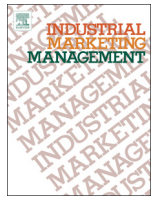




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## Industrial Marketing Management



# The intermediary role in value co-creation within a triadic business service relationship<sup>☆</sup>

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## ABSTRACT

This study aims to enhance the knowledge of the roles played in value co-creation adopted by parties to triadic service business relationships. We approach the research issue through theoretical considerations and explore it empirically with a qualitative case study of triadic service relationships in the property maintenance business. Triadic approach is utilized here to enhance understanding of the mediator's role and activities to facilitate value co-creation in a triadic setting. We identified the following activities as relating to the *facilitator role*: 1) elucidating, that is, matching customer and service provider processes through value propositions; 2) speeding up service processes, by reducing the number of transactions, adjusting resources or processes serving the final customer, facilitating decision-making processes, and prioritizing service tasks; and 3) spreading the word on positive experiences by referencing and giving sales-related support during bidding processes. The *conciliator role* is important in service recovery and manifests in offering solutions, collecting external resources, collecting and communicating feedback, speeding up communication in general, highlighting realities to the end customer and prioritizing end customers in force majeure situations. The paper offers several managerial implications that are relevant especially for service businesses in a triadic setting.

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## 1. Introduction

Today it is widely accepted that value extends beyond value-in-exchange embedded in products or services delivered to a customer to include value-in-use, defined as a customer's outcome, purpose, or objective that is achieved through a service (Vargo & Lusch, 2004, 2008). In that setting, the role of the service provider is to use its resources for the benefit of the customer. This means that value is not "produced" by suppliers alone, but mainly by the customers themselves (e.g., Grönroos, 2006, 2008) using and experiencing the service (Aarikka-Stenroos & Jaakkola, 2012) with the help of a range of network actors contributing to the process.

The triadic approach to service business relationships is powerful in the sense that it offers the opportunity to study a kind of network dynamic. Dyadic approaches may not always be adequate to grasp the elements of service relationships or encounters, and consequently,

even as the smallest form of network, the triad in incorporating a third actor is a research environment capable of revealing many relevant network phenomena (Cova & Salle, 2008; Ford & Håkansson, 2013; Smith & Laage-Hellman, 1992: 40) and can therefore further our understanding of the dynamics and dependencies in service relationships (see e.g., Svensson, 2002) and service recovery (Salo, Tähtinen, & Ulkuniemi, 2009).

Havila (1994: 12) defines a triad as a unitary phenomenon when writing, "In three-party relationships where all three parties are in frequent contact with each other and perceive that every other party is important for the business relationship seen as a whole" Accordingly, Ritter (2000: 319) points out that, "relationships are connected when a given relationship affects or is affected by what is going on in certain other relationships". Triadic relationships may therefore possess characteristics absent from dyads.

Ritter (2000) defines mediation as an active promotion between the firms to build relationships for long-term success. Sometimes the main role of the buyer is just to act as an intermediary between the supplier/service provider and the customer, for example, as a gatekeeper or bridge of information between two actors (Li & Choi, 2009). In addition, in situations where the service is delivered directly by the supplier to the end customer, the intermediary may be involved in negotiating the contract with the supplier on behalf of the customer.

This study approaches the issue of value co-creation activities and an intermediary's role in them primarily through theoretical considerations,

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but it also addresses the issue empirically in an explorative, qualitative study of a triadic relationship in the property maintenance service business. In the empirical section, value co-creation roles will be conceptualized by examining the viewpoints of each party within a triad of 1) *service provider/supplier (property maintenance firm = PMF)* 2) *property manager (who acts as a representative of the end customer = PM)* and 3) *end customers (housing corporation representatives = EC)*.

The empirical part of the paper utilizes the triadic approach to determine how the value perceived by the end customer is co-created by the three parties. The examination pays particular attention to the role of a mediating actor in the triad (in this case the PM) and those activities the PM undertakes to facilitate value co-creation. This context is very informative given our aim, since the PM seems to have a strong mediating role in communicating and organizing interaction, resources, and activities in the triad (see e.g., Hjelmgren & Dubois, 2013), which in turn highlights an interesting phenomenon. Our goal is to answer following research question:

*What issues related to the dynamics of value co-creation in the triadic setting are highlighted in the service business setting?*

and two sub-questions:

*What roles does the mediating actor play in the triad?*

*What activities does the mediating actor undertake that relate to the different roles?*

Value creation as a joint activity is mainly researched in dyadic relationships (Eichentopf, Kleinaltenkamp, & van Stiphout, 2011; Grönroos, 2011; Grönroos & Voima, 2013; Hakanen & Jaakkola, 2012; Hjelmgren & Dubois, 2013), and in terms of the activities customers can undertake to promote value co-creation (see e.g., Aarikka-Stenroos & Jaakkola, 2012; Sampson & Spring, 2012). We argue that the triadic approach will be suitable for exploring value co-creation in business service relationships, especially when the firm providing services also has a direct relationship with the end customer, not only with the intermediary. The triadic research context enables us to understand the critical role of the intermediary because we are able to identify related co-creation activities of each actor involved (Havila, 1994). In addition, it is important to study the relational structure and changes in the business service triad. As the co-creation activities and role of each actor will change, it is important for all the parties involved to address how to manage the relational aspects to achieve expected goals (Li & Choi, 2009).

Values and perceptions in terms of value co-creation are always subjective and context dependent (e.g., Corsaro, Fiocca, Henneberg, & Tunisi, 2013). Thus, the qualitative case approach facilitates rich and deep descriptions that are important given the nature of the phenomenon in question, which is both complex and multifaceted. For this study, the interview-based data were collected from several actors in a variety of roles.

The remainder of the paper includes a brief review of the theoretical concepts relevant to our approach (value co-creation and co-creation activities). After that we will present our methodological standpoint followed by the empirical analysis and related conclusions.

## 2. Theoretical foundation: elements of value co-creation

### 2.1. Value co-creation

Many studies have addressed a customer's value creation process (Grönroos, 2008; Heinonen, Strandvik, & Mickelsson, 2010; Payne, Storbacka, & Frow, 2008; Vargo & Lusch, 2004, 2008) and suggest it should be the starting point for every organization when planning its offerings and how it will cooperate with different stakeholders to provide

resources and support the customer's own value creation (e.g., Grönroos & Voima, 2013).

The support given to the end customer manifests itself in a variety of encounters and in interactions involving emotional, behavioral, and cognitive elements (Payne et al., 2008). Consequently, in this approach, value is not embedded in offerings, but is produced by the customers themselves, and the supplier's role is to offer supporting resources for the customer (e.g., Ballantyne & Varey, 2006; Grönroos, 2006). It is about value co-creation (Grönroos, 2011; Heinonen et al., 2010; Payne et al., 2008), not only the proposer(s) of the value (Grönroos & Voima, 2013). Enhancing value co-creation is suggested to be one of the important prerequisites of fostering a good customer experience (Frow & Payne, 2007; Prahalad & Ramaswamy, 2004) and maximizing the value of the relationship (Payne & Frow, 2005).

It is also suggested that customers should understand the meaning of co-creation even more than they do now (Bendapudi & Leone, 2003). Indeed, in order to fully benefit from a service, customers may take a more active role in adapting offerings to their own unique needs. In those processes, the customer continues the marketing, consumption, value creation, and delivery processes initiated by the supplier (e.g., Vargo & Lusch, 2004) or produces those (or part of those) processes instead of the supplier (Sampson & Spring, 2012).

However, the ability and willingness of customers to do that will be influenced by their ability to conduct the process, the clarity of roles and goals, and their subjective assessment of the expected value (Dong, Evans, & Zou, 2008; Meuter, Bitner, Ostrom, & Brown, 2005). There is also the obvious connection to some bigger trends. For example, recent technological advances provide plenty of opportunities to renew known processes with customers so as to offer superior value propositions (Kowalkowski, Persson Ridell, Rönndell, & Sörhammar, 2012; Payne et al., 2008; Vargo & Lusch, 2008).

### 2.2. Value co-creation activities

Triadic service relationships feature relational links between the parties in terms of social interaction, trust and commitment (Havila, Johanson, & Thilenius, 2004), service processes, information exchange, money and social elements (Van der Valk & van Iwaarden, 2011), for example. As Ballantyne and Varey (2006: 336–337) suggest, there are three important *relational elements behind value co-creation*: 1) relating, “to give structural support for the creation and application of knowledge resources”; 2) communicating, “interaction to develop these relationships”; and 3) knowing, “knowledge needed to improve the customer service experience, especially when co-created through dialogue and learning together.”

In the process of *relating*, the parties are able to enhance their own identities and to adapt to support the cooperative relationship by changing their ways of doing things to build and maintain the relationship (McColl-Kennedy, Vargo, Dagger, Sweeney, & van Kasteren, 2012), and thereby, to co-create value. “Relationships can provide structural support that is useful for sustaining value-creating activities” (Ballantyne & Varey, 2006: 342). However, “how to manage relationship quality is a consequence of learning together over time” (Ballantyne & Varey, 2006: 337). Value co-creation provides an opportunity for ongoing learning on the part of all parties (Lusch & Vargo, 2006). This learning is necessary because although an offering might be suitable now, its capacity for value creation is not guaranteed in the long run unless supported by continual learning (Kowalkowski, 2011).

To learn requires *communication* in different forms and through different channels. Communicating, however, is a tricky question in the context of value co-creation, where it is no longer a one-directional concept, but should involve all parties in a constant dialogue and common sense-making activity if it is to support value co-creation (Ballantyne & Varey, 2006). A commitment to interaction in long-term cooperation calls for rich and sophisticated forms

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