

Value add in the reciprocal multistage marketing

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ABSTRACT

Multistage marketing in a B2B context emphasizes the looking after the whole downstream chain in order to make marketing more effective. The evaluation what kind of value add the supplier can make to its customer's customers is essential in multistage marketing: Without it understanding customer's customer perspective marketing message seldom can address the needs of the target customer. Nokia Siemens Networks is a major telecom equipment supplier company for many of the operators. It is also a major customer for many operators with its 50 000 employees consuming telecom services. In this case study we examine what kind of value add a telecom operator was able to offer to its customer as this customer was also a major supplier for this telecom operator. We call this reciprocal multistage marketing. This study emphasizes the benefits of having hands-on experience of the services that the customer delivers to its customer. The NSN's corporate role of being a customer's customer provides essential feedback to NSN's R&D and NSN's business development. It provides tangible development targets with careful analysis.

Keywords: Multi-stage marketing, Value add

INTRODUCTION

According to Woodruff (1997) we need richer customer value theory that delves deeply into the customer's world use in their situations. NSN delivers telecom services and equipment to operators. NSN purchases also telecom services from the number of the operators for NSN employees located over the globe (see Figure 1). Being a customer's customer was recognized as a possibility to understand how operators' Mobile Broad Band offerings were experienced by corporate customers. The new strategy of NSN emphasizes the importance of the Mobile Broad Band (MBB) for the development of the society's infrastructure in the age of the internet including also possibilities to invest in R&D.

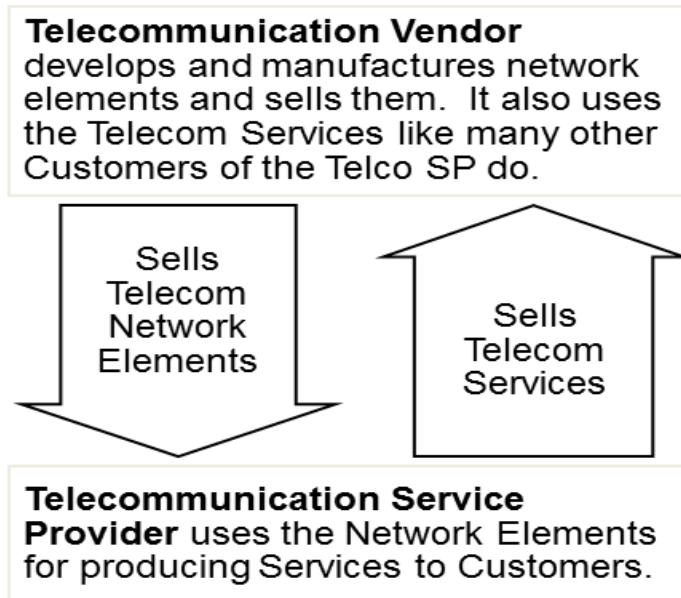


Figure 1: Reciprocal Multistage marketing view on the being a customer's customer in this case

According to Kleinaltenkamp et al., (2009) being a customer's customer is called as multi stage marketing in the literature but it is also called in some references as vertical marketing systems (McCammon, 1970), vertical cooperation system (Ericsson, 1976) or leap frog strategy (Arnott, 1994). The existing literature on the multistage marketing concentrated on studies of creating a brand. In this company's case the brand as such was not an issue. However in this company case the main interest is on studying what kind of value an operator is able to produce for a corporate customer with offering provided by this case study company. This value perspective is scantily considered in the multistage marketing literature.

Lindgren and Wystra (2005) state that based on the literature the companies seldom do not know how to define and measure value. They continue stating that only limited number of research studies is done on the topic. Because of the scant studies on the value topic and especially in the multistage marketing area, this study is qualitative with focus on increasing understanding employing case study methodology. The research question of this study is how being a customer's customer can be used to increase customer's perceived value. The scope of this study is limited to one company and its embedded dyad relationship with an operator and end user experience of the delivered service in a pilot project.

RESEARCH METHOD

The research method of this case is driven by this unique opportunity of being customer's customer. Thus, the research method of this study resembles the laboratory experiment as the phenomenon that we want to study is under the "microscope". Therefore we carefully describe the case under the examination. Then experimentation is carried out and the results of it are reported. In this paper the Eisenhart (1989) description of executing a single case study is used. The case is executed with carefully noting events and then finding how the topic is discussed in the literature. The observation together with literature is used for creating a theory. In this case the observation is use for explaining how a company can use its unique position being a supplier and a customer to benefit its marketing activities and to create additional value to its customer. Tähän jotain kuinka 100 henkilöä seurattiin. Samaten kuvaus yhteistyöstä.

CASE DESCRIPTION

NSN's employees had possibilities to have Home Office Connection (HOC) based on the Asymmetric digital subscriber line (ADSL) technology from an operator. The major benefit of the HOC is that it allows employees to work from home as the organization is globally distributed for the most of the groups over the various time zones. It was also investigated the option to use Mobile Office Connection (MOC) from an operator. The MOC allowed also the possibility to have a connection on the road and its price was half of that of the HOC. From the corporation point of view both aspects, the lower price and the freedom to use NSN's IT from employees' laptops anywhere, added significant value.

What remains open was the end user experience in case of MOC was decided to be taken into use. Most of the meetings were conducted with CISCO's Webex conferencing system as it was considered to reduce needs for travelling. Voice over Internet Protocol (VoIP) calls were used because they were significantly cheaper than direct mobile phone calls abroad. However, there was no knowledge available if these Webex and VoIP services could work smoothly with MOC.

A test of the use of the MOC with 100 employees was carried out in two month period. An operator provided the 3G dongles with Subscriber Identity Module (SIM) cards with same basic service levels that they provided to consumer customers. All the selected end users had also the HOC and therefore the MOC end users were able to compare their experience with the HOC.

The problems that test users reported related to the MOC concerned mainly the quality of the voice over the IP (VoIP) services. The main reason for low VoIP quality was that Virtual Private Network (VPN) connections that are used widely to secure corporate connections were not visible to operator to prioritize time critical VoIP calls. One observation also was that the operators 3G coverage was not wide enough to guarantee the speed for the MOC required. The conclusion was also that it was not possible to identify exact reasons for the end user negative experiences. However, it can be concluded that more development work would be needed to make whole the MOC ecosystem to create higher value than the HOC was able to provide. The MOC ecosystem includes the connection, laptops with headset, softwares, operating systems, service providers etc.

CASE IN THE LIGHT OF THE VALUE LITERATURE

Uлага and Eggert (2006) propose that customer value consists of gained benefits and savings in value creation. According to them the value creation is related as follows: in core offering to product quality, delivery performance and direct costs; in sourcing to service support, interaction and acquisition costs; in customer operations to supplier know-how, time to market and operation costs. In this case the direct cost of the MOC could have been able to represent significant savings as the price was half of the HOC. Mobility would have presented the benefits for both the corporate and individual employee given freedom to work not depending on the place. However, in this case the quality of the service didn't exceed the HOCs' quality as the problems described with the MOC didn't occur with the HOC and delivery of the service, speed of the 3G network, varied based on the network coverage. The operator basically delivered the same service as it delivered for the consumer customers. The discussion channel to this operator's account manager was open and, therefore, interaction was in place. However, the joint problem solving capability was expected. Uлага and Eggert mention the supplier know-how that can be related to this joint problem solving. The importance of the joint problem solving is highlighted in the partnership literature (for example, Spekman, 1988) and purchasing literature (for example Araujo et al., 1999). The message

from this discussion to a supplier was that the problem solving capability was especially important when corporates planned to take into use new services in an environment that had not before experienced. The supplier also could address this by providing assistances and thus to enhance the end user experience of operators. Or NSN could be provide co-located services in the major corporate customer premises together with an operator if these corporate plan to take into use such a new service. Co-location practice is common in consumer business to support selling.

Ulag and Chacour (2001) discuss the importance of the competition in the value generation as value can be considered to be relative to the competition. They states that value analysis tool goes beyond the customer satisfaction. The tool assesses a company's performance in comparison with its main competitors as perceived its former, present and potential customer. They continue by defining the customer perceived value in industrial markets as the trade-off between multiple benefits and sacrifices of a supplier's offering as perceived by key decision makers in the customers organization and taking into consideration the available alternative supplier's offering in a specific-use situation. The main idea of their article is that the value is relative as in this company case the HOC was assumed to generate better value to end user through its reliability, although the other benefits of the MOC were clearly more considerable. In the light these authors' statement it can be speculated what would have been situation if the HOC would have been not available. One of the team members stated also that probably the effort to get the MOC working would have been higher if the positive decision had been made just to go for it. However it would have needed much more effort than to continue of using the HOC.

The other aspect to look at the value is through the relationship as the long term relationship can provide predictability and in the dyad relationship both side learn adopt themselves to changing situation. The relationship value can thus consists of activity links, resource ties and actor bonds as defined the IMP literature. In this case operators could have provided not just the account manager but also co-locate one of its employees to the premises of the customer as proposed. The value add of this kind of operations could have been close touch on going exercise and an immediate feedback to the operators how to improve service as Araujo et al. (1999) said for interactive supplier – customer interface.

The value topic can be discussed from taking into account the supplier's perspective. Walters et al. (2001) define that supplier perceived value comes from direct and in-direct functions. The direct function consists of profit, volume and safe-guard, the in-direct function consists of innovation, market, scout and access. In this case the operator if it would be capable to produce high enough value and to take into account the specific needs of the customer could secure the direct function. The in-direct function of this case could be that the customer could be a reference for other corporate customers. This refers to the access and to marker mentioned in in-direct function.

CASE IN THE LIGHT OF THE MULTISTAGE MARKETING VIEW

Multistage marking is defined to include all the marketing activities that focus on subsequent market stages that follow a direct customer (Rudolph, 1989). Multistage marketing can address one or several levels of the customer's customer. As was mentioned we introduce the reciprocal multistage marketing where firm A is the customers' customer to firm B which is simultaneously firm A's end user. In our NSN case the effect of the offering can be verified by the customer, in this case an operator, and by NSN as being customer's customer and NSN's end user (see Figure 1). One view on this topic is how NSN customers can generate more sales to corporate customers employing the knowledge being a corporate customer for a customer. The case here demonstrates that especially the corporate customers need services and solutions that the consumer consumers seldom needs, for example, in this case VPN to provide secure connection. As the policies for Mobile Broad Band use can vary from the company to

company then operators need to have more knowledge on the solutions that corporate needs. From corporate point of view the value add would be that if standardized solution to corporate and corporate end user can be offered. This could be a direct feed-back product management and R&D.

Being customer's customer brings in some specific points in value adding from the marketing point of view that otherwise cannot be considered. The value generation can be divided into two groups. The first is the benefits to supplier as in this case to an operator. The second group are the benefits to the actor with a double role as in this case NSN. One benefit as being an advanced customer to a supplier, operator, is that it can generate knowledge how in maximal way to get best benefits out from the service, in this case from MBB service, as a corporate customer. NSN could share that information with other operators as being the supplier to them. An operator can use this information as a reference to attract more corporate customers. Being customer's customer also increase the understanding how to react to suppliers problems as the visibility and understanding of the problem also is in the house. Also as a customer, the double actor, can collect statistical information of the performance and share that information with that supplier, operator, and use that information as input to R&D and product management and to help design more valuable products to operators. The learning as being a supplier and a customer at the same time can be used for support the selling by sharing the learning's with corporate accounts and use that as a reference. Uusitalo and Uuskoki (2008) report the learning what an organization can achieved by having joint training with the purchasing and selling personnel. The interaction and especially communication between organizations involves intentions and interpretations which may cause confusion (Ford et al, 1986). Communication is not direct questions with respective answers. The double actor as being a customer and a supplier simultaneously helps to create right terminology, make right questions to be asked, reduces the need of interpretations and, thus reduces confusion. The information related to the product key performance such as capacity and coverage can be also used as input in the product management and in R&D. The service levels and discussion with supplier in this case with operator can be used as input to further design of the telecom services and equipment to provide enhances products to that and other customers.

CONCLUSION

This paper is Working Progress but already this brief visit into this topic gave a good visibility to the multistage marketing from value creation's point view. The conclusion is that an actor having a double role can definitely benefit its position if it can employ it. However, this topic needs wider study as it has been addressed scantily before. My personal feeling that some of the conceptual aspects are needed be addressed more carefully with the help of case studies. The result of this study can also employed in other cases industry, for example, airplane manufactures can study of their and competitors airplane while travelling. Elevators manufactures use their own elevators in their buildings. The question is how systematically this is done and how the collected information can be employed.

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