



## Development and implementation of customer solutions: A study of process dynamics and market shaping<sup>☆</sup>

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### ABSTRACT

A broad, dynamic network perspective on solution processes remains scarce. This article presents the process of developing and implementing customer solutions and its effects on the wider business environment by investigating customers and suppliers in the global mining industry (Australia, Chile, and Sweden), analyzing the deployment of a new customer solution, and assessing the changes to the competitive environment and focal firms' relationships with other customers and suppliers. It shows that the forces that drive customer and supplier interests and motivation to co-develop customer solutions may change over time, thus redefining the aim and scope of solutions and creating failure risks. Customers present problems; suppliers respond, on the basis of not only the feasibility of the customer-specific solution but also of their evaluation of future solutions in a broader market; then suppliers aim to standardize successful solutions across markets. Customers want close supplier relationships and unique solutions but also like standardized and repeatable solutions, so they can share development costs with competitors and expose the supplier to competition to avoid lock-in effects. From a network perspective, a novel solution can have a market-shaping effect and evoke reactions from other actors who want to enhance their market position. However, these changes are not necessarily deliberate, and the dynamics that market introductions of solutions trigger may be difficult to predict.

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### 1. Introduction

In the past decade, research on business solutions in the field of business-to-business marketing has expanded remarkably, reflecting the significant shifts in business development and marketing practices across industries. As competition increases and customer needs become more extensive, product firms seek to differentiate themselves by providing customer solutions rather than stand-alone goods or services (Davies, Brady, and Hodbay, 2006; Nordin and Kowalkowski, 2010; Spencer and Cova, 2012; Ulaga and Reinartz, 2011). In recent conceptualizations, customer solutions constitute goods and service components integrated together into customized combinations, which in turn are embedded in longitudinal, relational processes between the business customer and supplier (Cova and Salle, 2008a; Hakanen and Jaakkola,

2012; Storbacka, 2011; Tuli, Kohli, and Bharadwaj, 2007).<sup>1</sup> This view of solutions as embedded in relational processes—what Tuli et al. (2007) refer to as a process-centric view—not only contrasts with extant product-centric perspectives (e.g., Chae, 2012; Davies et al., 2006; Galbraith, 2002; Matthyssens and Vandenbempt, 2008; Sawhney, 2006) but also enables a more in-depth understanding of the nature of solutions processes. However, in their review of solutions literature, Nordin and Kowalkowski (2010) note that research on the development and implementation of solutions remains scarce. Few studies investigate distinct solution process stages (Aarikka-Stenroos and Jaakkola, 2011; Brady, Davies, and Gann, 2005; Davies, Brady, and Hodbay, 2007; Tuli et al., 2007); frequently, they tend to adopt limited views of solutions as linear (e.g., Ceci and Prencipe, 2008; Sawhney, Wolcott, and Arroniz, 2006). Inherently though, solutions are responses to customer problems, and if the problem is complex or ill-defined, such limited views become inadequate. Problem solving requires an iterative, less identifiable solution process (e.g., Amabile, 1983; Hershey and Walsh, 2000).

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<sup>1</sup> We use the term “customer solution” herein; other authors refer to business solutions (Dunn and Thomas, 1994), integrated solutions (Davies et al., 2006), market solutions (Spencer and Cova, 2012), and process delegation services (Ulaga and Reinartz, 2011) to denote similar concepts.

Previous conceptualizations of customer solutions also tend to ignore the effects of solutions once implemented. In the extant view, the process ends with the customer-centric outcomes, which might range from solving a customer's problems (Sawhney et al., 2006), to satisfying a customer's business needs (Tuli et al., 2007), to enabling the customer to achieve "peace of mind" (Woodruff, 1997). These dyadic approaches—including Tuli et al.'s (2007) reconceptualization of solutions as relational processes and Nordin and Kowalkowski's (2010) critical review and analysis—forget though that "a solution situation is not a buyer-seller dyadic 'island'. It is multi-partite and not isolated from the 'rest' of the market" (Spencer and Cova, 2012, p. 1582). Spencer and Cova (2012) call for a broader approach to markets and market dynamics, beyond the customer-supplier dyad. In this sense, solution effects are not limited to customer value outcomes but also may influence other market actors and even shape the market (e.g., Corsaro, Ramos, Henneberg, and Naudé, 2012; Storbacka and Nenonen, 2011). That is, the effect that a solution has on the customer-supplier relationship can influence other relationships too and thereby affect how competitors (i.e., other customers and suppliers) act (Håkansson and Ford, 2002). Among studies that go beyond the focal dyad, Hakanen and Jaakkola (2012) and Jaakkola and Hakanen (2013) investigate multiple suppliers involved in implementation. Spencer and Cova (2012) note the effects on competitors, but their primary data are limited to the focal customer and supplier firms, which they acknowledge as a limitation.

This discussion highlights the need for further research on customer solutions; most researchers study this phenomenon from a firm-centric or dyadic perspective only, without achieving an in-depth understanding of how customer solutions evolve. To fill this research void, we study the process for developing and implementing customer solutions and its effects, beyond the focal customer-supplier dyad, by exploring the real-world involvement of multiple parties who co-define the problem, co-develop the solution, and, effectively, co-create value.

Our investigation centers on customers and suppliers in the global mining industry, in which context we analyze the development and implementation of a new customer solution and its effects on the competitive environment. With this approach, our study makes several contributions. First, it provides in-depth, case-based insights that reveal the dynamic, emergent nature of processes for developing and implementing solutions in competitive environments. Second, we describe how the interests of the parties, within the dyad and beyond, might change during the solution process, and how such shifts affect the problem definition and thus the scope of the solution. Third, this study advances market-shaping and business networks theory by detailing the interconnectedness of actors who behave in a particular way to achieve specific effects, some of which are intended and foreseen, and others which are neither foreseen nor intended. Introducing a customer solution may spark changes in competitors' activities and alter the competitive environment. However, these changes are not necessarily deliberate, and the network effects of a market introduction may be difficult to predict.

## 2. Conceptual background

The history of customer solution marketing and selling can be traced to the early 1960s, with the emergence of the systems selling concept<sup>2</sup> (Cova and Salle, 2007), which combined products and services to fulfill extended customer needs (e.g., Hannaford, 1974; Mathews, Wilson, and Backhaus, 1977; Mattsson, 1973; Page and Siemplenski, 1983). Cova and Salle (2007, p. 143) summarize the common characteristics of project marketing and customer solution marketing: "no pre-fixed offer, no demand systematically taken literally, but the possibility thanks to the intimate relationship with the customer, to anticipate and thus to be

able to co-create the project/solution." A customer solution approach resonates with Treacy and Wiersema's (1993) customer intimacy concept and requires high depth and high breadth in the interaction. An in-depth interaction puts the customer's problem into context and implies a high degree of interconnectedness throughout the solution process (Windahl and Lakemond, 2010). The breadth of the interaction implies both an enlarged buying center and an expanded selling center, affecting the focal networks of both parties (Cova and Salle, 2007). Furthermore, recent conceptualizations of customer solutions recognize the need to consider the broader business network and other parties that potentially influence (or are influenced by) the customer solution (Cova and Salle, 2008a; Gebauer, Paiola, and Saccani, 2013; Spencer and Cova, 2012; Windahl and Lakemond, 2006).

The antecedents of customer solutions also vary across industries and market actors; Nordin and Kowalkowski (2010) identify several external and internal drivers of the wider adoption of solution marketing. For example, commoditization propels the adoption of customer solutions as a means of differentiation. Commoditization implies increased product homogeneity, higher price sensitivity, lower switching costs, and greater industry stability (Reimann, Schilke, and Thomas, 2010), as exemplified by increasing low-cost competition and saturation in product markets (Davies, 2004). Commoditization erodes competitive differentiation, decreases technology and product lifecycles, and often leads to a profit squeeze (Matthyssens and Vandenbempt, 2008; Shepherd and Ahmed, 2000). In addition, cost reduction, flexibility, and risk aversion are major reasons customers outsource non-core functions to suppliers (Nordin and Kowalkowski, 2010). Furthermore, as information and communication technology (ICT) enables emerging services and service processes (Kowalkowski, Kindström, and Gebauer, 2013; Rust and Thompson, 2006), the possibilities for new solutions increase. Providers thus offer new solutions, explicitly linked to customers' output (e.g., availability, performance) that compensate the provider on the basis of the customer's value-in-use (Storbacka, 2011; Ulaga and Reinartz, 2011). Many modern suppliers accept responsibility for customers' processes (Kujala, Arto, Aaltonen, and Turkulainen, 2010); because manufacturing companies have deep knowledge of their products and markets, they often are well positioned to offer customer solutions (Knecht, Leszinski, and Weber, 1993; Mathieu, 2001; Ulaga and Reinartz, 2011).

Solutions thus might reduce competition, strengthen customer relationships (Nordin and Kowalkowski, 2010; Tuli et al., 2007), increase the share of wallet or deal size, and enable firms to access new markets (Krishnamurthy, Johansson, and Schliissberg, 2003). Hahn and Morner (2011) argue that when entering the solutions arena, companies acquire more revenue and can better differentiate themselves from their competitors. Whereas products and basic services are easy for competitors to emulate (Vandermerwe, 2000), solutions are difficult to imitate and thus could become long-term sources of competitive advantage (Matthyssens and Vandenbempt, 1998; Shepherd and Ahmed, 2000; Storbacka, 2011). Against this backdrop, it is important to further understand how customers and suppliers can successfully co-develop and adopt solutions.

Most research proposes sequential processes to describe the development and implementation of customer solutions. According to Sawhney (2006), the solution development process begins with the analysis of a customer problem—defining customer outcomes and mapping customer activities—and ends with the identification of products and services needed to solve the entire problem, before moving on to the integration (implementation) stage. Aarikka-Stenroos and Jaakkola (2011) specify five stages: diagnosing needs, designing and producing solutions, organizing the process and resources, managing value conflicts, and implementing solutions. Storbacka (2011) proposes a four-stage process to create customer solutions: develop solutions, create demand, sell solutions, and deliver. Similarly, Davies et al.'s (2007) four-stage process consists of the following: provide an in-depth analysis of a customer's business,

<sup>2</sup> Although the genesis of the systems selling concept is not well established, according to Mattsson (1973), the concept first appeared in a trade journal article by Murray (1964).

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