



'It's almost like taking the sales out of selling'—Towards a conceptualization of value-based selling in business markets

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ABSTRACT

While the creation of superior customer value is regarded as fundamental to a firm's long-term survival and growth, little is known about the effective implementation of a firm's value orientation at sales force level. As the sales force plays a pivotal role in implementing marketing strategies, this study adopts a discovery oriented approach and conceptualizes value-based selling as an effective sales approach in business markets. Based on in-depth interviews with sales managers in a variety of industries, we identify and portray three salient dimensions of value-based selling, namely (1) understanding the customer's business model, (2) crafting the value proposition, and (3) communicating customer value. The selling behavior entails a mutual orientation and focuses on the value-in-use potential of the offering for the customer's business profits. We argue that value-based selling is a unique concept that differs from the established selling approaches and propose a conceptual model linking value-based selling to performance outcomes. To further advance our knowledge about the effective implementation of a firm's value orientation, we identify future research avenues embracing qualitative and quantitative research methodologies.

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In recent years, customer value has emerged as an issue of major concern to marketing researchers and practitioners alike. Though it has always been “the fundamental basis for all marketing activity” (Holbrook, 1994, p. 22), customer value did not attract much attention until it became a watchword in the marketing discipline. Today, there is widespread agreement that the creation of superior customer value is key to a firm's long-term survival and growth (Slater, 1997; Woodruff, 1997). In business markets in particular, customer value is the cornerstone of the marketing management process (Anderson & Narus, 2004).

Scholars have advanced our understanding of customer value in business markets over the last decade—both conceptually and empirically (Lindgreen & Wynstra, 2005; Möller & Törrönen, 2003; Ulaga & Eggert, 2006a). Among others, they identified the key dimensions of the value construct in business relationships (Ulaga & Eggert, 2006b), developed reliable scales for capturing customer value in business markets (Menon, Homburg, & Beutin, 2005), and linked the construct to its antecedent and outcome variables (Wagner,

Eggert, & Lindemann, 2010). Simultaneously, research on customer value has also started to explore the mutual aspects of value co-creation, stressing the active role of the customer. The insights from the service view emphasize that value is not created by the seller alone but co-created by the seller and customer realizing in customer's value-generating processes (Grönroos, 2008; Vargo & Lusch, 2004).

While we can build on a sound and growing body of literature on customer value in business markets, its implementation at sales force level has remained a largely neglected area of discovery. Scholars agree that the sales force plays a pivotal role in implementing a firm's marketing strategy. Unless salespeople understand and persuasively communicate the superior value proposition to targeted customers, a firm's strategic focus on value creation will not impact performance (Anderson, Kumar, & Narus, 2007). Therefore, Woodruff (1997, p. 151) has called for research on “how specific ways of implementing customer value orientation relate to organizational performance.”

The sales literature contains numerous references to value-related behavior and sales scholars as well as practitioners have long recognized the importance of customer value. Rackham and DeVincents (1999, p. 66), for example, state: “The only single “truth” that seems to be holding for all sales forces is that they will have to create value for customers if they are to be successful.” So it is perhaps surprising that no studies have as yet conceptualized a value-based sales approach. Rather than training the spotlight on customer value, sales

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research has ventured in other directions with customer-oriented selling and adaptive selling as the two most prominent salesperson behaviors under investigation (Saxe & Weitz, 1982; Spiro & Weitz, 1990). Empirical findings, however, stand in sharp contrast to their prominent position in the literature. A recent quantitative synthesis of more than a hundred empirical studies revealed that customer-oriented and adaptive selling account for less than 9% of the observed variance in salesperson performance (Franke & Park, 2006).

Against this backdrop, there is a need to explore and conceptualize value-based selling as a sales approach that focuses on implementing a firm's customer value orientation at sales force level. At the beginning of this century, the AMA Faculty Consortium on Professional Selling and Sales Management has already identified the question of "[h]ow an individual sales representative [creates] value" (Marshall & Michaels, 2001, p. 16) as an important issue for future research. However, the marketing and sales literature still lack a thorough understanding of value-based selling, which in turn impedes a deeper understanding of how a firm's customer value orientation translates into bottom line results.

Based on the identified research gap we propose two research questions:

- How can we define and conceptualize value-based selling?
- How does value-based selling compare to existing sales approaches?

In answering these questions, the remainder of the manuscript is structured as follows. First, we review the extant literature on value and salesperson behavior to demonstrate the research gap more effectively i.e. none of the existing sales approaches build on the concept of customer value. Second, we present our qualitative study to explore the concept of value-based selling behavior. Based on insights generated through in-depth interviews in multiple industries, we conceptualize value-based selling comprising three dimensions: (1) understanding the customer's business model, (2) crafting the value proposition, and (3) communicating customer value. Finally, we propose a conceptual model linking value-based selling to performance outcomes and offer directions for future research.

From a theoretical perspective, this manuscript integrates customer value and personal selling research, enriches the value-based theory of marketing (Slater, 1997), fosters our understanding of sales and firm effectiveness, and facilitates future research on the successful implementation of marketing strategies and on salespeople's value orientation. From a managerial perspective, it offers insights on how firms can effectively implement value-oriented strategies and transform their sales forces to enhance sales effectiveness.

1. Customer value in sales research

1.1. Three perspectives on value

The concept of customer value relates to customers' benefits and sacrifices (c.f. Zeithaml, 1988) and has recently evolved toward a focus on realized value-in-use in customers value-creating processes as determined by the customer (Grönroos, 2008; Vargo & Lusch, 2004). Value research is rooted in economics, psychology, and business administration. In the field of business administration, a considerable part of the strategy, organizational behavior, and the marketing literature is closely linked to value concepts (Lindgreen & Wynstra, 2005; Payne & Holt, 2001).

While value creation in business often takes place in broader networks (e.g. Kothandaraman & Wilson, 2001) and involves a network of different stakeholders inside customer firms (e.g. Johnston & Bonoma, 1981), value has primarily been investigated from three perspectives, namely the vendor perspective, customer perspective, and a "dyadic" perspective. From the vendor perspective, research focuses on how firms can create, increase, and capture value in order to maximize the value of their economic activities. From the customer

perspective, research deals with the value customers receive in market exchanges. The dyadic approach to customer value integrates both perspectives (see Fig. 1).

As shown in Fig. 1, the vendor perspective has been adopted by three major research streams: research on the value chain (e.g., Piercy, 1998; Porter, 1985), on a customer's value to the firm (e.g., Blattberg & Deighton, 1996), and on creating shareholder value (e.g., Cleland & Bruno, 1997). The first research stream emphasizes the concept of creating value for the firm by managing the firm's internal activities. The second perspective relies on the assumption that all customers are not created equal and their value to a firm differs across customer segments. The third perspective focuses on how firms create value for their shareholders.

The customer perspective underlies research on product related value (e.g., Parasuraman & Grewal, 2000) and customer perceived value (e.g., Zeithaml, 1988). The former focuses on the value customers acquire from (tangible and intangible) product characteristics and their "consumption" (i.e. the use, appreciation, etc. of the product). Research on customer perceived value stresses the idea that the value of a firm's offering should be defined from the customer's point of view.

The dyadic perspective on value integrates the selling firms' and customers' perspectives on value creation and comprises four research streams. Research on superior customer value creation and delivery argues that a firm's success depends on the extent to which the firm delivers to its customers what is of value to them (e.g., Kohli & Jaworski, 1990; Narver & Slater, 1990). Research on value distribution focuses on how value is shared between firms and their customers (e.g., Chu, Chintagunta, & Vilcassim, 2007; Wagner et al., 2010). Research on relationship value acknowledges the role of business relationships in value creation (e.g., Palmatier, 2008; Ulaga & Eggert, 2006a; Walter, Ritter, & Gemünden, 2001). Most recently, studies adopting a service-dominant logic view have started to investigate the co-creation of value (Vargo & Lusch, 2004).

The dyadic perspective is of particular importance to the present study as it adopts an integrative perspective addressing both vendor and customers, and thus directly relates to the exchange view of marketing (e.g., Bagozzi, 1975; Hunt, 1991), which is at the heart of selling (Evans, 1963; Sheth, 1976). Research on relationship value highlights relational dimensions of customer perceived value (Tuli, Kohli, & Bharadwaj, 2007; Ulaga & Eggert, 2006b) and thereby reflects the fundamental transformation of the sales force we are currently observing. Similarly, an increasing number of companies are shifting from a goods-dominant logic towards a service-dominant logic by emphasizing strategies based on value co-creation, such as solutions and lifetime services. In the co-creation view, value is not embedded in the outputs of manufacturing companies, i.e. exchange value, but emerges through consumption in a customer's value-generating processes, value-in-use (Ballantyne, Frow, Varey, & Payne, 2011; Grönroos, 2008; Payne, Storbacka, & Frow, 2008; Vargo & Lusch, 2004). Hence, both seller and customer play an active role in creating value, entailing a mutual orientation, and the role of the seller shifts towards making superior value propositions that create opportunities for co-creating value with the

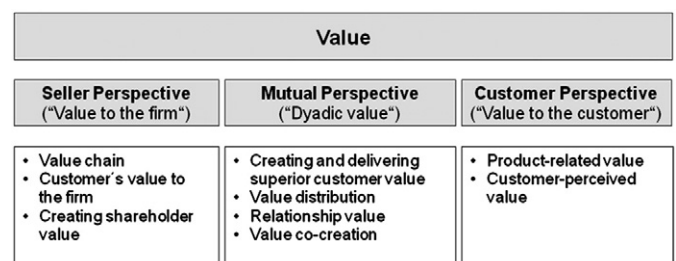


Fig. 1. The firm, customer, and mixed perspectives of value research.

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