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Supplier representative activities and customer perceived value in complex industrial solutions

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ABSTRACT

The study of value delivery through complex industrial solutions involves a service-rich deployment of resources, many of which are human. Despite this realization, few studies consider the activities of specific actors in this service-dominant context. Through an exploratory netnography of ten online community discussion boards, this study investigates the link between the activities of supplier representatives and the effects on customer perceived value in complex industrial solutions. The findings reveal four major categories of activity (communication, planning, risk management and coordination) as important sources of intangible value (conceptualized as emotional, social and functional outcomes). The data shows, however, that activities must be executed in a timely, accurate, appropriate and value-added manner. The study compliments research in complex industrial solutions through explicit consideration of activities and their relationship with perceived value from a supplier perspective.

1. Introduction

For suppliers, ensuring customer satisfaction is a key goal of service delivery. Previous research has found a strong link between this outcome and profitability (Helgesen, 2006; Luo, Homburg, & Wieseke, 2010). However, differences exist between individual customers due to variance in their preferences and their access to stimuli, which they use to assess supplier performance (Grewal, Chandrashekaran, & Citrin, 2010). This is particularly the case in complex industrial solutions (Nordin & Kowalkowski, 2010; Tuli, Kohli, & Bharadwaj, 2007). In this context, suppliers provide a combination of goods and services to address problems a buyer firm faces (Brady, Davies, & Gann, 2005; Helander & Möller, 2007). This involves the collaborative efforts of individual actors from both supplier and buyer firms through a series of relational processes (Nordin & Kowalkowski, 2010; Tuli et al., 2007). The requirement to satisfy multiple stakeholders during a complex industrial solution delivery process compounds the level of difficulty of this process (Forman, Lippert, & Kothandaraman, 2007; Parry, Rowley, Jones, & Kupiec-Teahan, 2012).

The specific activities of supplier representatives are a key means through which customers can observe solution implementation in real time. Consequently, they are major elements of marketing stimuli that customers associate with complex industrial solutions (Forman et al., 2007; Helander & Möller, 2007). However, supplier representatives' activities receive little scholarly consideration in complex industrial solution research as means to create perceived value despite the recognition of their importance in buyer–supplier relationships (Cantù, Corsaro, & Snehota, 2012; Cova & Salle, 2007; Ford, 2011). Service marketing researchers argue that all employees of a supplier firm are service providers and have direct impacts on customer perceived value (Grönroos, 2011a; Grönroos & Ravald, 2011). In the service-dominant context of complex industrial solutions, it is likely that this notion is also applicable given the multiple opportunities for interpersonal interactions (Nordin & Kowalkowski, 2010; Tuli et al., 2007). This study, therefore, seeks to address the linkage between supplier activities and customer perceived value as this relates to complex industrial solution delivery processes. To this end, the investigation centers on the following research question:

- What activities do supplier representatives perform in complex industrial solutions that directly affect customer-perceived value?

By investigating this area, this paper has the potential to yield two important contributions to the industrial marketing literature. The study articulates four categories of activity that are directly observable by the members of buyer firms that are major contributors to perceived value. In effect, these are major elements of the supplier value proposition during complex solution delivery. The study explores the implications of these activities in terms of buyer representatives' perceptions of value. These constitute extensions of earlier work in complex industrial solutions that focus on the construction and execution of the behaviors of sales representatives, managers

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and technical workers (Aarikka-Stenroos & Jaakkola, 2012; Cantù et al., 2012; Cova & Holstius, 1993; Guenzi, Georges, & Pardo, 2009).

The study extends current notions of customer perceived value in industrial marketing. Most studies in this domain adopt Woodruff's (1997) conceptualization of customer perceived value as an appraisal of marketing-related stimuli that encompasses a comparison of perceived benefits' less perceived costs. Industrial marketing studies of customer perceived value have traditionally focused on the characteristics of the value proposition a supplier provides (e.g. price, product quality, delivery timing etc.) (Lapierre, 2000; Ulaga, 2003; Ulaga & Chacour, 2001). More recent studies also consider the relative impacts of supplier characteristics (e.g. expertise, reputation) (Blocker, 2011; Powell & Swart, 2010) as well as relationship elements (trust, commitment, customer understanding, communication) (Parry et al., 2012). In this study, the focus is on the intangible elements of perceived value that emerge through the implementation of a complex industrial solution. That is, there is direct consideration of the social, emotional and functional aspects of customer perceived value in terms of the influences of specific activities. This extends Forman et al.'s (2007) earlier work that considers several functional and technical aspects of customer perceived value in an IT solutions' setting.

The paper commences with a review of the generation of customer perceived value in complex industrial solutions with a focus on the solutions and project marketing literatures. A discussion of the methodology follows. Next, the paper describes the major activities of supplier representatives and their impacts on customer perceived value in complex industrial solutions. A discussion of the theoretical and managerial implications of these findings follows. The paper builds an integrated conceptual model to present the major findings. Finally, the paper offers a conclusion and canvasses avenues for further research.

2. Complex industrial solutions and customer perceived value

The notion of solutions as offerings from a supplier has gained greater attention in the marketing literature in recent times. A solution has several major elements. Firstly, it involves the provision of both product and service elements rather than one of these exclusively (Brady et al., 2005; Nordin & Kowalkowski, 2010; Tuli et al., 2007). This enables a supplier to capture a greater share of the returns from a customer for a given requirement and provides a basis for competitive differentiation (Brady et al., 2005; Davies, Brady, & Hobday, 2007). Secondly, a solution involves customization to address a specific need or problem a customer faces (Davies et al., 2007; Galbraith, 2002; Nordin & Kowalkowski, 2010; Tuli et al., 2007). This necessitates an understanding of customer requirements as well as the constraints that shape the situation (Brady et al., 2005; Davies et al., 2007). Thirdly, solutions involve a delivery process. This encompasses an initial phase to recognize and determine the nature of the customer problem. The design of the solution follows. Upon customer agreement, the implementation of the solution ensues. A problem-solving step is next, with project finalization comprising the final element (Nordin & Kowalkowski, 2010; Tuli et al., 2007). A fourth element of solutions is the need to build and maintain relationships with important stakeholders throughout the delivery process (Tuli et al., 2007; Windahl & Lakemond, 2006).

The project marketing literature focuses on a similar unit of analysis. Projects involve the execution of a discrete body of work to address a specific need or problem (Cova & Salle, 2005, 2007; Skaates & Tikkanen, 2003). This encompasses the development of a set of project-specific goals and milestones, and, the allocation of specific financial and other resources to the execution of the project (Project Management Institute, 2000). Project resources do not necessarily exist within the boundaries of the firm. A function of project management is to identify and source resources and, consequently, project managers adopt the role of resource integrators (Ballesteros-Pérez, González-Cruz, & Fernández-Diego, 2012). Projects are temporary in nature and are the primary way in which firms enact changes to their operations. A project represents a deviation from business-as-usual since the purpose of most projects is to create solutions that specifically address a problem or issue that the firm faces (Project Management Institute, 2000; Skaates & Tikkanen, 2003).

In the industrial marketing context, both solutions and projects have significant similarities (Blomquist & Wilson, 2007; Cova, Mazet, & Salle, 1996; Cova & Salle, 2005, 2007; Jalkala, Cova, Salle, & Salminen, 2010; Skaates & Tikkanen, 2003). Both notions involve the development of a custom suite of product and service components to address a specific stakeholder requirement. Teams of individuals are necessary to facilitate and enact this process, which includes multiple phases. Major elements include problem recognition, solution development, solution implementation and finalization. Solutions and projects are temporary endeavors in that they arise through the recognition of a problem and seek to address it through the acquisition and allocation of specific resources. Solutions and projects also occur in a social context and require the development and maintenance of interpersonal relationships that enable implementation.

Several differences are also evident. Solutions involve an external supplier providing the necessary product and services, whereas project execution can occur within the boundaries of the firm or through co-opting external suppliers or both. Solutions scholars tend to focus on ways in which a supplier firm can maximize value creation and appropriation by providing a combination of products and services to a customer, whereas project management scholars primarily consider issues that relate to quality, scheduling and budgeting (Cova & Salle, 2005, 2007).

In this paper, the focus is on solution implementation processes as a delivery of a custom combination of product and service components to address a specific customer problem. This manifests as a project, where an external supplier firm provides a specific contribution to a customer firm through a discrete body of work that requires specific resource and budgetary allocations. The project necessitates a process of interactions between key buyer and supplier representatives.

2.1. Solution delivery

The current literature sees solution delivery as a service-dominant process where customer needs form the core rationale for solution implementation (Nordin & Kowalkowski, 2010; Tuli et al., 2007). This contrasts to alternative views that focus on the products and services exclusively (Brady et al., 2005; Galbraith, 2002). Under the service-dominant view, suppliers and buyers engage in exchange processes for the realization of benefits rather than for physical products only (Vargo & Lusch, 2004; Vargo, Maglio, & Akaka, 2008). The majority of value that a solution delivers is intangible in nature. The realization of valuable outcomes emerges through multiple interactions with resources over time (Bowman & Ambrosini, 2000; Vargo & Lusch, 2004; Vargo et al., 2008). Consequently, value is independent of the transaction, thus, broadening the basis of value appraisal to include elements of the initial offer as well as the delivery process and beyond (Lilien et al., 2010). As a result, there is further scope to include non-financial or functional forms of value appraisal for solution delivery (Forman et al., 2007; Powell & Swart, 2010).

The complex industrial solution literature identifies individuals as elements of the solution implementation process and as major bases for competitive advantage (Cova & Holstius, 1993). Interpersonal interactions are major elements of sales and key account management practices (Guenzi et al., 2009; Mainela & Ulkuniemi, 2013). The personalities of sales representatives influence the success of relationships (Mainela & Ulkuniemi, 2013). The behaviors of sales representatives also affect the possibility of successful solution implementation. If sales representatives act in a manner consistent with a customer orientation, they are more likely to engender the trust of buyer representatives, whereas focusing on a sales outcome alone can reduce this outcome (Guenzi et al.,