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Using blueprinting and benchmarking to identify marketing resources that help co-create customer value☆

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ABSTRACT

Resource based theory (RBT), also known as the resource-based view, emphasizes resources as essential for building organizational competitive advantage. However, which competencies are essential for enhancing customer value remains unclear. Blueprinting and benchmarking are applied in this paper to demonstrate the process of identifying resources that are specific to co-creating customer value. This has important implications for the management of key marketing resources. Based on the case study results, application of the proposed methods suggests a new avenue for extending RBT application to the area of service management and in the development of service offerings.

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1. Introduction

All indicators point to the fact that the pace of services and services innovation will continue to accelerate in the future (Spohrer & Maglio, 2008). Organizations often rely on services to improve customer value, and ultimately, organizational performance. However, organizations have also begun to realize that value creation occurs in interaction with customers (Grönroos, 2011; Ramaswamy, 2009) and that service is also offered through resources and capabilities, often intangible ones (Ramaswamy, 2009). There is a need to identify and continually develop those resources and capabilities that are essential for both the improvement of organizational performance and the creation of competitive advantage.

Resource based theory (RBT) (Barney, 2014; Kozlenkova, Samaha, & Palmatier, 2014) or otherwise known as the resource based view (RBV) of the firm, posits that resources and capabilities are essential for creating competitive advantage and improving organizational performance (Barney, 1991; Hunt, 1997, 2011). Zubac, Hubbard, and Johnson (2010) develop a framework to show how managers can use a firm's resources to create customer value. Several researchers examine the relationship between organizational performance and marketing resources and capabilities, such as market orientation (Narver & Slater, 1990) marketing planning capability (Slotegraaf & Dickson, 2004) and market knowledge competence (Li & Calantone, 1998). Different researchers identify different resources and capabilities as essential for organizational performance and competitive advantage. However, organizations are different from one another, and services they offer a unique nature and characteristics. Services are intangible, heterogeneous, inseparable and perishable (Johne & Storey, 1998). A method is required that can identify key resources and capabilities specific to an individual organization and its services. The RBV/RBT approach by itself cannot identify the specific resources and capabilities that lead to competitive advantage (Hinterhuber, 2013).

This paper addresses this gap in the RBT literature by demonstrating the use of service blueprinting (Bitner, Ostrom, & Morgan, 2008; Milton & Johnson, 2012) and benchmarking (Bissett & Buchan, 2006; Madritsch, 2009; Paladino, 2007; Wang & Lo, 2003) in identifying resources and capabilities that improve customer value and organizational performance in an Australian organization. First, RBT is discussed and the way it contributes to service delivery management. Second, an explanation of how service blueprinting and benchmarking can be used to identify the resources and capabilities that might improve customer value is presented and finally an industry example is provided to show how blueprinting and benchmarking can be applied in this way

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and managerial implications and suggestions for further research are then outlined.

2. Literature review

2.1. Resource based theory

Resource based theory seeks to explain the sources and conditions that create a sustained competitive advantage. It originates from strategic management (Barney, 1986a, 1991; Peterraf, 1993) and is now a dominant framework in international business (Peng, 2001), human resource management (Colbert, 2004; Saá-Pérez & García-Falcón, 2002; Wright, Dunford, & Snell, 2001), logistics (Lai, 2004), information technology (Bharadwaj, 2000; Mathwick, Malhotra, & Rigdon, 2001; Melville, Kraemer, & Gurbaxani, 2004; Wade & Hulland, 2004) and marketing (Day, 2014; Kozlenkova et al., 2014; Maklan & Knox, 2009).

RBT considers resources to be a source of organizational competitive advantage, a relationship that is empirically confirmed (Hitt, Biermant, Shimizu, & Kochhar, 2001; Huselid, Jackson, & Schuler, 1997; Robins & Wiersema, 1995; Wernerfelt, 1995). Although an organization can be considered as a collection of physical, human and organizational resources (Barney, 1991), RBT suggests that only strategic resources lead to competitive advantage. For a resource to be strategic it must be valuable, rare, non-imitable and non-substitutable (Barney, 1991). A resource is valuable when it can improve organizational effectiveness and efficiency. Rarity means that only a few current and potential competitors have access to that resource. A resource is non-imitable when competitors cannot obtain, imitate, purchase or duplicate that resource. This often occurs when competitors cannot identify the factors that lead to success due to unique historical conditions, path dependencies (resources need to pass through time dependent stages to create the advantage), causal ambiguity (difficulty in identifying how an advantage was created) or social complexity (based on interactions of multiple resources) (Barney, 1991). Non-substitutability means that there are no strategically equivalent resources (i.e., substitutes). If any of these conditions are missing, a resource is not strategic and cannot provide a sustainable competitive advantage.

The other important aspect of RBT theory is capabilities, which are particularly relevant in facilitating the use of resources in the market place (Day, 1994; Hooley, Broderick, & Möller, 1998). Capabilities are a "complex bundle of skills and accumulated knowledge that enable firms to coordinate activities and make use of their assets" (Day, 1994, pp. 38). Developing competencies requires an extended learning curve in understanding the market and developing managerial skills (Hooley, Greenley, Fahy, & Cadogan, 2001). Organizational change, such as altering an organizational culture, may also be necessary for the development of competencies and the alignment of an organization with market requirements (Hooley et al., 1999).

Day (1994) classifies marketing capabilities into three groups based on their internal or external organizational focus. Inside-out capabilities are related to core organizational processes that create economic value (e.g., financial management, cost control, integrated logistics, human resource management, manufacturing/transformation processes and technology development). These internal resources and capabilities are "activated by market requirements, competitive challenges, and external opportunities" (Day, 1994, pp. 41). Their value emerges only when used to exploit external opportunities. Outside-in capabilities help an organization understand their customers' evolving requirements and respond to them (e.g., market sensing, customer linking, channel bonding and technology monitoring). Their purpose is "to connect the processes that define the other organizational capabilities to the external environment and enable the business to compete by anticipating market requirements ahead of competitors and creating durable relationships with customers, channel members and suppliers" (Day, 1994, pp. 41). Spanning capabilities integrate inside-out and outside-in capabilities with a focus on satisfying customer needs (e.g., customer order fulfillment, pricing, purchasing, customer service delivery, new product/service development and strategy development). They require an understanding of market requirements and internal competencies. The combined effects of the three groups of capabilities create causal ambiguity and complexity, so they are not imitable and can provide sustained competitive advantage.

Hooley and his colleagues provide some useful applications of RBT to marketing strategy (Hooley et al., 2005; Hooley et al., 1999; Hooley et al., 1998). Capabilities and resources are classifiable according to whether they provide outside-in and inside-out competitive advantages at an operational level. Hooley et al. (1998, pp. 102) see outside-in capabilities as a firm's ability to understand its customers and make links with them (i.e., market sensing skills). Examples include benchmarking performance, positioning offering, providing superior value (Priem & Butler, 2001; Zubac et al., 2010) and better service to consumers (Hooley et al., 1998). 'Inside-out' capabilities, on the other hand, are a firm's internal capabilities. This includes the redeployment of employees to provide better and more productive customer service. Examples include the use of service blueprinting, the continuous improvement of manufacturing and distribution and relationship marketing.

Research finds support for the relationship between the use of the type of capabilities and performance. Hooley, Greenley, Cadogan, and Fahy (2005) find that market performance is influenced, in part, by 'outside-in' capabilities (customer linking capacity), although they do not consider 'outside-in' capabilities. For service organizations, both types of capabilities need consideration concurrently, as the impact of a firm's operations is much greater for services than in goods-based organizations. A useful way that this can be examined is through a mixed-method case study approach that addresses how the two types of capabilities are formed and how they influence performance.

Firm performance, it is argued, is improved if RBT is successfully applied. Hooley et al. (1999), report that with European firms that deploy an RBT focus, there is better competitive performance, a finding mirrored by information technology researchers such as Bharadwaj (2000). Management researchers such as Hitt et al. (2001) find that human capital strategies have a much greater impact on professional service-firms if an RBT approach is used. Customer performance outcomes such as satisfaction, benefit from the application of RBT, and these outcomes predict greater firm performance (Wang & Lo, 2003). In marketing, the RBT approach is beneficial in improving sales (Menguc & Barker, 2005), logistics (Ellinger, Ketchen, Hult, Elmadağ, & Richey, 2008), export performance (Tan & Sousa, 2015), innovation (Kozlenkova et al., 2014), brand and customer assets (Pergelova, Rialp, & Prior, 2011) and financial performance (Kozlenkova et al., 2014; Wernerfelt, 2014; Yu, Ramanathan, & Nath, 2014). Interestingly, Wernerfelt (2014), argues that for RBT to be effective, resources and/or capabilities that demonstrate performance must not only be identified, but that the focus should be on those that a firm possesses which are superior to (or is something that is better done) than the competition. This approach is very much the focus of this paper.

Organizations must have a suitable corporate culture if resources and capabilities are to be correctly deployed (Barney, 1986b). This leads Hooley et al. (1999) to suggest that resources and capabilities are hierarchical, starting with marketing culture at the top, then passing through marketing strategy to marketing operations, in which the deployment of outside-in and inside-out capabilities or processes occur. This sentiment can also be seen in Day's (1994) suggestion that market-driven organizations need to have a clear focus on the external environment (more specifically, customers' needs and competitors' intentions). In other words, firms need to be market oriented if they are to deploy capabilities and resources successfully.

2.2. RBT and its contribution to services management

While there is emerging interest in the application of the RBT framework in marketing, its application in service management is still in its

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