

TRIADIC VALUE PROPOSITIONS IN SERVICE NETWORKS

- A LONGITUDINAL CASE STUDY

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ABSTRACT

As manufacturers initiate service-led growth, the interdependence between manufacturer, intermediary, and user increases. In this study, we conceptualize a triadic value proposition and analyze how the structural, economic, and social dimensions of the value proposition between manufacturer, dealer, and user change when the manufacturer enters the service market. The research is based on a five-year study of a multinational industry incumbent entering the service business by offering a new service for professional users (B2B). Primary data comes from interviews with respondents from the manufacturer, dealers, and end-users in the Netherlands, Sweden, and the US. What makes the context and time particularly interesting to study from a value proposition perspective is the fact that (1) the dealers sell multiple brands and have no specific loyalty towards a particular manufacturer, and (2) entering the service market implied a redefinition of the existing relationship and value proposition characteristics in order to succeed. Results show the dynamics of the triadic value proposition throughout the entire service development process, from idea and concept to launch and sales. Modifications and adaptations take place due to factors such as emergent opportunities, unexpected limitations, and internal strategic re-prioritizations, as well as inputs from dealers and customers along the way. By analyzing how the proposition evolves over time, we can better understand how to involve and collaborate with key actors in order to initiate a disruptive change on a firm and network level. This is particularly timely given the major difficulties related to service infusion when intermediaries play a decisive role for the success.

Keywords: Triad, value proposition, service network, business development, collaboration, network ties

Paper type: Competitive paper

INTRODUCTION

Over the past two decades, the concept of value propositions has been increasingly used in both academia and among practitioners (Payne & Frow, 2014a). From a marketing strategy perspective, Webster (2002) argues that the value proposition “should be the firm’s single most important organizing principle” (p.61). However, established concepts and views of value propositions may be inadequate to understand how companies can gain competitive advantage and achieve differentiation in business networks consisting of more than two actors. With a few important exceptions (Ballantyne et al., 2010; Frow and Payne, 2011), the customer-supplier dyad is the focal relationship in research on value propositions (Anderson et al., 2006; Lanning and Michaels, 1988; Treacy and Wiersema, 1995). Although more recent conceptualizations highlight interdependence and reciprocity as critical elements of the value proposition, these concepts are still nevertheless primarily dyadic (e.g., Ballantyne and Varey, 2006; Kowalkowski, 2011; Payne and Frow, 2014b). Ballantyne and Varey (2006, pp. 344-345), for instance, argue that “there can be no satisfactory ongoing relationship development unless suppliers also determine their own sense of value, which means that, realistically, value propositions are *reciprocal* promises of value, operating *to and from* suppliers and customers seeking an equitable exchange. Thus value propositions are always two-way, *quid pro quo*.”

Nevertheless, a dyadic perspective may be too limited in order to understand contemporary phenomena, such as service-led growth in product industries, which take place in networked environments. For example, Matthyssens and Vandembemt (2008) illustrate that companies that increasingly offer service-based value need to interact and develop relationships not only with customers but also with other downstream actors. Similarly, Finne and Holmström (2013) illustrate how service infusion might take place on supply chain level, thus involving several actors at multiple levels. Although the vast majority of studies of service infusion in manufacturing have been dyadic (e.g., Neu and Brown, 2008; Oliva and Kallenberg, 2003; Tuli et al., 2007), there are calls for more research that looks beyond the dyad (Finne and Holmström, 2013; Gebauer et al., 2013; Kowalkowski et al., 2013; Windahl and Lakemond, 2006). In reality, many small, local as well as large, multinational suppliers operate through intermediaries, such as dealers or distributors (Gebauer et al., 2010; Nordin et al., 2013), essentially opening up the dyad to include more actors.

Furthermore, more advanced service offerings imply not only that new competences and skills are needed but also that suppliers need to have market channel access to local customers through an external and/or in-house service network (Morschett, 2006). This means that global firms that operate through intermediaries—often local dealers—not only need to address end-customer/user needs but also need to incentivize the intermediaries and ensure that they have the competences, resources and commitment to sell and deliver the new service-based value. Thus, as a response to value constellation complexities related to the service infusion in manufacturing, a triadic value proposition concept is proposed. Business triads imply three firms that may have both direct and indirect connections. Triads consist of three independent firms that are connected to each other, either directly or indirectly, for the purpose of doing business (Holma, 2010). A triadic approach is especially relevant in relationships where an intermediary is involved, and all the three actors have direct connection with each other; that is, *transitive triads* (Havila et al., 2004; Madhavan et al., 2004).

The objective of this paper is to conceptualize a triadic value proposition and analyze how the structural, economic, and social dimensions of the value proposition between supplier, dealer,

and user change when suppliers enter the service market. A triadic approach (Nätti et al., 2014) is used to enhance understanding of the value proposition innovation process in a triadic setting. The research is a longitudinal study of an international industry incumbent entering the service business, thus significantly changing the value proposition and the relationships within the studied triad. The primary data, spanning five years, comes from interviews with respondents from supplier, dealers, and end-customers.

THEORETICAL BACKGROUND

Tracing the value proposition concept

Early conceptualizations of value propositions placed the concept as an initial step in a value delivery process (Frow and Payne, 2008), which resonates with a mechanistic manufacturing/goods-dominant logic rather than with service logic (Kingman-Brundage, George, and Bowen 1995; Normann 2001; Ramírez 1999; Vargo and Lusch 2004). Thus, early works on value propositions emphasize the ‘delivery of value’ by a supplier (even if they have what they regard as a customer-oriented perspective) and the value proposition is an implicit promise made to customers to deliver a particular combination of values (Anderson et al. 2006; Treacy and Wiersma 1995).

However, several later conceptualizations have progressed towards stronger vestiges of service logic (Frow and Payne 2008). In particular, the value proposition concept is further developed, and aligned with a service logic view, by Ballantyne and Varey (2006). They agree with Vargo and Lusch (2004) on the provisional state of value propositions in which value-in-use is the enactment of the value propositions that buyers and sellers express. This means that both customer-related factors and internal capabilities influence what type of value proposition is suitable for what particular use-contexts. For example, financial policies affect the value proposition as they set the scope for what type of offering the buyer can actually purchase. As a consequence, the relative emphasis on value-in-use and value-in-exchange differs between value propositions (Kowalkowski 2011).

Value propositions in networks

Network theory has for long recognized how business relationships are connected to each other; changes in one relationship will always affect inter-linked relationships to different degrees (Håkansson & Ford, 2002). Service networks are characterized as a “loosely coupled collection of upstream suppliers, downstream channels to market and ancillary service providers” (Gebauer, Paiola, & Saccani, 2013; p.32). In such a network, not only the dyadic customer-provider relationship is important to consider, also triads and more extensive networks is in focus. Although triadic business relationships have been studied in the network-field of marketing literature (e.g., Havila et al. 2004; Holma 2010; Salo et al. 2009), a three-way, triadic, value proposition concept has not been explicitly discussed in broader academic marketing and management literature. The few exceptions that exist in industry tend to describe it as ‘the three-way value proposition of a software deal’ (Siebel Systems¹, 2003). However, these do not involve three different organizations but instead, they involve the sales person presenting and selling the service, the customer reciprocating by paying and providing useful references, and the supplier paying its salesperson.

In line with a service logic view, Frow and Payne (2011) extend the value proposition concept further by going beyond the supplier-customer dyad. They consider value

¹ Siebel was acquired by Oracle in 2006.

propositions and the co-creation of value for a broader range of stakeholders e.g., customers, suppliers, alliances etc. (Payne et al., 2005). Nevertheless, except Frow and Payne’s (2011) conceptualization, scholars have discussed value propositions from a dyadic supplier-customer perspective only. Therefore, we believe that an important step towards a broader conceptualization, is to go from a dyad to a triad were at multiple different relationships is involved.

Triad networks (triads) can have different characteristics and a common form of triads in market channels is intransitive triads; that is, both B and C have ties to A (the *tertius*), but they are not directly connected to each other (see scenario 1 in Figure 1) (Madhavan et al. 2004). In many industries the market channel is fragmented and there are few, if any, ties between actors B and C (see, for example, Matthyssens and Vandembemt 2008). However, in other contexts, each of the three firms has direct ties to both of the others, which constitutes a transitive triad (see scenario 2 in Figure 1).

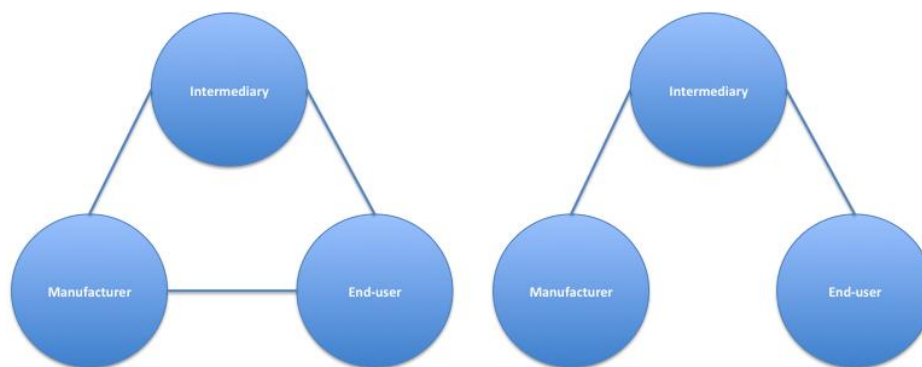


Figure 1. Transitive and intransitive triads.

Relationship dimensions in dyads and triads

As a firm is introducing services to the portfolio not only does the supplier—intermediary or intermediary—user value proposition change; new types of service offerings generally imply more complex inter-organizational patterns and require new competences and skills, such as local knowledge of and relationships with users, and a local service network (Ulaga and Reinartz, 2011). This is particularly pertinent in a market channel consisting of independent intermediaries. Thus, the move from traditional two-way value propositions between supplier and intermediary, and between intermediary and end-user to interdependent relationships between all three actors highlights the need for conceptualizing a three-way value proposition. The three dimensions of relational concepts in business networks as discussed by Holmlund and Törnroos (1997) are structural/technological, economic and social (Table 1). These are used to describe the how the value proposition change, through the ties between the actors in the value constellation, as the focal manufacturing firm extend its offering with services.

Table 1. The three types of relational dimensions (Holmlund and Törnroos, 1997).

Structural /Technical <i>Links</i> <i>Ties</i> <i>Connections</i> <i>Institutional bonds</i>	Economic <i>Investments</i> <i>Economic bonds</i>	Social <i>Commitment</i> <i>Trust</i> <i>Atmosphere</i> <i>Attraction</i> <i>Social bonds</i>
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METHOD

Our intention is to extend existing theory on value propositions in marketing systems. Thus, we wanted to create new knowledge of the phenomenon under study through selecting objects of study rich in information to develop theory. Methodologically, a three-way value proposition should also be possible to simultaneously study in a real-life context more easily — and therefore more precise — than a more complex, networked construct (such as the six market model or Gummesson's (1995) 30R model). Furthermore, also Frow and Payne's (2008; 2011) value proposition concept can be regarded as being composed of six two-way value propositions (although interrelated) rather than an interconnected multi-party value proposition. Our objective, on the other hand, is to analyze the evolution of a triadic value proposition between three types of actors. That is, discussing and analyzing the linkages between all three actors in the value constellation.

Empirical context

The case chosen concerns a specific internal business development project of a multi-billion dollar product manufacturer. The firm was about to enter the service business of one of its key business units by developing and offering a service level agreement (SLA) portfolio for its more advanced products. In opposite to much of the literature on service infusion in manufacturing, which concerns manufacturers of relatively complex and expensive products, the advanced machines of the manufacturer in this study cost approximately \$8,000-30,000. Traditionally, the supplier operated through an independent, third-party, dealer network and, consequently, had little or no contact with the actual end-users of its products. What made this context and point in time particularly interesting to study from a value proposition perspective was the fact that entering the service market implied a redefinition of the existing relationship and value proposition characteristics in order to succeed. In addition, access to all of the involved organizations was a key selection criterion. This access was achieved through good contacts with managers from the supplier firm possessed by the researchers due to collaboration in a three-year research project on service infusion in manufacturing industries.

The initial market situation can be described as typical for this type of industry; that is, the manufacturer has an indirect market channel for its products through intermediaries and therefore has little, or no, interaction with the end-users (cf. Peppers, Rogers, & Dorf, 1999) and only an indirect relationship with the final market. The dealers are often multi-brand having little, or no, loyalty to any specific manufacturer. Furthermore, the independent dealers do not themselves offer any structured SLAs. Traditionally, most end-users use the products until it breaks down, often resulting in higher repair costs and loss of production time. Despite this traditional situation, reducing downtime is a concern among many professional end-users regardless of size and usage. Thus, the opportunity to offer SLAs with an 'uptime guarantee' (although limited), including improved maintenance plans and repairs, was seen as a major market opportunity by the central service manager at the manufacturing firm.

Data collection and analysis

The choice of case firms was a deliberate research design parameter to increase external validity and ensure some form of generalization (McDermott, 1999); that is, that the findings are applicable on service functions in other firms as well, provided that the settings are

similar. The selected focal firm was chosen for theoretical, not statistical reasons (Gummesson, 2000). Normann (1976, p. 73) consider that “the possibilities to generalize from one single case are founded in the comprehensiveness of the measurements which makes it possible to reach a fundamental understanding of the structure, process and driving forces rather than a superficial establishment of correlation or cause-effect relationships”. Consequently, a further advantage of the single setting, embedded case design was its ability to provide in-depth insight into dynamic phenomena in inter-organizational relationships (Yin 2003). Interviews were conducted with managers and other key decision makers from the manufacturing firm, seven dealers, and 22 users in Sweden and the US (see Table 2). Most of the users interviewed were small private firms having between one to ten products in their machine park, although also data from larger firms and municipalities was collected.

Table 2. Manufacturer, intermediary and end-user interviews.

<i>Market</i>	<i>Manufacturer</i>	<i>End-Users</i>	<i>Dealers</i>
Sweden	7 (5 with same respondent)	15	4
United States	2	14	3
The Netherlands	1	3	2
<i>Total</i>	9	32	9

Interviews were conducted in a semi-structured manner with one, or in a few situations two, respondents. The interview process started with the manufacturing firm and in a discussion with those respondents appropriate markets and end-users was chosen in ‘snowball sampling’ type of process (Coleman 1958). Salganik and Heckathorn (2004, p. 230) argue that for a given amount of resources, such respondent-driven sampling “allows researchers to have more study sites or larger sample sizes than other methods”. Furthermore, it enabled information access to key firms and respondents in the triadic value constellation. For example, the initial manufacturing firm respondents gave recommendations on particular respondents from dealers and customers due to both their relevance for the specific service project and also their experience and expertise. In addition to interviews two larger workshops were conducted with representatives from all three actors enabling both additional data collection as well as a validation of case descriptions and preliminary analyses.

The collected data was then analyzed using a systematic combining process (Dubois and Gadde, 2002). This form of abductive approach enables the exploration of a new phenomenon and the coupling of new results to various contexts (Kovács and Spens 2005). In this study, we started from the new service concept and the initial structural, economic, and social dimensions of the actor relationships. The longitudinal data was then analyzed in order to understand the development process of the manufacturer’s offering and analyze how the triadic relationship evolved.

Although the starting point was the focal firm’s (i.e., the manufacturer’s) first major entrance on the service market, we strived to use a triadic approach incorporating the perspectives of three actors constituting the particular value constellation. In this study, the term ‘triadic case’ is used to refer to an economic, social, and structural relationship between three actors in a service network that are encompassed by what we conceptualize as a three-way promise of value (i.e. value proposition). A triadic approach takes corresponding perceptions from all three actors in a triad into consideration, rather than focusing on only one or two of the

actor's view of the relationships (see also Holmlund and Strandvik 's (1999) dyadic rather than single firm approach). The single-case study approach is appropriate for understanding the concept of three-way value propositions in settings in which the phenomenon under scrutiny is embedded in complex relationships, and in which the existing body of knowledge is presently insufficient (Halinen and Törnroos, 2005; Olkkonen and Tuominen, 2008).

CHANGES IN RELATIONSHIP DIMENSIONS

There were several reasons as to why the manufacturing firm took the strategic decision to develop and introduce a service offering to the market. The introduction of a service offering, a so-called Service Level Agreement (SLA), aimed at professional users of their commercial range of products (they also manufacture consumer-oriented products), was primarily due to a desire to promote sales of more products and spare parts, to increase loyalty at the end-users level (but also at the dealer level), and to enhance the market position justifying their premium price. In order to succeed with the proposed service extension, the manufacturer engaged both dealers (i.e. intermediaries) and customers (i.e. end-users); in essence, the aim was to reconfigure the market channel structure from an intransitive triad where the dealer is the *tertius* to a transitive business triad. Table 3 briefly presents the business drivers in each stage and for each actor. How the changes in different stages affect different relationship dimensions (*structural, economic, social*) between the different actors will further be analyzed in next section.

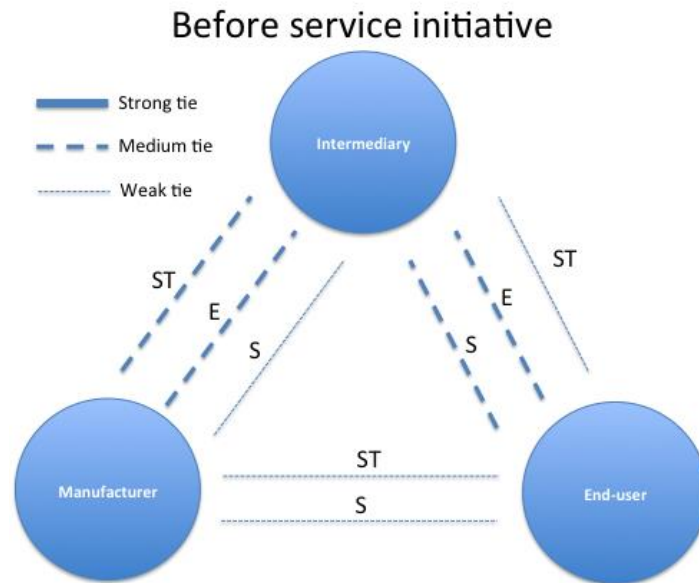
Table 3. Business drivers for the three actors

	Stage 0 – Before service initiative	Stage 1 – Initial service initiative	Stage 2 – Updated service initiative
Manufacturer	Product sales. Aftermarket parts and accessories. Product performance.	Increase product and spare parts sales. Increase customer loyalty and brand awareness.	Increased customer value. Close relationship to customer business.
Intermediary (dealer)	Product sales. Spare parts and reactive maintenance.	Increased service sale. Improved resource planning.	Improved planning and follow-up of sold machines. Deeper relationship with customer.
End-user	Simplicity. Long lasting products.	Minimize downtime, Cost reductions	Health and safety. Improve work technique. Improving productivity.

Relationship dimensions before the service initiative – Stage 0

Before the service initiative—that is, traditional product sales through an intermediary—the value proposition is distinctly dyadic with little or no interaction between the manufacturer and the end-user. End-users are fairly-strongly related through social bonds and trust to the dealers but not to the manufacturer. End-users generally trust their dealer and are willing to change brand and type of equipment on their advice. On some markets (primarily the manufacturer's home market), however, the end-users have a link with the manufacturer's brand, although it is weak. Structurally, there is also a weak link between the manufacturer and the end-user through new product warranties and indirectly through original spare-parts

programs. These links are however almost always channeled through the dealers. For a summary of the ties, see Figure 2.



*Figure 2. The relationship dimensions in Stage 0 – Before service initiative
Structural/Technological = ST, Economical = E, Social = S.*

Relationship dimensions with the initial service initiative – Stage 1

The development of the service initiative implies a changed way of working for the manufacturer since they to a higher degree need to cooperate with not only the customers, but also the dealers. Shifting from the traditional product selling and marketing approach to a more service-oriented implies a need for the manufacturer to include the dealers to a greater extent. The dealers are the actors that not only should promote and sell the service but also deliver it (i.e. fulfill the service promise) to a great extent. Also for the dealers it has implied a new way of thinking in terms of service business and relationships to customers. The service business is now a more integrated part of the business, where products and services together form the value proposition. Previously the services were seen as a complement to the product business and mainly as aftermarket activities that were needed in order to drive product sales.

The manufacturer selected a number of markets (based on market maturity level and structure but also based on the characteristics of individual intermediaries and end-customers) for the initial launch and carried out a number of data gathering activities, such as questionnaires, interviews and even role-playing exercises, in order to gather data for the development of the service initiative.

For the manufacturer, shifting towards services in the first stage, the initial service initiative, was driven by an ambition to increase market share by converting customers from other brands and drive product and service margins, but also to increase product sales. As the role of the dealers had to change, a need to incentivize them emerged, the manufacturer attempted to create *indirect incentives* for the intermediaries. These indirect measures focused on supporting the business processes of the intermediaries, in the form of a web-based portal with a number of information-based services, including a value calculator tool to visualize the potential in increased machine sales, spare parts sales, and better scheduled workshop

resources (increasing resource efficiency). Furthermore, the manufacturer carried out various educational activities aimed at increasing the intermediary's knowledge of the revenue streams and added benefits from deepened relationships with the end-customers. *Direct incentives* for the intermediaries were more billable workshop hours and increased spare parts sales (with better margins) as well as increased future product sales due to stronger ties with the end-users.

Structurally, the manufacturer provides the hardware for the new service, such as the web-portal, maintenance booklets, branding material and the spare parts, thus strengthening the structural and technical ties with the intermediary. Included in the service is also a web-resolution aimed at the end-users offering also them certain services, such as limited fleet management functions and online service plans, tying them technically to the manufacturer.

By introducing the service on the market, the manufacturer also raise brand awareness and instill a sense of trust in the equipment and the manufacturer, increasing social awareness as well as end-user loyalty and retention. If fulfilled, the uptime guarantee increases trust and attraction at the end-user level, which strengthens the social bonds between end-user and manufacturer. Also the dealer becomes more loyal to the manufacturer brand, which strengthens the social bond also in this interface.

The ties between the intermediary and the end-user were already rather strong before the service offering was introduced. With the launch of the service, the ties however are strengthened in several ways. For example, the service offering requires intermediaries to provide the end-users with a minimum of two hours basic training on operating, maintaining, and the safety of, the products. Furthermore, as the services are developed by the manufacturer but sold and fulfilled by the intermediaries the structural, social as well as economical bond between the intermediary and the end-user becomes stronger. Obviously this has a similar, but weaker, effect on the manufacturer—end-user ties. Economically, there are both new flows, i.e. the subscription for the service, as well as an enhancement of existing ones, primarily increased sales of spare parts. The spare parts are projected (by the manufacturer) to the most significant share, together with new products share. This boosts the economical ties between all actors.

Through this initiative, the manufacturer has focused on fundamental business issues, for example by introducing web-based educational packages, thereby increasing dealers and users understanding for the rationale for service contracts. The dealers are the sellers of the service contract and the users are very coherent to what their dealer recommends. Due to this fact, the dealers' perception of the service contract is critical to its success in the market. For a summary of the ties see Figure 3.

A residual to the introduction of the service is the increased influx of end-user data through the online service plans and the web-portal functions used by the intermediaries. This decreases the mental distance between the manufacturer and the end-users, providing pivotal user-data that can be utilized in both product and market strategy development.

From a marketing perspective, the end-user were primarily interested in hard facts resulting from using the service, such as cost reductions and increased operating time, and less enticed by softer relationship-related issues, such as trust and commitment. Since users have weak or even no relationship ties with the manufacturer, marketing activities had to be geared at both the dealer and the end-user, although focus was on convincing the dealer and subsequently letting them convince the end-users. A challenge was that many of the end-users and also

many of the dealers were relatively inexperienced in understanding the total lifetime cost structure of purchased products.

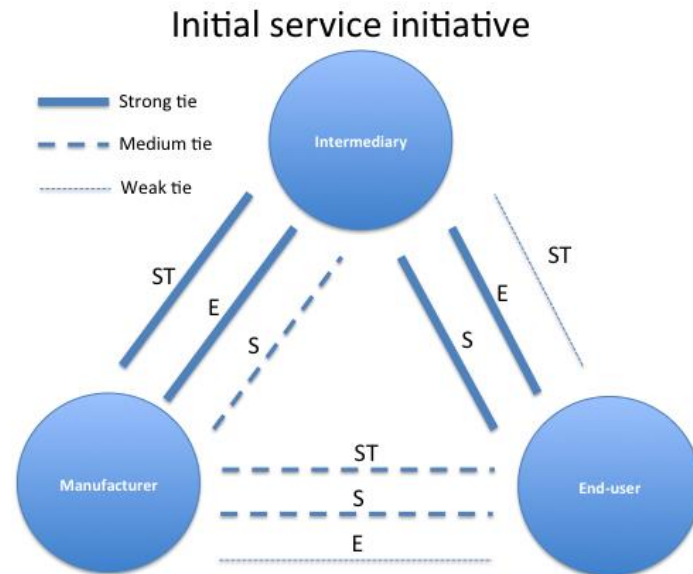


Figure 3. The relationship dimensions in Stage 1 – Initial service initiative
Structural/Technological = ST, Economical = E, Social = S.

Relationship dimensions with the updated service initiative – Stage 2

Due to an increased understanding of end-users requirements, and the development of enabling ICT-technology, the manufacturer further developed the service concept to what we refer to as updated service initiative. This new updated service initiative was first tested on seven markets and was then launched in smaller scale on two selected national markets. This launch will be followed by a broader launch on more markets during the coming year. The updated service has a stronger hardware component as the service relies on physical sensors. A product-based sensor is installed on single machines and an operator-based sensor is has been developed that is paired with an operator. These sensors are part of the service and a fee, in addition to the previous subscription-fee in the initial service offering, is attached to them, increasing the economical flow and ties.

A core of this new updated version is the ability to gather information through the sensors, analyze it, and then present it to the customer through a web enabled interface. In the web interface the customer (or dealer), can follow their fleet and individual machines and get information on usage and wear (including notifications on upcoming maintenance activities) related to their machines but also and on issues such as work technique for individual operators. The web interface also offer support services such as access to training programs and documentation such as drawings of machines, owner's manual, workshop manuals and illustrated parts list.

This updated service initiative build stronger social and structural ties between end-user and manufacturer and enables a closer relationship between the actors. Worth noticing is that this potentially enables ties on multiple levels between end-user and manufacturer as managers,

workshop technicians as well as individual operators have customized access to the web interface. Therefore the ties become both broader and stronger.

One key aspect in the updated service initiative was an increased understanding of the end-users' willingness to pay and their preferred mode of payment. Many end-users expressed a need for different financing solutions. Depending on the chosen payment model it can potentially have different effects on the relationship dimensions. Some modes, such as up-front payment, might imply stronger social and economic bonds between dealer and end-user while others, such as subscription models, result in stronger ties between provider and end-user. Hence, depending on what payment model to use, the relationship ties are affected in different ways. For a summary of the new ties see Figure 4.

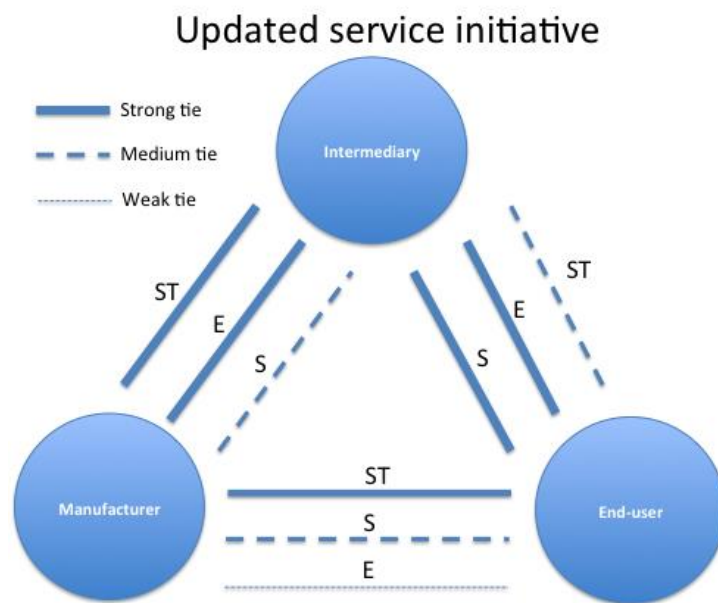


Figure 4. The relationship dimensions in Stage 2 – Updated service initiative
Structural/Technological = ST, Economical = E, Social = S.

DISCUSSION

Our findings point at the importance of deepening the relationship, primarily through structural and social dimensions, with dealers. This was achieved through various mechanisms such as ICT solutions, profit-sharing schemes and educational activities when developing services in this setting. Earlier research on service business development in manufacturing firms emphasize that if manufacturing firms are to compete through industrial services, an in-house service organization and infrastructure to respond to local service demands is needed (e.g., Gebauer and Kowalkowski, 2012; Neu and Brown, 2008; Oliva and Kallenberg, 2003). The competitive advantage created and the revenues generated by an in-house local service organization, it is argued, can more than offset the lower costs of using an external services network (Goffin, 1999). However, what this literature does not recognize is the fact that the creation of an in-house service network is many times constrained by the strong market positions that dealers and service partners have (Kowalkowski et al. 2011). Thus, a dyadic perspective is insufficient because actors other than the manufacturer can have the focal customer/user relationship. Obviously, this is often the case when the manufacturer has little local market presence and operates through dealers. In such cases, products are sold

and serviced throughout their lifecycle by actors external to the manufacturer. Any move to enter the service market without disturbing the balance in the market channel means that the manufacturer needs to find incentives not only for the customer to purchase the service but also for the dealer/service partner to promote it and commit to the new offering.

A triadic value proposition

As the service offering becomes more complex—in this case, from product sales and spare parts provision the initial service initiative to the updated service initiative—it becomes more appropriate to conceptualize the value proposition as a reciprocal, three-way promise of value between manufacturer, intermediary, and user in the service network rather than as two distinct dyadic value propositions (i.e. manufacturer—dealer and manufacturer—user). If the promise of value changes between two of the actors, it will also affect the value alignment with the third actor involved. In line with Frow and Payne's (2008) and Payne and Frow's (2014a) extension of the value proposition concept, triadic value propositions can facilitate value alignment, with the value proposition representing a tangible signaling mechanism for the co-created value that is shared between the three actors.

This study shows the importance to develop not only economical dimensions of relationships, albeit being vital, but also develop structural and social dimensions of the relationships, which include better understanding of the other actors' businesses and soft values (e.g., employee health and safety issues). This is especially evident for the development of value proposition in triads the updated service initiative, where it primarily is structural and social relationships dimensions that enables the development of the transitive triad. This can be explained by it is closely linked with an deepened relationship and an increased trust among the involved actors that imply a shift from the economic aspects (investments and prices) to more long-term and social and structural issues (commitment and trust). As studies of asymmetrical information exchange show (Mascarenhas et al., 2008), balanced knowledge sharing and symmetrical information exchange is critical for successful value constellations and propositions, something further emphasized in service logic (Lusch et al., 2006).

CONCLUSIONS AND IMPLICATIONS

The triadic structure is an important, but neglected, aspect of business networks in mainstream marketing literature (Madhavan et al., 2004). By adopting a systemic network perspective on value creation, value propositions can help identify the distribution of value within a value constellation or business network (Frow and Payne, 2011). As illustrated in this paper, focusing on dyadic value propositions may not only be limiting, but even inadequate, when examining discontinuous innovations, such as the introduction of a new-to-the-industry service initiative, which influence the ties between all actors involved. Hence, alignment between the interests of all three actors in the triad is required.

This paper contributes to theory on both value propositions and service business development by showing how different dimensions of the value proposition and relationships change as manufacturing companies extend their portfolios. This study is a response to prior calls (e.g., Matthyssens and Vandenbempt, 2008; Windahl and Lakemond, 2006) of extending the studies of service infusion in manufacturing firms from the most common, but often limited, dyadic perspective. Our findings highlight the importance of deepening the relationships with channel intermediaries through mechanisms such as ICT solutions, profit-sharing schemes and educational activities. Thus, a broadened network of value propositions is required. Since many manufacturing firms are dependent on channel intermediaries for their service provision (Gebauer et al., 2010), a dyadic perspective is often insufficient. In addition, a

systemic perspective is helpful in developing insights into value co-creation processes as they apply to relationships beyond the manufacturer—customer dyad.

Also from a managerial perspective, the dyadic focus on customer relationships and value propositions is insufficient for many firms. For example, as manufacturing firms move towards increased service provision, there is seldom an “empty space” for services in the market channel. Rather, services are already provided (although not necessarily identical ones or addressing the same values) and the manufacturer therefore has to relate to this actor as well. Going beyond the manufacturer -customer dyad should provide more integrated opportunities for co-creating and co-influencing value propositions. Such wider perspective suggests firms should benefit from adopting a broader view on value creation through development of systemic value propositions that take the entire value constellation into account.

Future studies should more in-depth analyze the structural, economic, and social dimensions of the value proposition and evaluate the long-term effects of new value propositions. Furthermore, studies could take a step further and analyze multi-way value propositions such as four-way ones with separate dealers and service partners. Whereas this study was conducted within the capital equipment manufacturing context, the relevance of three-way value propositions is also apparent in other industries and value constellations, such as the ICT industry with its complex networks of software, hardware, and service firms. Finally, quantitative studies could look for patterns within and between different industries and networks.

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