalder et al. (2014) and Anderson et al (2006 & 2014) with some modifications and additions to match the needs of the case company. These modifications relate to identifying the customer needs in more dimensions than proposed in the model by Osterwalder et al. (2014) and additional dimensions to the offering as described in Section 3.2.

The themes and dimensions of the customer needs identification are selected to provide a holistic understanding of the needs of the customer. Since products alone seldom provide all the benefits that the customer is looking for, it is important to identify what kind of solutions and services would the customer prefer or need. The questions on services and solutions will provide important input for creating the recommendations for the re-sellers.

The next section discusses the selection of the customer segment for which the CVP will be created. Also, the product benefits mapping and the customer needs analysis is described.

4   CURRENT STATE ANALYSIS

In this section, the selection of the customer segment is described and the customer needs analysis and the findings of the product benefit mapping are presented. The findings of this section will be used as a starting point for building the CVP and marketing recommendations.

4.1   Selecting the End-Customer Segment

The pre-mapped customer segments were received from an external consultant, knowledgeable on the field of fuel direct sales in Sweden. The customer segments were categorized as re-sellers, truck companies, machinery, bus companies, maritime, heating, small customers and cities and communities. The customer segments included information on the volume potential, logistic solution and current provider. The logistic solution is either pick-up from the terminal, delivered to the depot or delivered to the customer. The current provider is listed because the case company doesn't want to take over business from its wholesale customers. The volume potential is an estimation of the total volume that the company uses / sells. Figure 8 below shows an example of the division of the customer segments.

Company code	Busines segment	Current provider	Logistics	Estimated volume
Company 13	Bus company	Company 2	Delivery to depot	high
Company 19	Reseller	Company 2	Pick-up	high
Company 24	Reseller	Company1&2	Pick-up	low

Figure 8. Example of the customer segmentation.

During the business planning process, it was recognized that the case company cannot handle day-to-day logistics operations with the current employee setup. Therefore, it was decided to operate through re-sellers. Because the re-sellers do not have detailed knowledge of the case company's products, it is necessary to provide them with a CVP and marketing recommendations to approach the end-customers.

The end-customer segment with the most potential was identified as bus companies, due to their high volume potential, set of current providers and potential interest in bio-fuels. Thus, bus companies are selected as the end-customer segment for this study.

4.2 Identifying Customer Needs of the Chosen Segment

As mentioned in the subsection above, the end-customer segment chosen for this study is bus companies. Three bus companies were selected for identification of the customer needs. These specific companies were chosen because of the existing relationships with the case company, which made approaching them convenient.

The research was carried out by interviewing these three customers individually and writing the field notes based on the interview recordings (Appendix 1). The collected data is analysed by content and thematic analysis. The findings are presented in customer needs maps (Figure 9, 10 and 11). The customer needs maps are presented to the case company stakeholders in the workshop as an input for the CVP and marketing recommendations.

The customer needs maps are designed in a way that it shows the importance and financial impact of certain customer needs categories in a simple manner. Since the maps are presented to the case company stakeholders in a workshop, where the time is limited, they cannot contain too much or too difficult information. Thus, the customer needs have been somewhat simplified and categorized in themes. These maps have two axes: The vertical axis represents the level of importance or severity and the horizontal axis represents the customer perceived value or willingness to pay less or more for a certain feature.

In the following profiles, the three company analyses are presented.

4.2.1 Company A

Company A represents a very price-conscious customer segment, which considers additional services valuable when they reduce the direct or indirect costs of the company. Figure 9 below presents the analysis results for Company A.
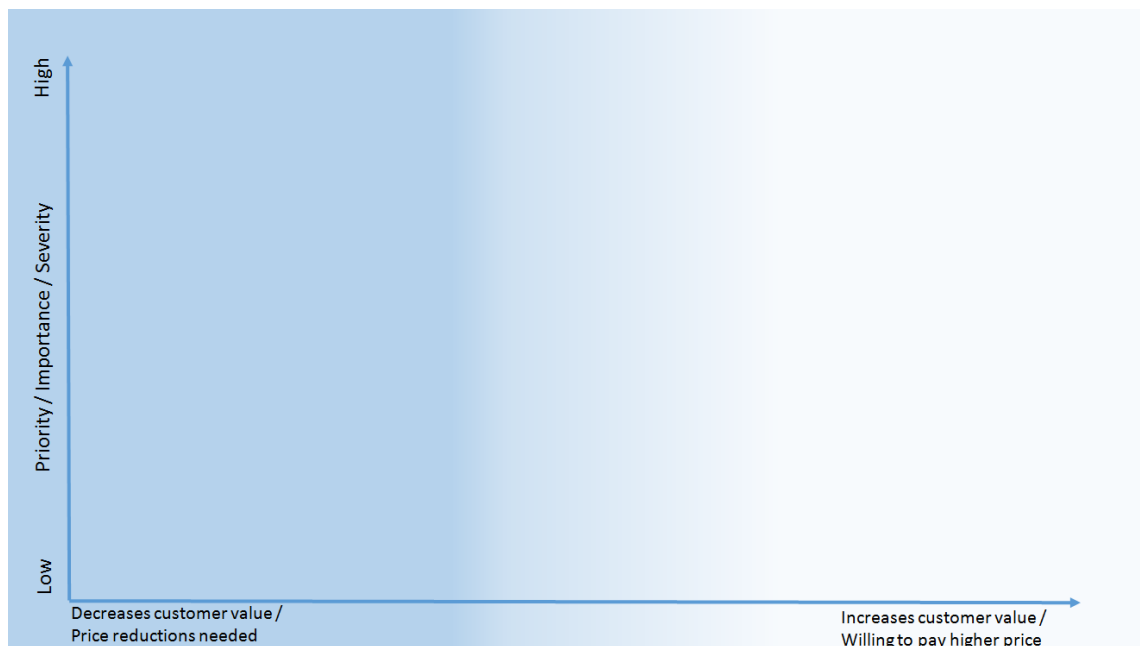
Figure 9. Customer needs analysis (Company A).

As can be seen in Figure 9, Company A requires on-time deliveries with automatic refill and high quality products. They are not willing to pay extra for these features, since the current level of these services is already on a satisfactory level. Additional services, like the "tank ring", are in the company's interest and could reduce their costs and hence are something that increases their perceived value. The respondent described the cardless refueling ("tank ring") like this:

> "The cardless refueling is a great system as long as it works perfectly. The major benefits of this system are that we don't have to separately write down the odometer reading of the vehicles, which helps us to plan the vehicle maintenances, and that we get the refueled liters automatically to our ERP system."

Even though the system has been build to ease refueling and prevent thefts, it actually increases the customer value from a different aspect that it has been originally designed for. Thus the "tank ring" system has multiple benefits and can possibly reduce costs of the bus companies.

Technical support is needed for using biofuels in the start-up phase, but the technical support for fossil fuels is not needed. If a fuel could lower the Total Cost of Ownership (TCO), and this would be presented convincingly, it would be something that the Company A could be willing to pay extra for. But if there would be only one supplier for this type of fuel, it would lower the interest of the company towards this fuel. A single supplier has too much bargaining power and this puts a lot of pressure on prices.

4.2.2   Company B

The second company (Company B) represents a company that is environmentally conscious. Figure 10 below presents the customer needs analysis results for Company B.
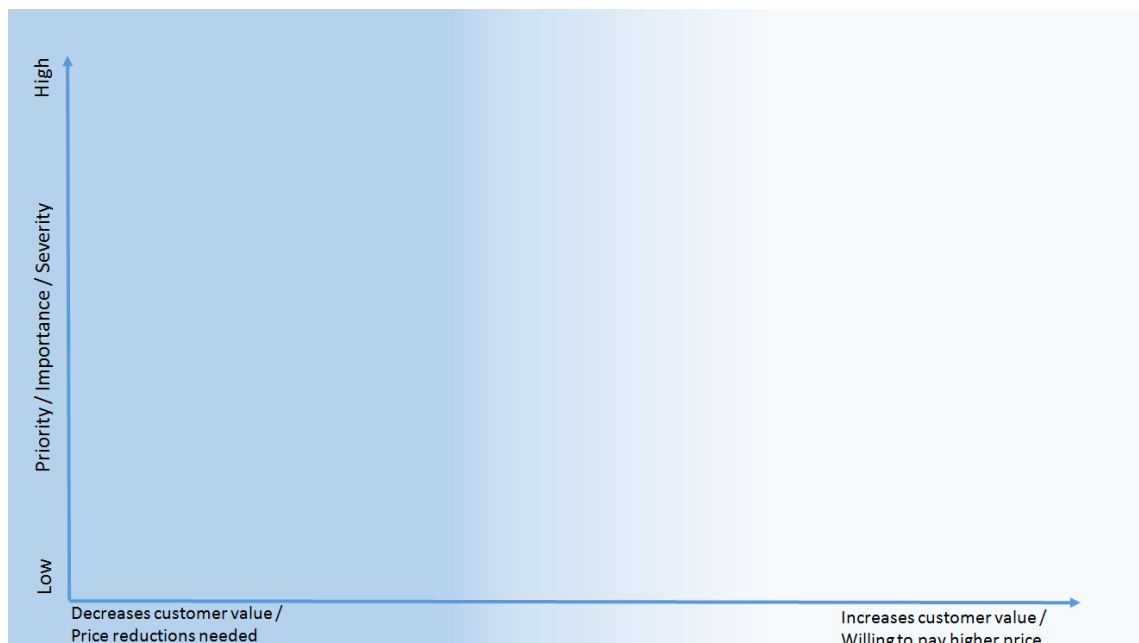
Figure 10. Customer needs analysis (Company B)

As can be seen from Figure 10, Company B values environmental aspects and the positive image that biofuels can offer. Naturally the price of the fuels is seen as an important aspect, but non-financial aspects, like the image value, are also considered important. The company sees technical support and open attitude from the fuel supplier as an important part of the business. The fuels that could lower the total cost of ownership (TCO), reduce local emissions or lead to lower insurance costs, would be something that the company would be willing to pay extra for.

In this case, Company B does not want to do the fuel logistics themselves even if it would lead to small price reductions. If the fuel reduces the vehicles' resell value or vehicle operating range, it would cause severe problems and price reductions or financial compensation would be needed. Increased fuel consumption is not a big issue as long as the increased consumption is compensated in the fuel price.

4.2.3 Company C

Company C represents a segment that values easiness with some flexibility. Figure 11 below presents the needs analysis for this company.
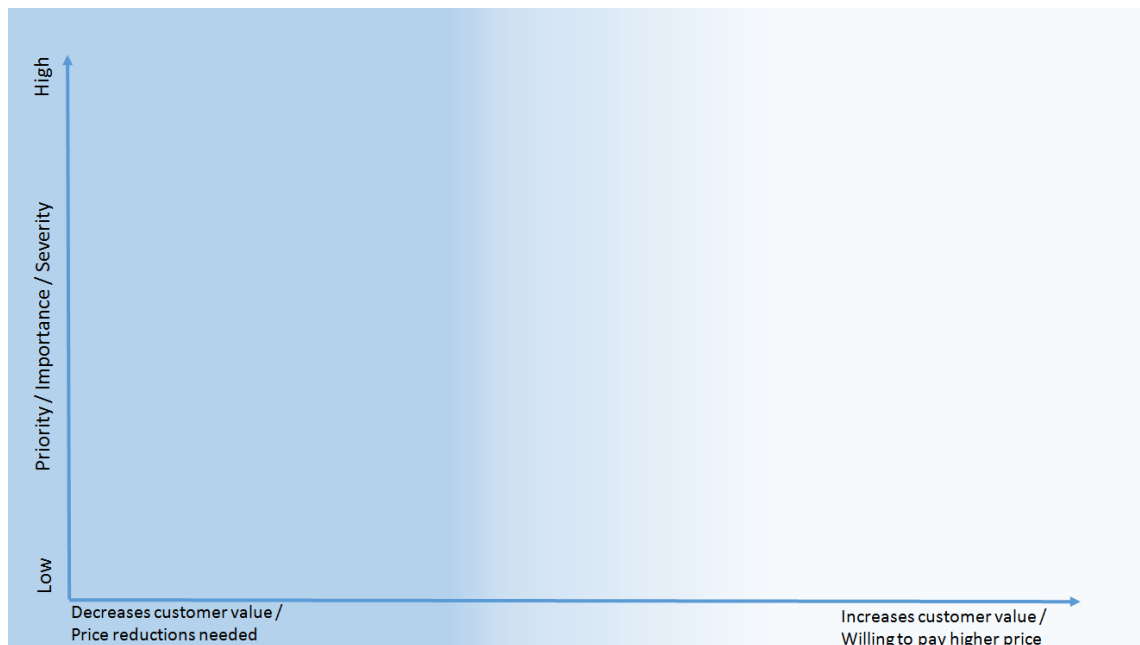
Figure 11. Customer needs analysis (Company C)

As seen from Figure 11, Company C requires predictable performance from the fuels that it uses. The company is calculating the Total Cost of Ownership (TCO) for their fuels and vehicles very carefully and they want to be able to predict the costs, as follows:

> "The fuels need to work predictably. It doesn't matter so much to us if we need to do a bit of extra maintenance, as long as we know what to expect and what it costs us.", Company C fleet manager.

Company C requires technical support from the fuel manufacturer when starting to use a new biofuel, but extra services, like the "tank ring", are not necessarily needed. Additional services which can bring operational cost reductions would increase the interest of the company. In general, the company values easiness: "we would like to buy the fuel delivered to the tank of our busses", as the respondent puts it. Fuels that are easy to operate and do not require additional infrastructure or new vehicles increase the value for the customer.

The company is not currently handling the fuel logistics and an external company is taking care of everything related to delivering the fuels on-time. Company C does not want to take care of the logistics themselves, even if it would bring cost savings.

4.3 Product Benefits Identification

As presented in the conceptual framework in Section 3, a part of crafting the CVP is to determine the features, benefits and differentiators that the company's products can offer. This product benefit identification will be used as an input for formulating the CVP for the physical product.

The product benefit mapping was done by sending a questionnaire to the case company internal stakeholders. These stakeholders are familiar with the company's products and competitors' products. The questionnaire included three categories: product features, product benefits and product differentiators as can be seen in Table 2 below.

Table 2. Product benefit questionnaire template.

| | Product feature | Benefits from the feature | Differentiators | | | | |
			Competitor1	Competitor2	Competitor3	Competitor4	Competitor5
Product 1							
Product 2							

Table 2 presents the product benefits mapping template. Five people filled out the questionnaire and the responses were combined in one excel sheet (Appendix 2). The purpose of the questionnaire is to provide information for the participants of the workshop about the benefits that the company's products can offer and how the products

differentiate from the competitors. The product benefits mapping questionnaire will be used as an input for crafting the CVP.

As the customer needs identification revealed, all the bus companies had a need for biofuels. Thus, the case company's product that the CVP will be created for will be a renewable fuel.

4.4   Summary of Current State Analysis

The purpose of the customer needs identification and product benefits mapping was to provide input for building the CVP and marketing recommendations. The approach presented in Figure 12 below was used in the current state analysis phase.
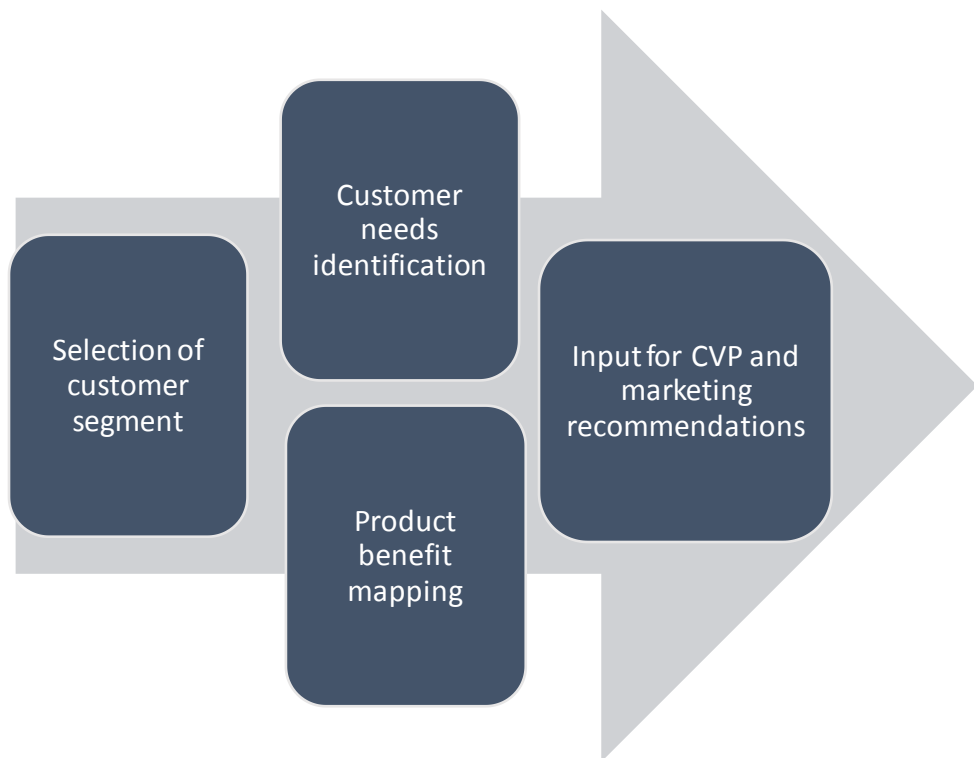

Figure 12. Current state analysis approach.

In Figure 12, the first step in identifying the customer needs was to determine the end-customer segment which the study will focus on. Bus companies were selected as the end-customer segment, because of their high business potential. Since the case company will be operating through re-sellers, which do not have the detailed knowledge of

the case company's products, it is necessary to provide them with a CVP and marketing recommendations to approach the end-customers.

In the second phase, the customer needs were identified by interviewing three customers from the selected end-customer segment. The customer needs were analysed, categorized in themes and plotted on customer needs maps. These maps were designed in a way that they illustrate the importance and financial impact of certain customer need categories in a simple manner. The customer needs maps have two axes: The vertical axis represents the level of importance or severity and the horizontal axis represents the customer perceived value or willingness to pay less or more for a certain feature. These axes and the summary of the customer needs analysis is presented in Figure 13 below.

Based on the customer needs analysis, it was clear that the companies want to have a reliable and simple fuel logistics solution in place. They are not interested on arranging the fuel logistics themselves even if it would be compensated in the fuel prices. All of the companies had a need for biofuels on some level, because the use of biofuels is required by the authorities who are placing the public transportation tenders. Thus, being able to offer biofuels is crucial for the fuel provider.

It was also identified, that solutions, services or products that can lower the Total Cost of Ownership (TCO) and operating costs are valued by all companies and they would be willing to pay extra for these. The analyzed companies indicated that some services or product features, like for example technical support for biofuels or good cold properties, could increase the value of the offering and hence could be something they would be willing to pay a small premium for. Since the fuel price is a major part of the operating costs of the companies, large premiums in fuel prices are not to be expected for additional services or solutions.

The summary of the customer needs analysis is presented in Figure 13.
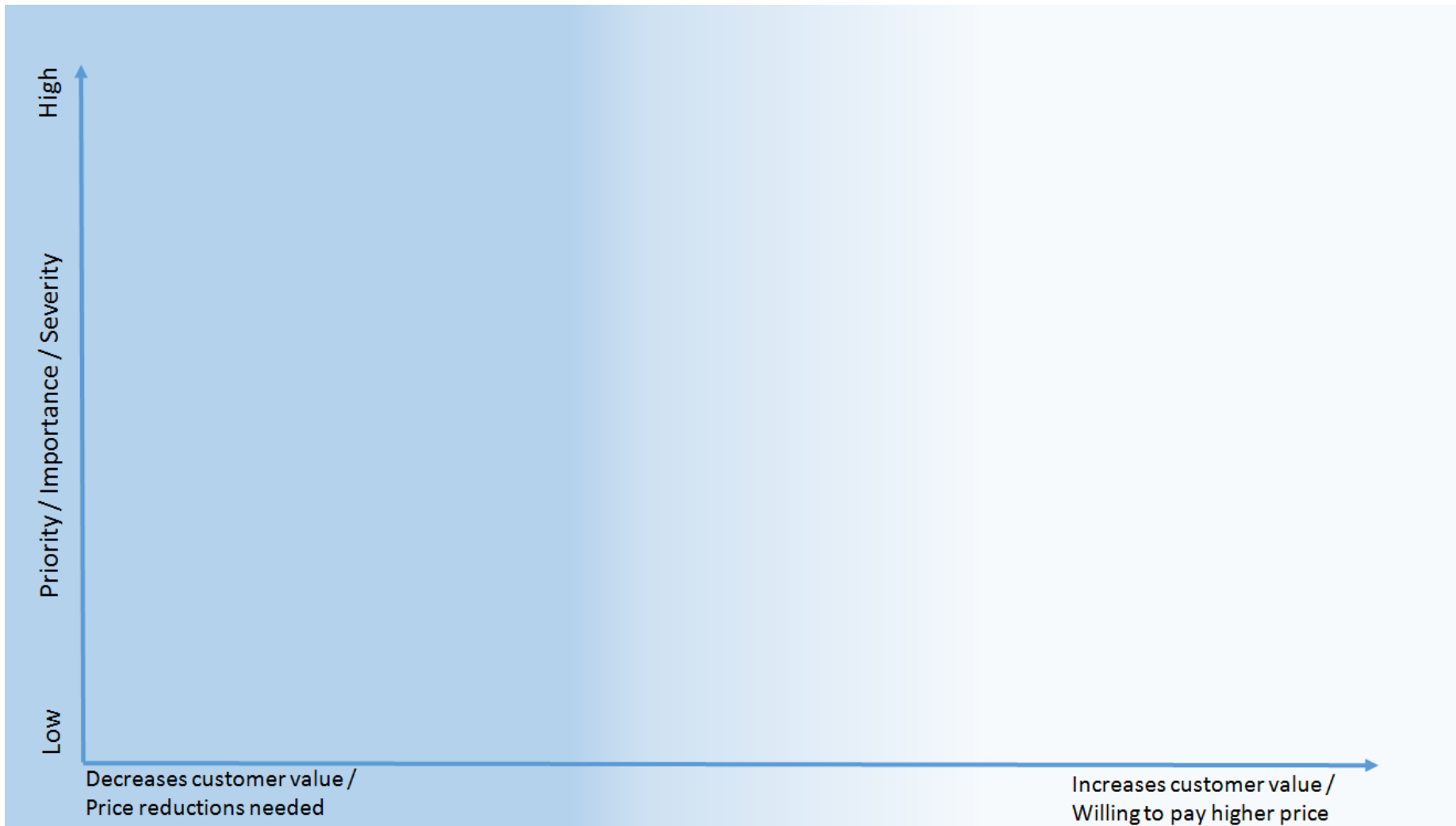
Figure 13. Summary of the customer needs analyses.

Figure 13 shows the most important aspects of the customer needs analysis. The features in the upper right corner are most important for the customers and are something that the customers would be willing to pay a small premium for. The features in the upper and lower left corners are causing most problems to the customers and hence decrease customers' perceived value.

Finally, the features, benefits and differentiators of the case company's products were identified. This was done by sending questionnaires to the case company internal stakeholders who are familiar with the products. Since the customer needs identification revealed that there is a need for biofuels by all of the end-customers, the product for which the CVP will be crafted for is a biofuel. The product benefit mapping will be used as an input for the workshop for building the initial CVP and marketing recommendations.

The next section describes the approach for building the initial proposal and presents the initial CVP and marketing recommendations.

5 BUILDING A CVP AND MARKETING RECOMMENDATIONS FOR RE-SELLERS

This section merges the findings of the current state analysis towards the building of the initial CVP and marketing recommendations.

5.1 Need for a Conceptualized CVP and Marketing Recommendations

The case company started new direct sales business in Sweden by renting terminal capacity in Södertälje. During the business planning process, it was recognized that creating a new logistics organization is Sweden is too costly and hence it was decided to operate via re-sellers. Since the re-sellers are not familiar with the case company's products, it is necessary to provide them with a CVP and marketing recommendations to approach the end-customers. Therefore, this thesis concentrates on creating a systematic CVP crafting approach and CVP content for one end-customer segment. The end-customer segment chosen for this study is bus companies, because of their high business potential.

Based on the end-customer interviews, all of the analysed bus companies had a need for biofuels. Therefore, the physical product for which the CVP will be crafted for is a biofuel. As the customer needs were identified also in the field of services and solutions, it is also possible to identify services that the customers would require or would find valuable. Consequently, the marketing recommendations for the re-sellers will consist of recommendations for service offerings and estimating the monetary value of the offering.

5.2 Matching the Customer Needs and the Company Offering

The customer needs and the company offering should have a fit to create a CVP that the customers find interesting and valuable. For determining this fit, a workshop was organized for internal stakeholders to match the customer needs and the points that the company's product can offer. Also, marketing recommendations for re-sellers were generated based on the customer needs. The participants of the workshop were selected to represent different parts of the organization in order to cover a wider perspective and diverging views.

The workshop had three phases as explained in Section 2.3: individual work phase, small teamwork phase and a phase where the whole group works together. The purpose of this Me-We-Us-method is to active all participants and share and co-create ideas in different phases of the workshop (Kantojärvi 2012: 54-55). The objective of the workshop was to find a fit between the case company's physical product, possible service offerings and customer needs as presented in Figure 14.
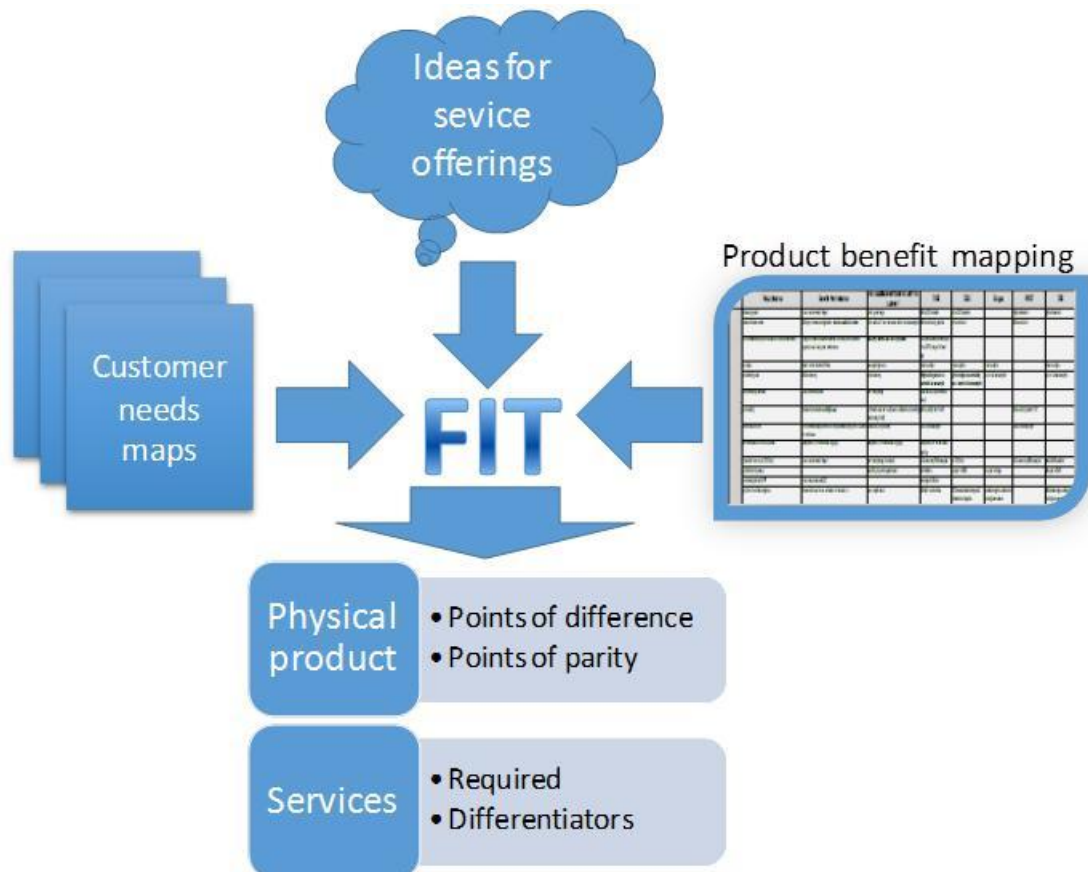
Figure 14. Workshop approach for matching the customer needs and company offering.

The customer needs maps and the product benefit mapping were given to the participants in the beginning of the workshop to study them thoroughly. The participants were supposed to match the customer needs and the benefits of the physical product in terms of points of parity and points of difference as explained in Section 2.3. Additionally, the participants could propose possible services that the re-sellers could be offering. At the end of the workshop, the most import points for the physical product were identified and service offerings were proposed.

As an outcome of the workshop, points of parity and points of difference were identified for the physical product and service offerings. Each participant could give three votes for the most important points in their opinion, and the ideas which received the highest votes were selected to be used in the CVP. The field notes of the workshop are presented in Appendix 3 and the outcome of the workshop is presented in the Table 3 below.

Table 3. The outcome of the workshop for building the initial proposal.

Workshop outcome:			
Points of Parity (PP)	votes	**Points of Difference (PD)**	votes
	2		2
	1		2
	4		2
	3		6
	4		5
	3		0
	5		0
	0		1
	0		0
	0		3
			0
			3
			1
Highest votes:			
Existing services		**Physical product**	
Hassle free logistics	PP	Low TCO	PD
Technical support from fuel manufacturer	PP	Environmental package: Less local emissions + Lowest CO2 emission	PD
Biofuel reporting	PP	Biofuel	PP
		Drop-in biofuel with superior cold properties	PD
New services			
Individualized emission reporting (Local emissions+ CO2)	PD		
Offering warranty	PD		

As can be seen in Table 3 the most important points of parity and points of difference were identified for the physical product. The service concepts were divided into two categories: Existing services and new services. The existing services are something that the customers require, but can also be offered by other companies. New services are ideas of totally new services matching the customer needs. These service concepts were generated during the workshop and the re-sellers could be offering these to differentiate from the competitors.

5.3   Building the Initial CVP

The outcome of the workshop was used to create the initial CVP. The points of difference and the points of parity are presented here below.

For the physical product, the most important point of difference is the low total cost of ownership. Total cost of ownership (TCO) is a financial estimate intended to help buyers and owners determine the direct and indirect costs of a product or system. The low total cost of ownership was seen as an important factor by the customers and is something that the customers indicated they would be willing to pay extra for.

Since the competitors can also offer lower local emissions, it was decided to bundle up lower local emissions together with the highest CO2 reduction to form an "environmental package", which is then a unique feature for case company's product. Drop-in biofuel and good cold properties were also identified as important factors to the customers, and they were combined together to match the customers' needs.

Since the customers have a need for renewable fuels, but competitors can also offer biofuels, this element makes the point of parity for the case company's product. The CVP for the physical product will therefore include the following points of difference and a point of parity:

Points of difference:	Low total cost of ownership (TCO), less local emissions and lowest CO2 values (environmental package), a drop-in biofuel with superior cold properties.
Point of parity:	The fuel is produced from renewable raw materials.

The low total cost of ownership (TCO) is seen as a valuable point by the customers, but they indicated that it needs to be convincingly proven. Thus, without showing the cost factors that differentiate the case company's product from the competitors, the argument is not seen as convincing. Therefore, it is important to have a tool to calculate the monetary value of the offering.

5.4   Highlighting the Monetary Value of the CVP

As highlighted by Andersson et al. (2006: 96-98), value calculators are a convincing way of showing the monetary value of the company's offering. For that reason, a value calculator was designed for estimating the financial impact of competing products.

It was recognized during the customer needs identification that all the competitors' products cause additional indirect costs for the bus companies. Therefore, the case company's product is superior because it does not require any additional investments or extra maintenance, hence reducing the total cost of ownership.

Based on the information from the customer interviews and existing knowledge of the different products, a value calculator (Appendix 4) was formulated for calculating the savings that the company's product can offer. Utilizing the value calculator, also the low total cost of ownership argument can be credibly proven. The value calculator was created by the author with a help of a researcher from the product development team. Figure 15 below presents the value calculator's output data.
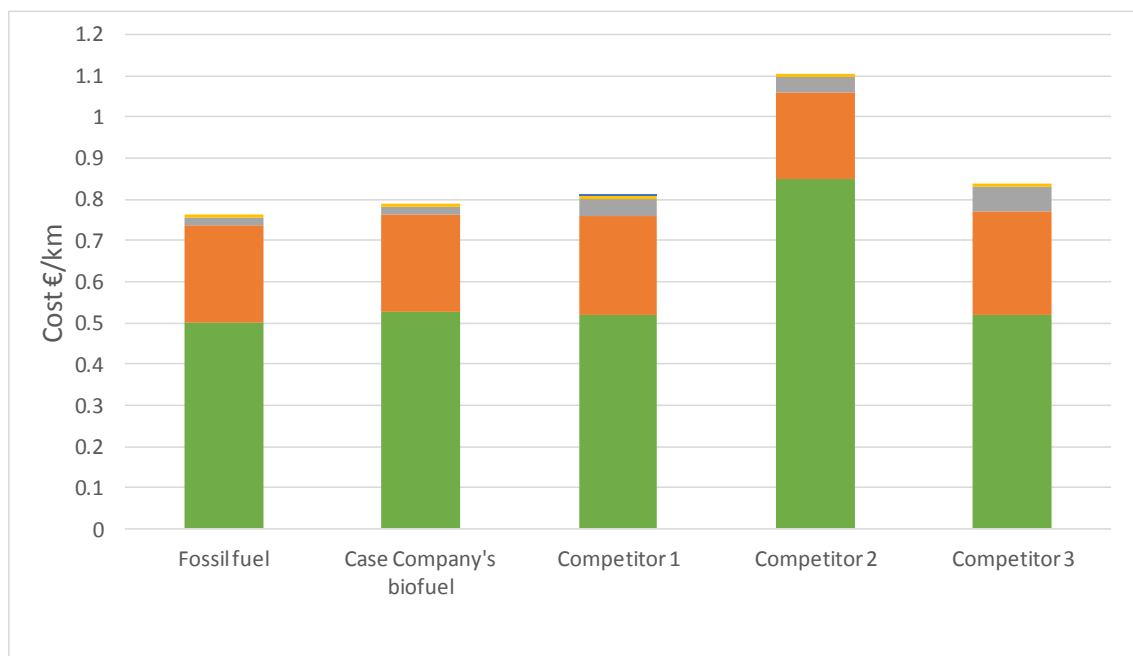
Figure 15. Outcome from the value calculator.

The value calculator includes costs that are related to the use of certain type of fuel: Fuel price and consumption, maintenance costs, vehicle insurance costs, vehicle depreciation and costs of modifying the vehicles for a certain type of fuel. Some fuels require new vehicles, some more maintenance and some decrease the resell value of the vehicles, and therefore the cost structures are different for all the fuels.

The input values to the calculator have to come from the customer to match the company's indicated costs and competing offers. Based on these input values, it is possible

to calculate the total cost of ownership (TCO) for competing offers and show the concrete savings that the customer can realize from using the case company's product.

The logic of the value calculator is to sum up all the direct and indirect costs related to the use of certain fuels during the useful lifetime of the vehicle. For example, the use of certain competitor's fuel reduces the resell value of the vehicles or makes it even impossible to resell them, which then influences the total cost of ownership during the lifetime of the vehicle. The costs are calculated per kilometer, which makes the costs comparable for all fuels. The value calculator is a tool that the re-sellers can use to show the customers the true costs of the products and to compare competing offers.

5.5 Generating Marketing Recommendations for Re-sellers

The purpose of the marketing recommendations is to give guidelines to the re-seller on what to offer to the end-customers. The marketing recommendations do not include grounding of the CVP arguments due to confidentiality reasons. These groundings will be presented in the marketing material which will be produced for the re-sellers in a later stage.

The services that the customers require or see valuable were identified in the workshop. These services form the basis of the marketing recommendations. Based on the customer needs identification, the services that the customers require, but can also be offered by the competitors, are reliable on-time deliveries, technical support from the fuel manufacturer and biofuel reporting. For the re-sellers to differentiate from the competitors, they could be offering individualized emission reporting or additional warranties.

The customer needs analysis revealed that the customers' require on-time and problem-free fuel deliveries. They do not want to do the fuel logistics themselves, thus offering this service is necessary. Some customers would even prefer to have the fuel delivered all the way into the tanks of the busses, which is an indication of the service level that the customers desire. Hence, it is recommended that the re-sellers design their logistics in a way that the end-customers do not need to order fuels or care about the logistics in any way. The less hassle the fuel logistics cause to the end-customers the higher the customer perceived value.

Technical support was seen especially important in the start-up phase of using new biofuels. It was also recognized that the customers value support directly from the fuel manufacturer, which according to the customers has the best knowledge on the products. Thus, offering technical support is important and highlighting the fact that the fuel manufacturer is supporting the re-sellers is beneficial.

The public transportation authorities require reports on the CO_2 reduction and the amount of biofuels used by the bus company. Therefore, it is necessary to offer biofuel reporting for the end-customers. These reports are often requested once per year, hence this is the minimum reporting frequency. The case company will be proving reports for the re-sellers on the CO_2 reduction of the sold fuels and this should be used as the basis for the reports to the end-customers.

For the re-sellers to differentiate from their competitors, offering individualized emission reports including local emissions and CO_2 values for each vehicle type individually could be a differentiating factor. Since the local emission reduction gained with the case company's product is dependent on the vehicle type, it is necessary to show this information per vehicle. This type of service, based on the customer interviews, would create more value for the customers, since the bus companies could receive financial bonuses from the local authorities by showing that they have improved the local air quality. Also, the bus companies could be optimizing the biofuel usage, on the level required by the authorities, if they know the exact CO_2 reduction, for example, monthly.

Furthermore, the re-sellers could be offering an additional warranty for the bus companies if they start using the case company's biofuel. Two barriers were identified: Some of the customers are uncertain about using new fuels and the vehicle manufacturers are rather reluctant to give permissions or extending their warranties when using totally new biofuels. Therefore, offering a warranty which protects the end-users from any extra costs related to using the fuel would lower these barriers. This warranty could be financially supported by the case company on certain terms. Because the case company has a lot of experience with the fuel, and knows that no damages related to using this fuel will occur, it is rather safe to provide this kind of an additional warranty.

5.6   Summary

Building of the initial proposal for the CVP and the marketing recommendations was done by matching the customer needs and benefits of the physical product. Additionally, services that create value for the customers were identified and these form the marketing recommendations.

As the conceptual framework illustrates, the input for building the proposal comes from the current state analysis: customer needs identification and product benefit mapping. For finding a fit between these two, a workshop was organized for internal stakeholders. The outcome of the workshop is a listing of the most important points of difference and points of parity for the physical product and important service offerings. This information was used for building the CVP and generating marketing recommendations as the initial proposal in this study.

The initial proposal includes the following three elements: (a) a CVP for the physical product, (b) value calculator, and (c) marketing recommendations. In Figure 16, the customer needs that the CVP and marketing recommendations have a match with are highlighted (red and black circles).
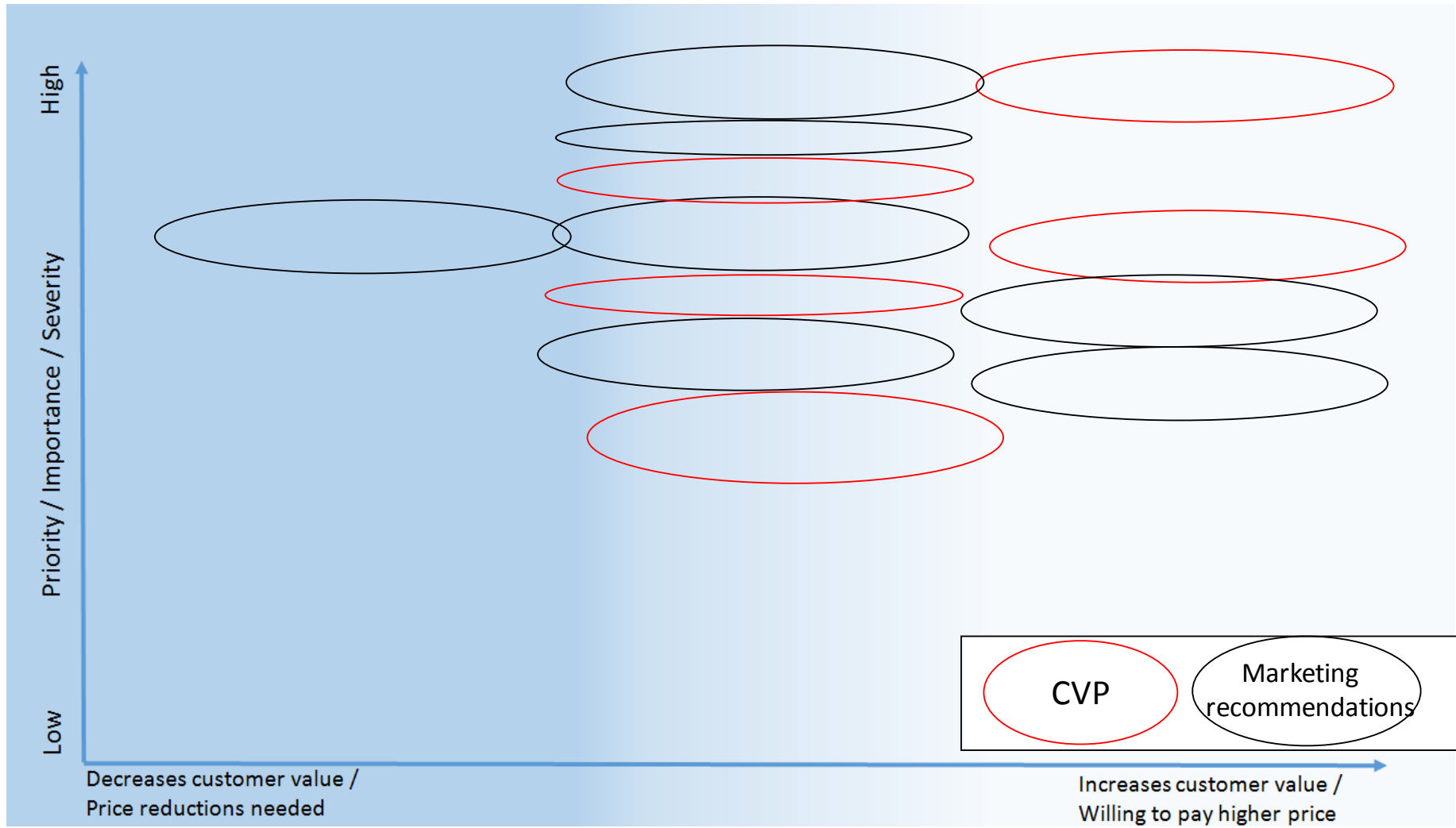
Figure 16. The fit between the identified customer needs and the CVP and marketing recommendations.

As shown above, several customer needs can be matched with the case company's product benefits. Also, by offering dedicated services, the most important customer needs can be fulfilled. Therefore, the CVP for the physical product contains four points of difference and one point of parity and five recommendations of services.

The CVP for the physical product is formulated as follows,

> "NEXBTL is a *drop-in biofuel* which has the best *cold properties* and the *lowest total cost of ownership* of all biofuels. NEXBTL can offer very *high CO2 reduction* in combination with *reduced local emissions.*"

The CVP emphasizes that the fuel is a biofuel that can be used in all vehicles without modifications (drop-in). The cold properties of the fuel are better than with the competitors' products and can therefore be also used during winter season. Also, the fuel has the lowest total cost of ownership, which can be proved by showing the lifecycle costs with the value calculator. Offering high CO2 reduction in combination with reduced local emissions is something that the customers' indicated to increase their perceived value.

The marketing recommendations for the re-sellers include points that the customers found highly important: (a) Offering problem-free on-time deliveries, (b) technical support from the fuel manufacturer, and (c) biofuel reporting. If the re-seller wants to differentiate from the competitors by offering additional services, it is recommended (d) to offer individualized emission reports or (e) provide additional warranty for the customers. To calculate the financial impact of the offering, the re-seller should utilize the value calculator presented in Appendix 4.

6   FEEDBACK TO INITIAL CVP AND MARKETING RECOMMENDATIONS

This section explains the feedback collected for the initial proposal and presents the final CVP and marketing recommendations. Also, the tool for systematic CVP creation is presented.

6.1   Description of the Feedback Round

For formulating the final proposal, the initial CVP and marketing recommendations were presented to the case company key stakeholders and one external customer (re-seller). The feedback was collected from the re-seller and the project owner in a round of interviews and the comments from the workshop participants with a questionnaire. The questions and topics for the feedback were the same in the questionnaire and for the project owner interview

Comments from the internal stakeholders were requested to four topics of the proposal: a) CVP text, b) marketing recommendations, c) value calculator, and d) the approach used for building the CVP. The same topics, except the comments for the CVP crafting approach, were discussed with the external customer.

6.2   Feedback to the Initial Proposal

The feedback was collected to all of the parts of the proposal individually as explained above. Four responses were received to the questionnaire and the comments were collected on one template, which is presented in Appendix 5. The internal project owner was personally interview and the field notes are presented in Appendix 7. Additionally, the feedback from the external customer was collected as field notes, which are presented in Appendix 6. The feedback for the initial proposal is summarized below.

   A. CVP text

Only the external customer had suggestions for modifications to the CVP text. The customer recommended to emphasize either the sustainability of the product, or the feed-stock base as "waste", since this would be something unique for the case company's

product. Moreover, mentioning "waste" as the feedstock would draw the attention away from the "food versus fuel"-debate.

The internal project owner commented that emphasizing a certain feedstock is s strategic choice, where the company could be restricting itself. However, emphasizing waste and residues for the Swedish market is somewhat justified, since the feedstock for this market is currently limited to waste material because of customer demand. The CVP phrasing was to some extent modified based on these comments.

B. Marketing recommendations

The external customer found the marketing recommendations useful and valuable. They have been already earlier offering emission reports and warranties for other customers and the customers have found these services valuable. They did not propose any changes to the recommendations.

Based on the questionnaire send to the internal stakeholders, the marketing recommendations are good and no changes were proposed. The project owner commented that offering warranty is somewhat risky due to possible miss-use of this type of service. Thus, it is important to plan the terms for such kind of contracts very carefully. The marketing recommendations were not changed from the initial ones.

C. Value calculator

The value calculator was seen as a valuable tool for showing the customers the monetary value of the offering. Both internal stakeholders and external customers were positive about using this kind of an approach.

One internal stakeholder proposed to include an additional "Adblue cost" to the calculator. This cost is related to vehicles using so called "diesel emission fluid" for reducing nitrogen oxide emissions from the engine. Adblue consumption can vary depending on the fuel type, and it is known that the case company's product can offer lower Adblue consumption compared to the competitors. Thus including this cost in the calculator is important.

The project owner pointed out that, based on the customer needs analysis, the bus companies can receive bonuses for fuels lowering the local emissions. Hence, an emission bonus should be added to the calculator. One additional row for emission bonus was added to the calculator. The project owner also commented that the calculator is currently in Euros and if it is used in Sweden, it should be changed to Swedish Crowns. This adjustment will be made to the version shared with the Swedish resellers. A suggestion about including interest costs was also made, but including this cost would have too many uncertainties and is therefore left out.

D. CVP crafting approach

Summing up, all internal stakeholders found the approach for building CVPs very useful. "I think this work brings us forward to be more customer focused", as one responded put it. The customer needs analysis was seen very valuable by the internal project owner. He mentioned that the customer needs maps illustrated the different aspects of customer pains and gains in a simple, but thorough enough, manner. Therefore, no changes were made to the approach.

6.3 Final CVP and Marketing Recommendations

Based on the feedback from the internal stakeholders and the external customer, the initial CVP and marketing recommendations were revised. The section below presents the final outcome.

6.3.1 The CVP Crafting Tool

By utilizing the best practice from the literature, a framework for crafting a CVP was created. The first step in the framework is the selection of the customer segment that the CVP will be crafted for. The second step includes identification of customer needs from the selected segment in three themes: Products, services and solutions. The customer needs analysis will form the first input for the CVP building process. The second input is the identification of the product features, benefits and differentiators. Matching these inputs, the customer needs and the product benefits, by determining the most important points of difference and points of parity, will form the basis for the CVP. The CVP crafting process is illustrated in the figure below.
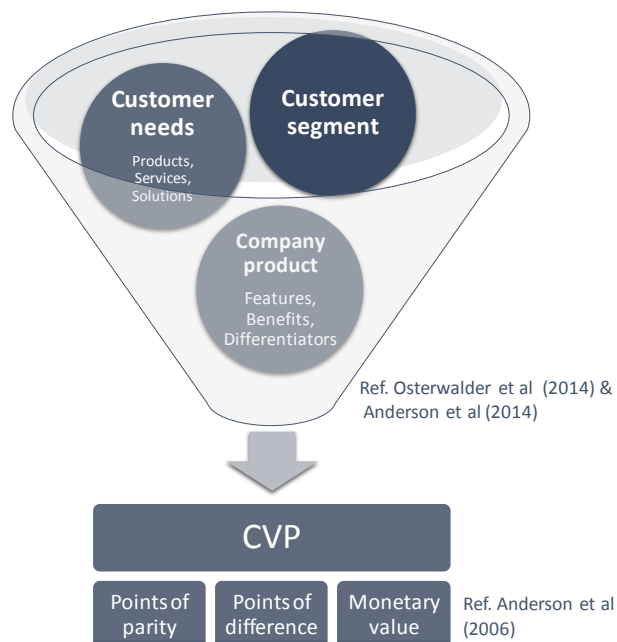
Figure 17. The tool for crafting a CVP.

As can be seen in Figure 17, one part of the CVP is monetary value. It is important to show the financial impact of the offering to the customers in a convincing way. This can be done either by utilizing value calculators or by showing example cases where certain cost reductions have realized.

As demonstrated previously, a successful CVP should have a fit between the customer needs and the company offering. Therefore, identifying the customer needs is an essential part of crafting a CVP. Additionally, the CVP should not include too many arguments, or otherwise the effect of the strongest arguments is diluted. Thus, it is important to find the most important points of difference and points of parity, which truly increase the customer perceived value.

6.3.2   The Final CVP

The wording of the CVP text was slightly rephrased based on the comments from the external customer. "Waste and residues" – words were added to the CVP to emphasize the raw material used to produce the fuel. The final CVP is therefore formulates as:

"NEXBTL is a *drop-in biofuel* which has the best *cold properties* and the *lowest total cost of ownership* of all biofuels. NEXBTL is produced from *wastes and residues* and therefore can offer very *high CO2 reduction* in combination with *reduced local emissions.*"

The CVP emphasizes four of the most important points of difference matching the customer needs: a) Drop-in fuel, b) Good cold properties, c) Low TCO, and d) High CO2 reduction. One point of parity is used to highlight that the fuel is made from renewable raw materials.

6.3.3   The Final Marketing Recommendations for the Re-sellers

The marketing recommendations were not changed from the initial recommendations, as the internal stakeholders did not propose any changes and they were seen valuable by the external customer. Only the value calculator was adjusted based on the feedback from one of the internal stakeholders and the project owner: Adblue cost and emission bonus were added to the calculator. The revised version of the calculator is presented in Figure 18. The final marketing recommendations are presented below.

First, bus companies require problem-free on-time deliveries, technical support from the fuel manufacturer and biofuel reporting. Thus, it is recommended to include these services for the company's offering.

Second, if the re-seller wants to differentiate from the competitors, it is recommended to offer individualized emission reports or provide additional warranty for the customers.

Third, for calculating the financial impact of the offering and providing evidence for the low total cost of ownership argument, the re-seller should utilize the value calculator (Figure 18).

	Fossil diesel	NEXBTL	Competitor 1	Competitor 2	Competitor 3
Total cost €/km					

Figure 18. Value calculator.

Finally, with the value calculator shown in Figure 18 above, the re-sellers can compare the case company's product and competing offers in terms of the total cost of owner-ship. By filling in the customer provided information into the competing offers, the re-sellers can show the end-customers the actual direct and indirect costs related to using the fuels.

7 DISCUSSION AND CONCLUSIONS

This section contains the summary of the thesis followed by the managerial implications and the next steps and recommendations. In addition, this section discusses the evaluation of the outcome vs objective and validation and reliability.

7.1 Executive Summary

The goal of this study is to define a customer value proposition for a fuel product and create marketing recommendations for re-sellers. The case company of this Thesis entered to the Swedish direct sales market in the end of 2014 by renting terminal storage in Södertälje. For entering the Swedish market, the customers around the Södertälje terminal were mapped, but most of them were not approached yet in the beginning of 2015, the time of conducting this study. The case company has an option to sell either straight to the end-customers or to operate via re-sellers. For this Thesis, the assumption was taken that the case company would operate through re-sellers since there is no logistics organization in place in Sweden.

The case company has unique products consisting of flexible mix of renewable fuels and high quality fossil fuels. Since the re-sellers are not familiar with the case company's products, there is a need to provide them with a CVP and marketing recommendations to approach the end-customers. Therefore, the objective of this thesis is to a) create a systematic tool for crafting CVPs, b) create a CVP for one end-customer segment, and c) give marketing recommendations for the resellers.

The study was conducted by utilizing action research method, where five cyclic steps are taken to reach the objective. The first step was to define the objective and outcome of the thesis. The second step was to define the conceptual framework for crafting a CVP. This step included existing knowledge search on building CVPs and identifying customer needs. The conceptual framework for crafting a CVP is used in this study to further explore and form the systematic tool for CVP creation. The third step started by selecting the end-customer segment that the study will focus on. The customer segment selected for this study is the bus companies because of their high business potential. After the selection of the end-customer segment, the needs of this segment were identified by interviewing three bus company representatives. At the same time, the features, benefits and differentiators of the case company's products were identified by the case company internal stakeholders. The current state analysis resulted in a

customer needs identification and product benefit mapping, which were used as an input for building the CVP and marketing recommendations.

In the fourth step, a fit between the case company's product and identified customer needs were determined. This was done in a workshop organized to internal stakeholders from various departments of the case company. The outcome of the workshop included the most important points of difference and points of parity for the physical product. Additionally, the services required or valued by the end-customers were identified. The outcome of the workshop was used to formulate the initial proposal which included a CVP, marketing recommendations and a value calculator. The final step was to collect feedback to the initial proposal from the internal and external stakeholders. Based on the feedback, the final CVP and marketing recommendations were formulated.

The final CVP consists of four of the most important points of difference and one point of parity for the physical product:

Points of difference:	Low total cost of ownership (TCO), less local emissions and lowest CO2 values (environmental package), a drop-in biofuel with superior cold properties.
Point of parity:	The fuel is produced from renewable raw materials.

The case company's product benefits were matched with the most important customer needs. The customer needs analysis revealed that the customers would be willing to pay extra for a fuel that can lower the total cost of ownership and therefore this is highlighted in the CVP. A fuel that can lower emissions was something that the customer's found important, because they can receive financial compensation for lower emitting fuels. If a fuel can be used throughout the year without any modifications to the vehicles, the customers' costs are reduced. Therefore the CVP emphasized good cold properties and that the fuel is drop-in. All customers had a need for a biofuel, but biofuels can also be offered by other companies, thus this makes the point of parity.

The marketing recommendations include guidelines to the re-sellers for offering services that the customers require or find valuable. Three of the most important services were identified (Offering problem-free on-time deliveries, technical support from the fuel

manufacturer, and biofuel reporting) and two new services concepts were proposed (offering individualized emission reports or providing additional warranty). Additionally, a value calculator was created for re-sellers to calculate the monetary value of the offering and for comparing competing offers.

7.2   Managerial Implications

The marketing recommendations in this Thesis did not include supporting evidence for the CVP arguments due to confidentiality reasons. Therefore, a list of generally formulated managerial implications includes the following suggestions:

MI-1. Marketing material specifically targeted to bus companies should be created and this material should include a detailed grounding for all the arguments used in the CVP. Producing such a material package is rather time consuming and external support is needed especially for the visual design. As a consequence, resources and budget needs to be reserved for producing the material.

MI-2. The re-sellers also require more information on the case company and its products. Therefore, training sessions need to be organized to go through the CVP, marketing recommendations and information on sustainability aspects before approaching the end-customers. Each re-seller needs to be educated individually, which requires resources from the case company. This needs to be taken into account during resource and budget planning.

MI-3. Since the marketing recommendations presented in this thesis were rather abstract, the concrete business evaluation and implementation plan needs to be defined. The service offerings that were identified in this study were seen valuable by one re-seller, but the business potential versus cost needs to be well estimated before implementation. Especially, offering additional warranty to the end-users can have major financial implications and consequently the content of the warranty needs to be carefully designed.

MI-4. As recognized in the customer needs analysis, the end-customers require reliable and hassle-free fuel logistics system. Therefore, it is recommended to operate via reliable re-sellers. If the case company would like to approach the bus companies directly,

it would need to design a very reliable logistics system, which could become costly. The customers are used to high quality level and easy operation what comes to the fuel logistics, and hence offering anything less than they receive today, would lower their perceived value significantly. Therefore, relying on trustworthy re-sellers is safer and most likely more cost-efficient option.

MI-5. Although this study did not focus on the customer segmentation, it is very important to properly perform the customer segmentation before starting the customer needs identification. If the customers are not segmented well, the customer needs identification can create a false picture of the customer needs and the whole CVP could be emphasizing points that are not found valuable by the customers. Therefore, using enough time on the segmentation part is recommended.

MI-6. For further steps, it is important to evaluate how the CVP is received by the bus companies and systematically collect feedback to it. The feedback should be used for further improving the CVP. The feedback will also provide more information on how well the CVP crafting approach works in creating CVPs that customers actually find valuable. Also, the value calculator should be piloted with an end-customer to find possible flaws and improvement points. Developing the calculator further based on the end-customer feedback will help formulating value calculators for other segments as well.

7.3 Evaluation of the Thesis

In this sub-section, the outcome is evaluated against the objective and the achieved validity and reliability are discussed.

7.3.1 Outcome vs Objective

The objective of this thesis was to create a systematic tool for crafting customer value propositions, create a customer value proposition for one end-customer segment and create marketing recommendations for re-sellers.

The CVP crafting approach used in this Thesis was seen valuable by the internal stakeholders. The case company has been creating value propositions in a systematic way earlier as well, but in most cases, the process has not included a systematic cus-

tomer needs analysis. This analysis was seen as very important part of the process and hence needs to be done thoroughly. Therefore, the approach presented in this thesis could be used in the future for crafting CVPs to other end-customer segments. Since the product benefits for two products were already mapped in this study, it is not necessary to perform this step all over again. Hence, the CVP crafting process will be somewhat less time consuming in the future.

The study started with a literature research to find the best practice on crafting CVPs and identifying customer needs. This part of the study lead to the formulation of the conceptual framework which itself forms the first objective of the study, a systematic tool for CVP creation. The conceptual framework consists of choosing the customer segment, identifying the customer needs of the chosen segment and mapping of the product features, benefits and differentiators. After determining the "current state", the product offering and customer needs will be matched to formulate the CVP. The CVP, based on the best practice, should consist points of parity, points of difference and monetary value. The objective of building a systematic approach for CVP creation was achieved after several iteration rounds.

The second part of the thesis concentrated on the current state analysis, where the customer needs and features, benefits and differentiators of the case company's products were identified. The customer needs analysis was the single most important part of the study and this was done by interviewing three end-customers. The customer needs were plotted on a customer needs maps, specifically designed for the approach used in this study, which were used as an input for the CVP building phase. Furthermore, the case company's product benefit mapping was done according to the initial plan. According to the feedback from the internal stakeholders, the customer needs analysis and product benefit mapping served their purpose well.

The crafting of the CVP with points of difference, points of parity and the monetary value was established. The most important points of difference and points of parity were identified in a workshop among several stakeholders, which improved the success of the outcome. The marketing recommendations where concentrating on the possible service offering that the re-sellers should and could offer. These recommendations were on rather abstract level and no suggestions on the practical implementation were proposed. Although this was a clear choice due to time limitations, the evaluation of their business potential could have helped the re-sellers to implement the proposals. A

value calculator was formulated for estimating the monetary value of the offering. Piloting of the value calculator with an end-customer would have improved the validity of the calculator, but the need for this was only realized at too late stage.

As a conclusion, the objectives that were set in the beginning of the study were met. To evaluate the success of the CVP and marketing recommendations, a systematic collection of feedback from the end-users should be organized.

7.3.2   Reliability and Validity

As presented in the validity and reliability plan (Section 2.4), several steps were planned to ensure the validity and reliability of this study. The first step was to collect data systematically and document everything carefully. The data related to the end-customers was received from an external consultant, thus making this secondary data. Since the author had no possibility to check the reliability of this data, it poses a risk that the segmentation was not done thoroughly. However, the findings from the three customer interviews were very similar, which shows that the segmentation was successful.

Before the end-customer interviews, the questions used in the interview were piloted with one re-seller. Based on this piloting round the questions were revised for better outcome. For increasing the reliability of the data, triangulation was also applied by interviewing three end-customers. The customer interviews were recorded and field notes were transcribed based on the recordings. The product benefit mapping was done by sending questionnaires to internal stakeholders familiar with the company's products. Five replies were received, which was a decent amount for creating a broad view of the products features, benefits and differentiators.

Data 2 consisted of field notes from the workshop organized for the internal stakeholders. The seven participants of the workshop were selected to represent various parts of the organization for increased reliability. The workshop included several rounds of generating ideas and commenting these ideas, which improved the validity of the outcome. Thus, the CVP and marketing recommendations generated from the workshop outcome have been validated by several people.

During the feedback round (Data 3), the data was collected from three different sources: From the participants of the workshop, internal project owner and external customer (re-seller). Workshop participants were sent a questionnaire and project owner and re-seller were personally interview. Since the recording of these interviews was not possible due to confidentiality and time limitation, the field notes were transcribed based on short notes during the interviews. Thus, the data being collected from various sources, the validity and reliability was improved. For further improvement, feedback from the end-customer could be collected. This was not done during this research due to time limitation.

In general, many oil companies are currently selling only commodities and are not differentiating in their offering. By performing a detailed customer needs analysis, oil companies could be identifying aspects that the end customers value and by this, offer them better services or products. Therefore, customer needs analysis can be used to identify products or services that can differentiate the company from the competitors. The analysis should be done in a reliable and valid manner to gain a trustworthy out come.

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Customer needs identification (Interview 1) – field notes

Research Interview (Discussion)

The data has been removed for confidentiality reasons. The material has been available for instructors to review.

Customer needs identification (Interview 2) – field notes

Research Interview (Discussion)

The data has been removed for confidentiality reasons. The material has been availa-ble for instructors to review.

Customer needs identification (Interview 3) – field notes

Research Interview (Discussion)

The data has been removed for confidentiality reasons. The material has been available for instructors to review.

Product benefits mapping

The data has been removed for confidentiality reasons. The material has been available for instructors to review.

Workshop field notes

The data has been removed for confidentiality reasons. The material has been availa-
ble for instructors to review.

Value calculator

	Costs				
	Regular fuel	Case company's product	Competitor 1	Competitor 2	Competitor 3
Total cost €/km					

Feedback to the initial proposal

The data has been removed for confidentiality reasons. The material has been available for instructors to review.

Feedback to the initial proposal

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