



## Professional buyers and the value proposition



Alan Aitken<sup>a,\*</sup>, Robert A. Paton<sup>b</sup>

<sup>a</sup> Glasgow School for Business and Society, Glasgow Caledonian University, Glasgow, UK

<sup>b</sup> Adam Smith Business School, University of Glasgow, Glasgow, UK

### ARTICLE INFO

#### Article history:

Received 29 September 2015

Received in revised form

28 March 2016

Accepted 29 March 2016

Available online 8 April 2016

#### Keywords:

Value

Procurement

Service-dominant logic

Business to business buyers

### ABSTRACT

Lusch (2011) considers Service-Dominant Logic (S-DL) to be an appropriate lens through which to view supply chain research, and suggests it be used to better understand value. The authors, accepting a founding premise of S-DL that value is phenomenologically determined by the recipient, adopt a qualitative methodology to penetrate the inherent complexity and commercial confidentiality of the buyer-seller relationship. In particular the authors make a comparative evaluation as to how the wider, psychological needs of the buyer interact with the effects of the organisational goals of their businesses. The study uses a longitudinal research design, involving web-based diaries and follow-up interviews to develop the empirical understanding of the dominant patterns of buyer value perception that, within the context of the investigation, both challenge extant thinking and informs the debate regarding the approaches to combining value creation and value capture (Skilton, 2014). The explanations offered suggest that exchange value achieves a greater buyer focus than utility value, and acknowledges the relative importance of buyer value perceptions that are not directly aligned with organisational objectives. These findings, it is argued, may cause organisations to reflect on their procurement policies and procedures as they seek to engage with potential suppliers.

© 2016 Elsevier Ltd. All rights reserved.

### 1. Introduction

At the core of all business relationships is value co-creation (Vargo, 2009) and the maximisation of added value through purchased inputs is recognised as the principal role of the procurement professional (Sashi & Kudpi, 2001; Sánchez-Rodríguez, 2009). Buying decisions are based on expected value consequences (La Rocca & Snehota, 2014) and considerations of value and its appropriation are, therefore, seen to be among the key behavioural influencers of professional buyers (Cox, 2004a; Liu, Leach, & Bernhardt, 2005; Vargo, Maglio, & Akaka, 2008).

Nevertheless, the anatomy of specific value propositions remains unclear (Skälén, Gummerus, von Koskull, & Magnusson, 2014). Value is recognised as being multi-faceted (Aarikka-Stenroos & Jaakkola, 2012) and socially constructed (Helkkula, Kelleher, & Pihlström, 2012). Value is taken to extend beyond the simple rationalisation of utility (Sánchez-Fernández & Iniesta-Bonillo, 2007) and not all aspects of value are considered to be externally observable (Helkkula et al., 2012). However, Möller

(1985) and Cronin (1994) note that not only are these interactions inherently complex but that they are also, due to both commercial and personal confidentiality, extremely difficult to penetrate. Harwood (2002) similarly observes that issues associated with commercial confidentiality frequently create barriers to research access.

Despite these difficulties, there are persistent calls for further exploration of the influence of value perception on actual buyer behaviour (Grönroos & Voima, 2013; Payne & Frow, 2014). Such demands originate from both marketers who want to understand how customers perceive value (Flint, 2006) and from buying organisations seeking to develop policies and procedures that maximise the capture of perceived value in a competitive environment (Terpend, Krause, & Dooley, 2011). Among these calls, Baumann and Le Meunier-FitzHugh (2015) suggest that research should use extant conceptualisations of value to explore practice rather than attempting to further deepen theoretical abstraction, and advocate a shift towards more readily understood and useful notions of value perception. The need for future, empirically based, research into customer value has also been highlighted by Paton and McLaughlin (2008), Squire, Cousins, and Brown (2009), Johansson and Jonsson (2012) and Spina, Caniato, Luzzini, and Ronchi (2013).

Consequently, the objectives of this paper are threefold. Firstly,

\* Corresponding author.

E-mail address: [alan.aitken@gcu.ac.uk](mailto:alan.aitken@gcu.ac.uk) (A. Aitken).

to develop extant qualitative methodologies in a manner that is capable of penetrating the complex commercial interface between buyers and sellers. Secondly, to empirically identify, within the context of an exploratory case study, the dominant patterns of buyer value perception. Thirdly, to consider how the results of this exploratory study might impact on the direction of future research and managerial thinking. To achieve these objectives the paper initially provides a brief overview of the varying perspectives of buyer value perception. This is followed by a description of the research design, which includes details of participant recruitment, data collection, data analysis and the presentation of results. The paper concludes by reporting the research findings, discussing the research contribution and signposting potential directions for future research.

## 2. Scholarly perspectives on buyer value

A review of extant literature shows that gaining universal understanding of the constituent elements of customer value perception remain elusive (Bowman and Ambrosini (2000); Anderson, Narus, & Van Rossum, 2006). Notwithstanding these concerns, it is nevertheless appropriate to review the prevalent themes in order to better inform the development of an appropriate research methodology.

Bowman and Ambrosini (2000), Lindgreen and Wynstra (2005) and Skilton (2014) differentiate between value-in-exchange and value-in-use. Value-in-use (utility) relates to the benefits consumers derive from a product, while exchange value relates to the amount paid. Importantly, Carbonell, Rodríguez-Escudero, and Pujari (2009) and Hilton and Hughes (2013) confirm a generally held view that the metrics by which value is frequently judged are not simply financial but include customer satisfaction and other forms of tangible accrued benefits.

Similarly the complexity of the value creation process is also generally acknowledged. Payne, Storbacka, and Frow (2008) recognise that value creation results from dynamic, interactive, non-linear and often unconscious processes, which are also seen to be highly subjective and context-specific (Baumann & Le Meunier-FitzHugh, 2015). Edvardsson, Tronvoll, and Gruber (2011), adopting a social constructionist perspective, consider that value is created within social systems which extend beyond the individual and subjective setting. Likewise, Hilton, Hughes, and Chalcraft (2012) suggest that the point of value creation may be remote (spatially or temporally) from the immediate primary setting and that the nature of the created value may well be unique to individual actors.

As a means of conceptualising this complexity Monroe (1990), Anderson and Narus (1998) and Lapierre (2000) represent customer value in the form of gain versus sacrifice models which share the common characteristic of attempting to represent the net benefit that accrues from a commercial interaction (Kieliszewski, Maglio, & Cefkin, 2012). One such model proposed by Khalifa (2004) conceptualises customer value in exchange as is summarised in Fig. 1.

Khalifa (2004) recognises that total customer cost (exchange value) comprises elements of supplier costs, supplier margins and customer search and acquisition costs. Total customer value, against which total customer costs are to be offset, include utility value and psychic value, the latter acknowledging the subjective and individualistic aspects of value perception. Psychic value differs from utility value in so far as it does not accrue directly from the use of goods or services, but is imbedded in human factors such as feelings, emotions and even buyer ego (Groth, 1994). To better reflect the range of factors that potentially influence an individual buyer's wider psychological needs the authors prefer the term Buyer Specific Perceptions of Value (BSPV) rather than use the term

psychic value adopted by Khalifa.

Such buyer specific perceptions of value have been previously recognised. Flint (2006) discusses the social, experiential and hedonic aspects of the buyer-seller interaction, while value perceptions intrinsic to empathetic, emotional, and memorable aspects are recognised by Ballantyne and Varey (2006). Porter and Kramer (2011) conceptualise that value perception relates to not only economic but also to social factors. Wilson (2000:785) gives examples which include:

*'the influence of personal paradigms and perceptual distortion, risk tolerance, organisation and sub-groups culture, socio-political power relations, career aspirations, and a variety of cultural and intellectual prejudices (relating especially to gender, age and ethnicity)'*

The emergence of Service-Dominant Logic (Vargo & Lusch, 2004) has stimulated much interest and debate within both academic and practitioner communities. While the classic view of value creation considers that the significant episode occurs with the transfer of ownership, the basis of S-DL is that value is uniquely and phenomenologically determined by the beneficiary (Vargo & Lusch, 2004; Lusch, Vargo and Wessels, 2008 and Vargo, 2009). S-DL considers that exchange value, which it associates with Goods-Dominant Logic (G-DL), is based on an expectation of value whereas true value, value-in-use, accrues through the interaction between the exchange parties (Lusch, Vargo and Wessels, 2008). Although S-DL's principal focus is on the value users obtain from the experience of an offering, rather than on value accruing from the transaction itself (Lusch, 2011), it is important to recognise that S-DL does not ignore the importance of exchange value on a firm's prospects for survival and growth. Significantly, S-DL also recognises that the marketing exchange extends from pre-sale service interaction to the evaluation of post-sale value-in-use (Ballantyne & Varey, 2006).

Despite the undoubted popularity of S-DL for many academics, Lindberg and Nordin (2008) acknowledge that a more dynamic and subtle view may be required to adequately capture the perspectives of industrial buyers. Momme and Hvolby (2002) and Nordin (2006) recognise that buying decisions are frequently influenced by environmental aspects that impinge on any assumptions of a purely rational and linear approach to procurement. Kowalkowski (2011), suggests that even if value-in-use takes a super-ordinate position to value-in-exchange within S-DL, there may be situations in which firms nevertheless choose to emphasise value-in-exchange. Significantly, for example, Anderson, Thomson, and Wynstra (2000) found that purchasing managers consistently selected lower-valued, lower-priced products over higher-valued, higher-priced products.

Notwithstanding these reservations S-DL is recognised as having the potential to provide insight as to the nature and presence of value creating opportunities between buyers and sellers (Michel, Brown, & Gallan, 2008; Kowalkowski, 2011; Frow & Payne, 2011). Significantly, Lusch (2011) recognises the need for further research into the co-creation of value within the supply chain and suggests that, because S-DL does not assume away the heterogeneity of the actors, S-DL is an ideal perspective from which to conduct such investigation. Edvardsson et al. (2011) also suggest that S-DL literature maybe further developed by paying explicit attention to the social structures, systems and social forces that have a major impact on value-in-use. The authors, accepting a founding premise of S-DL that value is phenomenologically determined by the recipient, seek to build a methodology by which to better understand the nature of the buyer value perception within the buyer-seller interaction.

Download English Version:

<https://daneshyari.com/en/article/1014726>

Download Persian Version:

<https://daneshyari.com/article/1014726>

[Daneshyari.com](https://daneshyari.com)