VALUE PROPOSITION COMMUNICATION FOR INDUSTRIAL ASSET EFFICIENCY SERVICE AS A PART OF THE SALES PROCESS

T. Lehtimäki, tuula.lehtimaki@oulu.fi

M. Korkiakoski, mirkorki@paju.oulu.fi

I. Ojansivu, ilkka.ojansivu@oulu.fi

J. Salo, jari.salo@oulu.fi

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PURPOSE OF THE PAPER AND RELEVANT LITERATURE

A value proposition means a marketing offer or value promise formed and communicated by a seller, with the intent it to be accepted by a buyer (Ballantyne et al. 2011). Internally a value proposition defines company's implementation focus and externally it is company's competitive weapon for gaining the target customers (Capon & Hulbert 2008: 251). The value proposition needs to be formed from the customer's perspective (Rintamäki et al. 2007), even *with* the customer (Kowalkowski et al. 2012), requiring an interactive approach. However, not only the value proposition but the ability to communicate it strategically and effectively can be a remarkable competitive advantage (Kowalkowski 2011). Value assessment and value communication challenges are also major obstacles for adopting the value-based pricing strategy (Hinterhuber 2008).

The purpose of the paper is to build a framework for value proposition communication for an industrial asset efficiency service (AES) (e.g. Ulaga & Reinartz 2011) during its sales process. Thus, what are the elements of the value proposition for an AES, at which phases of the sales process, and how, the value can be communicated to the customer so that it supports customer's acceptance of the value proposition? In such a context, assumed focus of value proposition is on value-in-use (see Kowalkowski 2011), and the value demonstration needs to be done for each customer separately in order to do reliable value assessment before making buying decisions and to evaluate the (value-based) price. This also increases sacrifices of the customer in the process. The literature base builds on value proposition and customer value studies, linking them to the context of industrial sales process and the specific type of an industrial service.

RESEARCH METHOD

Qualitative data is gathered from a single case study (Yin 2009) focusing on the commercialization phase of a particular industrial AES. The role of value proposition communication in the sales process is highlighted in the examined case, as there is intent to utilize value-based sales (and perhaps also pricing) but customers might resist that as it is scarcely used in the industry studied. The case is derived from a globally operating, well-

established technology company. The company is planning to offer their new innovative asset efficiency improving instrument bundled with service (e.g. monitoring, reporting, updates and spare parts). This kind of service beyond typical maintenance and spare part delivery is rather new for the supplier. Considering the specific service, customers have few alternative suppliers to choose from, and an identical technical instrument is not available by competitors. The decision to offer the new technology as a service was made as the substantial part of the offering's value consists of supplier's knowledge, and the supplier's goal is that investments from the customer are modest. References play a vital role in this industry, but for this service there aren't any yet. The supplier collaborates with selected customers to determine the service elements, effectiveness and functionality, and the measures for the benefits of the technology.

Eight personal semi-structured interviews (Arksey & Knight 1999) with the supplier and three interviews with two of its customers provide the main data. The interviews covered the background of the instrument and service development, current situation and future plans (in three supplier interviews); how the service could be sold, assumed benefits of the service, service sales process, potential customers, challenges (in five supplier interviews); and perception of the instrument and the intended service concept, priorities of and benefits for the customer (in three customer interviews). Additional archival data is gathered from public sources and the firms to enable data triangulation (Denzin 1978).

Data analysis followed the phases of data reduction, data display, and drawing conclusions (Miles & Huberman 1994), and abductive logic (Dubois & Gadde 2002). The interviews were recorded and transcribed. The QSR NVivo 8 software was used to organize and reduce the data by coding it according to themes used in the theory-based interview guides. Also new codes were formed when they appeared important for the research question. Data was further reduced by drafting code abstracts, and those were used in the final analysis in order to draw conclusions.

RESEARCH FINDINGS

The study provides a framework for how to communicate value propositions for industrial AESs during their sales process in a context where demonstration and assessment of the value at the customers' before buying is emphasized. The two elements for the value of an industrial AES are *value of the core technology* and the *value of a service-based offering*. Both factors are essential in the formation and communication of the value proposition for the service. The value and the value proposition for an AES are customer specific. In addition, measure for the value is needed and the value needs to be translated into monetary terms. Identifying the key decision makers that are able to understand and to appreciate the value of the service is critical considering the formation of value proposition and its communication. Here, the key person in customer organization is the end user (operator), and the supplier must aim at emphasizing the value-in-use. After value proposition formation and "traditional" communication of it through sales argumentation follows the delivery and the trial period, which is the crucial phase of value communication through value verification, where it becomes evident whether the value proposition can be realized at the customer's process and the buying decision is made. Value documentation is conducted during the sustaining phase, which supports value communication with future customers. Figure 1 illustrates the empirically adjusted theoretical framework. The top of the figure describes the reciprocal value definition process for AES. The lower part of the figure presents how value proposition is defined and communicated through customer interaction during the sales process.

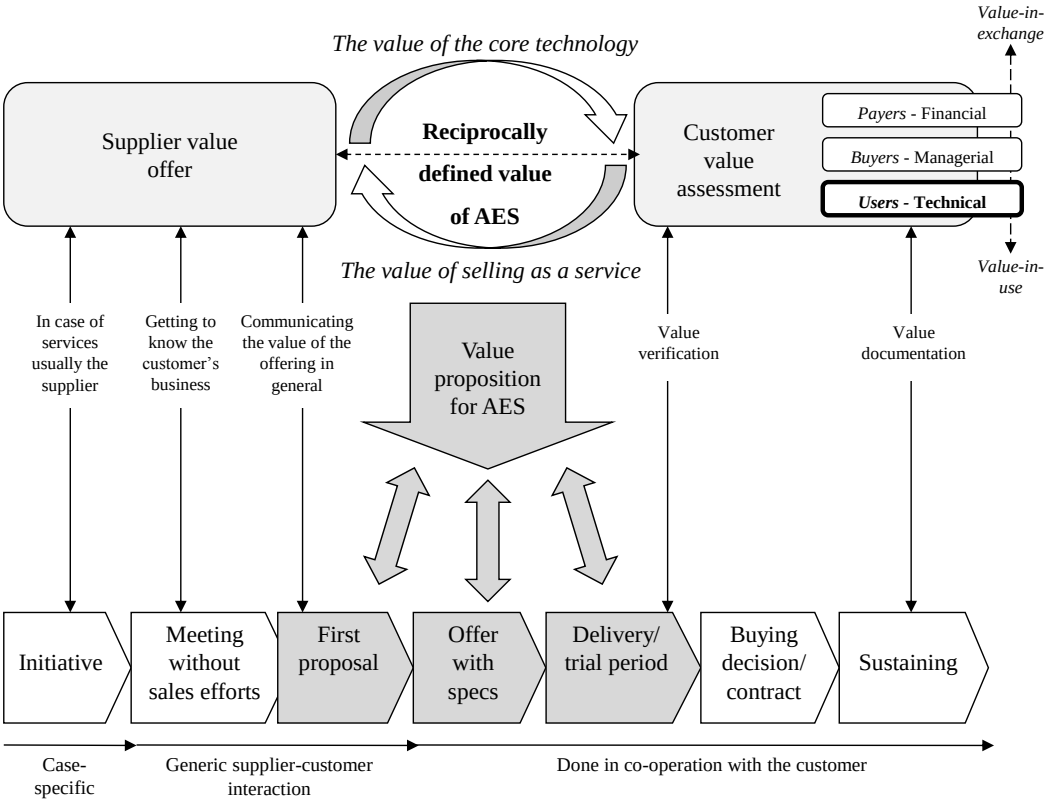

Figure 1. Empirically adjusted framework for value proposition communication for an industrial AES as a part of the sales process.

CONTRIBUTION

The study contributes to value proposition discussion (e.g. Kowalkowski 2011, Kowalkowski et al. 2012) by presenting a framework how to form and communicate a value proposition for a specific type of industrial service as a part of the value-based sales process. Firms often consider value proposition in terms of what they offer ignoring their customer's need (Anderson et al. 2007), but this study emphasizes the need for an interactive approach and details what it means during the sales process. Also, this study supports the notions by Ford (2011) that in providing business services and discussing their value, the firms need to carefully consider the context, the customer and the related problems, abilities and aims, since value as well as the interaction entwined into services requires interest in *specific* rather than in general aspects (see also Turnbull et al. 1996). In addition, the study contributes to value pricing (e.g. Liozu et al. 2012) and value sales (e.g. Terho et al. 2012) research by examining their implementation from the perspective of how to communicate the value during the sales process. The generalizability of the results is mainly limited to industrial firms offering AESs. However, understanding the interactive nature of value proposition formation and communication, as well as the need to have measures for value and to secure the value-in-use at the customer, are important issues to all firms offering complex industrial services. In the future, research efforts could be directed into examining the potential of a truly value-based sales and pricing. It is an interesting endeavor for industrial firms due to high profit possibilities, but also for researchers, since empirical research on carrying out such practices is still rather limited.

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