

# VALUE PROPOSITIONS IN KNOWLEDGE-INTENSIVE BUSINESS SERVICES: Varying customer relationships and varying propositions

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*The special track of Key Account Management*

## **Abstract**

**Purpose** – The purpose of this study is to explore how value propositions are realised in the key account relationships of business-to-business knowledge-intensive companies. Our analysis is based on a comparison between new and established key customers.

**Design/Methodology/Approach** – This study utilises a qualitative case study method. The case firm of this study is a knowledge-intensive service firm that provides engineering consulting services globally. The firm operates on a per-project basis in business-to-business markets. Representatives of the case company and four of its customers were interviewed.

**Findings** – According to this study, in both new customer and contract customer relationships, customers value issues other than those that deal purely with economics. Interestingly, key accounts appreciated in addition to purely emotional values. This means that service providers cannot only rely on long-term customer relationships; they also need to take other values into account in their value propositions to ensure the continuity of their business. On the other hand, service providers do not have to compete against competitors in terms of price if they acknowledge the role of other value elements in value propositions for new or contract customers.

**Originality/Value** – This study contributes theoretically by providing insight into current literature concerning value propositions and customer relationships in knowledge-intensive business services. This study also benefits managers by offering context-specific knowledge about a case study concerning these services. The findings of this study reflect the perspectives of both the case firm and its customers, and the dual perspective of the study ensures that the phenomenon is completely described.

**Keywords** – Knowledge-intensive business services, project business, business-to-business, customer relationships, value proposition.

**The Type of Paper** – Competitive.

## 1. INTRODUCTION

In today's business market, innovativeness is not enough; the value of a product or service must be made clear to customers (Olavarrieta & Friedmann, 2007). A competitive advantage of a service-based business depends on the ability of the service provider to develop a value proposition based on its customer's needs (Tokman & Beitelspacher, 2011). The competitiveness and managerial relevance of a value proposition is measured by its ability to attract and serve targeted customer segments and guide the organisation towards a common goal (Rintamäki et al., 2007). It has been suggested that value propositions should be a fundamental part of a service provider's business strategy as they lead to superior business performance (Anderson et al., 2006).

The diversity of value propositions increases with a company's desire for a competitive advantage (Perrey et al., 2004). The persuasiveness and distinctiveness of a value proposition determine whether customers choose to buy a product or service. Value propositions can be context- and/or relationship-specific (Ballantyne et al., 2011), and they should reflect the length and history of the relationship between the service provider and the customer (Kowalkowski, 2011). Indeed, there is no single picture of business-to-business (B2B) relationships; they can vary from simple, standardised and transactional buying to close collaborative relationships, such as key account relationships. Key account relationships are typically based on close interaction, mutual adaptation, dependency, reciprocity and trust (Cannon & Perreault, 1999). In addition, the stage of the relationship can range from new and unfamiliar customers to established—and even routinized—cooperation. Accordingly, the level of commitment, adaptation, investment, trust capital and dependence vary (e.g. Ford et al., 2003).

Professional services are a type of business service that is strongly based on the expertise of the individuals working for the company. These firms are knowledge-intensive and often not capital-intensive (Løwendahl, Revang & Fosstenløyken, 2001; Von Nordenflycht, 2010). The services these companies provide are characteristically complex and customised; thus, intensive interaction with the customer is required when delivering the service (Dawson, 2000; Ojasalo, 2001) in both established relationships and when cooperation first begins. Because of the knowledge-intensive nature of the services, the abilities to coordinate and accumulate knowledge and codify items are crucial in the creation of value for the customer (Greenwood, Li, Prakash & Deephouse, 2005; Lara, Palacios-Marques & Devece, 2012). In firms offering knowledge-intensive business services (KIBS) it is important to possess the ability to combine a variety of types of knowledge into innovative, novel offerings for the customer as part of the value proposition (Cavusgil et al., 2003; Larsen, 2001; Payne et al., 2008). However, that ability is not necessarily considered a strength of these organisations but a typical challenge or 'weak point' of a professional service firm (e.g. Kerkhoff et al., 2003; Nätti & Ojasalo, 2008a, b; Nätti & Still, 2007).

Why is that? Among professionals there is often a high preference for work autonomy (Von Nordenflycht, 2010). Thus, organisation-level knowledge coordination practices might be underdeveloped and hinder efforts to combine a variety of types of expertise into a single offering for the customer (Nätti and Ojasalo, 2008). Considering the often highly abstract nature of expertise, there is always an area of knowledge that cannot be codified and must permanently remain tacit (Nätti & Still, 2007) The challenge of knowledge coordination may cause fragmented and incomplete services to be delivered to customers (Nätti & Ojasalo, 2008a). For example, for customer cooperation, an organisation-wide understanding of

individual professionals' competencies (see e.g. Larsen 2001) and common service creation procedures is needed to mobilise skills needed to offer services to a customer (Jaakkola, 2011).

Not all KIBS firms are alike. Some rely more on uniquely tailored services, whereas others rely on more general knowledge (e.g. Løwendahl et al., 2001), which naturally influences their value propositions. This study's empirical context is engineering consulting work, which is often realised in the form of unique projects. For service generation, much interaction between professionals is needed within the seller organisation, as well as interactions between professionals and customers (Malhotra & Morris, 2009). Because of the close interaction needed for the co-creation of value, often, the sharing of sensitive knowledge between actors causes relationships with key accounts to involve dependency, reciprocity, trust and mutual interaction (e.g. Cannon & Perreault, 1999; Ganesan, 1994).

Special formal or informal organisational arrangements (for example, a key account management system) can form a well-functioning and coordinated approach to developing cooperation with the most important customers (Homburg, Workman & Jensen, 2002). Those systems can facilitate effective interaction between all actors (Millman & Wilson, 1996) to create value for all involved parties (Pardo, Henneberg, Mouzas & Naudè, 2006) and promote internal coordination within the company (or at the network level) among all the elements needed to ensure that customer-specific offerings align with the value proposition. It is suggested that a structured and planned approach for taking care of key customers can solve many of the challenges faced by professional service firms. Within the context of professional services, formal or informal systems for taking care of customers can facilitate customer-related knowledge sharing between company actors and teams by acting as a 'linking pin' in an otherwise loosely coordinated environment (Nätti et al., 2006). More effective knowledge management and a higher level of organisational cohesiveness often lead customers to perceive more value (Nätti & Ojasalo, 2008a, b). In addition, while trust and social capital are important to services in general, and to professional services in particular, given their abstract nature, there is a need to create interaction between sellers and customers (e.g. Ojasalo, 2001).

Ballantyne et al. (2011) note that there has been very little research on value propositions in the field of industrial marketing. That is also true in the field of professional services. We are interested in *exploring how value propositions differ between the different customer relationships of KIBS firms*, and more specifically, *what kind of value propositions firms create or should create for their key accounts, compared those created for new customers*. Thus, the purpose of this study is to discover *how the type of inter-organisational relationship influences value propositions in project-based KIBS firms*.

This study proceeds in the following manner. First, we discuss the relevant research on value propositions and key account relationships. Then, we look at the customer relationships of project-based KIBS firms. Next, we explain the research setting and data gathering and collection. After analysing the empirical data, we describe the findings. We conclude our study with a discussion of the theoretical and managerial implications of this research.

## 2. VALUE PROPOSITIONS IN KEY ACCOUNT RELATIONSHIPS

Today's business market is tough. Customers are becoming increasingly demanding, which means that issues such as value generation for customers, the trustworthiness of service providers, long-term customer relationships, active interaction and co-operation are crucial criteria for company representatives to consider when deciding with whom they should cooperate in the industrial market. In other words, relationships, good project management, know-how and references matter.

Value proposition is a promise of reciprocal value between service providers and their customers (Kowalkowski, 2011), since the service provider cannot create or deliver value independently (Vargo & Lusch, 2004). Value propositions guide companies to focus on their offerings' true worth to customers. Once companies understand their customers' needs, they can make smarter choices about how to allocate their scarce resources (Anderson et al., 2006). Creating distinctive value propositions requires customer value research. This research requires time and effort on the part of the service provider, but determining what customers' businesses require to solve their problems is invaluable (Anderson et al., 2006). The formation of a value proposition is a co-creative practice of reciprocal knowledge exchange between actors drawing upon different understandings, procedures and engagements (Kowalkowski et al., 2012).

According to Anderson et al. (2006), there are three kinds of value propositions at different 'levels' of development: (1) all benefits, (2) favourable points of difference and (3) resonating focus. 'All benefits' means that all the benefits a service provider *believes* the offering provides to the customer are listed. This perspective requires the least knowledge about the customer and the service provider's competitors, but may lack an understanding of what the customer could provide through active involvement and collaboration. Value propositions are developed in 'isolation' and without sufficient customer interaction, especially in new customer relationships. 'Favourable points of difference' means that the service provider stresses how its value proposition is distinguished from others'. This approach requires an understanding of customer value creation process and related challenges (e.g. Storbacka et al., 2008), and asks: What challenges do customers face in their own value creation, and which of these can we solve with our service? Without that understanding, finding points of difference might deliver relatively little value to either the seller or customer. Resonating focus is most easily realised in established mutual key relationships. This perspective acknowledges that customers want to do business with service providers who fully understand the critical issues of their business and deliver value propositions that are distinct and captivating (Anderson et al., 2006).

Taking another perspective, Rintamäki et al. (2007) identifies four key dimensions of value in value propositions: economic, functional, emotional and symbolic. Economic value propositions emphasise cost and price-related issues. Functional value propositions are based on customer experiences, trained personnel, practical know-how and project management capabilities. Emotional value propositions create feelings of safety and security for clients such as industrial buyers. In consumer markets, symbolic value propositions emphasise self-expression through socially interpreted codes, but in industrial markets they can be seen, for example, as willingness to cooperate with companies with good reputations or using preferred technologies.

A service provider's offering may have several economic, technical, service-related or social benefits, but so do its competitors' offerings. Service providers need to consider how their value elements compare with other providers' and sort value elements into three types: points of parity, points of difference and points of contention. Points of parity are elements that feature the same performance or functionality as the next best alternative. Points of difference are elements that make the service provider's offering either superior or inferior to the next best alternative. Points of contention are elements about which the service provider and its customers disagree regarding their performance or functionality compared with the next best alternative (Anderson et al., 2006). It has been proposed that economic and functional value propositions are more likely to represent points of parity, whereas emotional and social value propositions often represent points of difference as they seek differentiation from the competition and aim to gain a competitive advantage (Rintamäki et al., 2007).

Service providers can provide distinct and captivating value propositions by making their offering superior in terms of the few elements that matter most to their target customers, demonstrating and documenting the value of this superior performance and communicating it in a way that conveys a deep understanding of the customer's business priorities (Anderson et al., 2006). However, firms must manage different customer segments with different value propositions based on a multidimensional segmentation scheme that recognises the dynamic nature of value and value propositions (Kowalkowski, 2011).

Firms consist of several departments, groups and representatives, all of which represent different actors that integrate resources in a co-creative practice. Customers should be portrayed and understood as multi-faceted actors that integrate resources. In relation to co-creative practices, customers are both 'knowledge carriers' participating in the reciprocal exchange of knowledge and potential 'troublemakers' (Kowalkowski et al., 2012). Sharing and integrating knowledge between suppliers and customers is critical for creating a value proposition that satisfies all concerned parties (Ballantyne et al., 2011). This is very relevant in knowledge-intensive environments that typically generate highly customised services relying on mutual trust, considering the abstract nature of the service. The sharing and integrating of knowledge is facilitated by trust and long-term cooperation with the customer, suggesting that in key account relationships the process of creating mutual value propositions would be easier. Hence, the nature and creation process of value propositions should reflect the length and history of the customer-provider relationship and specific context.

Long-term relationships are advantageous in terms of interaction with the customer. According to Kowalkowski (2011), long-term partners are likely to actively participate in joint innovation and learning activities, whereas short-term customers are less willing to enter into close relationships. Based on that, customers should be segmented not only based on their current and potential relationships but also on their current and potential roles. In addition, it is important to note that in established relationships, discontinued personal relationships and changes in customer supply, procurement strategies, buyer authority or evaluation criteria can all necessitate downgrades in a provider's value propositions (Kowalkowski, 2011).

An efficient value proposition considers what customers experience and consider relevant—what creates real value for them. In knowledge-intensive businesses, the challenge is that customers are rarely able to describe their needs and desires (some of which are unconscious and/or still hidden), let alone objectively compare all competing options (Ojasalo, 2001). Professionals need to 'teach' their customers to see the value they can gain in the long run.

Thus, value propositions with a competitive advantage can be created with a detailed understanding of which values to emphasise and when they should be emphasised during the value proposition process. Obtaining this understanding requires knowledge of not only the provider's own organisational structure and capabilities but also the customer's organisation, its purchasing practices and the often widely different roles and perspectives of the members of its buying teams (Kowalkowski, 2011).

Research on key account management has much potential for further development (Gosselin & Bauwen, 2006; Henneberg, Pardo, Mouzas & Naudé, 2009; Ivens & Pardo, 2008; Workman, Homburg & Jensen, 2003). Literature in this discourse has so far discussed meaningful themes, including the selection of key accounts, elements of a KAM program, roles and characteristics of KA managers, organisation of KAM, adaptation of KAM approaches, team-based selling, global perspectives and success factors of KAM (see e.g. Abratt & Kelly, 2002; Davies & Ryals, 2009; Georges & Eggert, 2003; Gosselin & Bauwen, 2006; Guenzi, Georges & Pardo, 2009; Guesalaga & Johnston, 2010; Marcos Cuevas, 2014). Ballantyne et al. (2011) note that there has been very little research on value propositions in the field of industrial marketing. This is also true for KIBS. In this study, we focus on *exploring how value propositions differ in different customer relationships*, which highlights the nature of value propositions in key account relationships. We want to take into account the very specific context of KIBS.

We recognise that customer work in KIBS and key account relationships often takes the form of projects. This is especially true for technical consulting, which is our empirical context. We chose to analyse the factors relevant from a value proposition point of view at two levels: 1) customer relationships and 2) projects. Based on theory, we found value 'divisions' such as economic, functional, emotional and symbolic (Rintamäki et al., 2007). Those viewpoints are also utilised in our analysis to categorise factors upon which companies are able to base their value propositions and to discover where value is emphasised in different types of relationships.

### 3. METHODOLOGY

This study uses a qualitative multiple-case study method to produce the most comprehensive description of the research phenomenon (Gummesson, 2005). This study utilises a case method research strategy, which is very applicable since our study is explorative in nature (Johnston, Leach & Liu, 1999). Defined generally, a case study is a description of a management situation. We have chosen to apply this method because of the complex nature of the research phenomenon, its need to be studied in a natural context and the fact that we have little theoretical knowledge of the phenomenon (Bonoma, 1985). Case studies can be effectively used to test theories in complex environments in which traditional methods are not appropriate. Additionally, case studies have the potential to aid research. This study investigates projects, organisational aspects and relationships among multiple organisations, which are phenomena that especially benefit from a case study as they take place within rich contexts (Johnston et al., 1999). In addition, according to Bonoma (1985), questions related to marketing management are areas where case research could lead to substantial theoretical advances and is well suited for case-based investigations.

However, case research has limitations. It is often criticised for taking a significant amount of time and effort compared to other methods. Secondly, it is said to lack objectivity and methodological rigor and does not address issues of generalisability. However, the potential strength of any method depends on the relationship between theory and method and how the potential weaknesses of the method are addressed. By doing so, a systematic case methodology is developed and can be used for testing theories. In fact, the findings of case research may have more influence on marketing managers than survey results as many firms use case histories for employee training (Johnston et al., 1999). The goal of data collection in case research is not to determine the quantification or enumeration of knowledge but rather the depth of knowledge, since the goal is not to determine the breadth or representativeness of large-N research. The risks of low data integrity are traded for the currency and contextual richness of what is learned (Bonoma, 1985). As this study is inductive and theory-building in nature, the multiple case study method allows for cross-case analysis, which leads to even richer theories (Perry, 1998).

#### *3.1 Data gathering*

The case company of this study is a global knowledge-intensive service provider that offers engineering services to business customers. This study employs personal interviews as a primary data source. Altogether, 26 interviews were conducted in Finland from February to May 2013. The interviews consist of 16 interviews with representatives of the case company and 10 interviews with representatives of four of its customer companies, which specialise in metal, chemicals, water supply and security. Interviewing both the service provider and its customer allowed us to gain a supplementary and incremental data set. The interviews were supplemented with multiple other data sources, such as meetings with the case company, observations, company brochures and workshops, which serve as a means of 'perceptual triangulation' and provide a fuller picture of the phenomenon (Bonoma, 1985; Perry, 1998).

#### *3.2 Data analysis*

All the interviews used in this study were audiotaped. As this allowed us to check our notes afterwards, it is a desirable form of triangulation (Perry, 1998). The transcribed interviews include 250 pages of written script. We began the analysis by reading all the transcripts thoroughly to obtain a first impression of the data. Then, the data were analysed and we searched for similarities, differences and recurring themes. The interviews concerned five different projects implemented by the case company for four of its customers. This kind of research setting allowed us to do within-case and cross-case analyses. In the within-case analysis, the projects were *analysed in terms of the prerequisites for persuasive value propositions*. In the cross-case analysis, the projects were *compared against each other to obtain a fuller view of the phenomenon*. The theory came to the forefront in the data analysis chapter, providing a structure with which to categorise the interviews into subsections of the data analysis chapter, and quotations from interviews to justify conclusions about the differences between cases in the cross-case analysis (Perry, 1998). Cases should reflect and be sensitive to the context within which management acts and to the temporal dimension in which events unfold. Cases go beyond providing a static snapshot of events and cut across the temporal and contextual gestalt of situations. Like other qualitative methods, case studies are basically concerned with the researcher's interpretation of the significance that a management places on events, information and reality; that is, it depends on the researcher's perceptions about the management's meanings, not 'objective reality' (Bonoma, 1985).

This study provides authentic quotations from the data to increase the validity of this study and make our conclusions as transparent as possible. High levels of data validity and generalisability can be achieved by adopting triangulation strategies (Bonoma, 1985; Johnston et al., 1999) and using various sources of evidence (Johnston et al., 1999). We also use other data sources as secondary data to serve as perceptual triangulation and provide a fuller picture of the phenomenon (Bonoma, 1985; Perry, 1998). We have strengthened the validity of this study by using theory and data revision cycles (Bonoma, 1985) and by utilising multiple judges, such as peer review feedback and data triangulation, as forms of independent evaluation (Johnston et al., 1999). In addition, there is more than one interviewee in case organisations, which is another form of triangulation (Perry, 1998).

Table 1 compactly presents the empirical data of this study.



*Table 1. Data collection.*

<b>Company type</b>	<b>Title of interviewee</b>	<b>Date &amp; duration of interview</b>
Service provider	Head of North Finland	11.2.2013, 57 min
	Structural engineer	18.4.2013, 1 h
	Project manager	29.3.2013, 1 h 13 min
	Head of department	18.4.2013, 53 min
	Structural engineer	18.4.2013, 58 min
	Head of department	19.4.2013, 40 min
	Group manager	19.4.2013, 47 min
	Group manager	27.3.2013, 56 min
	Head of department	13.3.2013, 1 h 23 min
	Water facility engineer	18.3.2013, 1 h 3 min
	Water facility engineer	18.3.2013, 1 h 5 min
	Design manager	5.3.2013, 1 h
	Structural engineer	6.3.2013, 1 h 4 min
	Design manager	11.2.2013, 50 min
	Group manager	13.2.2013, 48 min
Water facility engineer	16.3.2013, 57 min	
Customer 1	CEO	24.4.2013, 1 h 23 min
	Manager	(Joint interview)
Customer 2	Manager	18.3.2013, 37 min
	Head of organisation	16.4.2013, 45 min
	Engineer	19.4.2013, 1 h 2 min
Customer 3	Site manager	13.3.2013, 1 h 1 min
	Professional buyer	13.3.2013, 52 min
	Manager	13.3.2013, 1 h 20 min
Customer 4	Manager	13.5.2013, 36 min
	Head of department	13.5.2013, 39 min

## 4. ANALYSIS

### *4.1 Value proposition from the seller's point of view*

Our case company provides KIBS to business customers, which is why the company's business relies strongly on key accounts. The case company also actively acquires new customers and is aware of its increasing relevance, continuity and growth. In addition to the increasing role of acquiring new customers, key accounts create the basis for the case company's business and sales. Thus, it is crucial for the case company to manage its key accounts well and ensure they are satisfied with the case company in addition to gaining new customers.

Long-term customer relationships with key accounts help to create *trust* and *good personal relationships* between the service provider and its customers, which is the premise of professional services.

'In professional work, when there is trust, it is very easy to do business; it all comes down to relationships. --- You have to know how to influence people's decisions and recognise how they perceive their needs and know how they think. --- I believe that we have kept our head above water since we have anticipated issues and we have done our work well, or is it a coincidence that we have had projects? It is not a coincidence, it is planned and systematic selling which we have prepared for.' *Head of unit*

The logic is a bit different in the case of a new customer.

“In the case of a new customer relationship, it is good to gain an understanding of whether the customer is satisfied, are we on the same page and have we understood what the customer wants. It is really relevant to know this in the early phase.” *Head of department*

The service provider aims to provide a large range of services based on their customers' needs.

'If we think of our strength against competitors, it lies in the fact that we are able to provide the whole scale of services, from evaluation to the implementation phase. That is our strength in a nutshell. And we are a large company operating globally.' *Head of department*

There are several practices for managing customer relationships. Upper management, including the department managers of the case company, often schedule meetings with their customers when they are not delivering a service. By meeting customers on a regular basis, preferably face to face, the case company reminds the customers that it and its services are available, thus actively maintaining customer relationships.

On the project level, the empirical data also highlights the importance of successfully implementing projects, minimising mistakes and ensuring customer satisfaction.

'It is a fact that if you want permanent customer relationships, you need to succeed in projects. You only need to fail in one project to fulfil the customer's needs, and you will be thrown overboard and they start looking for a better supplier. --- if you have a good customer relationship and you have done your work well, the message spreads in the customer organisation.' *Head of department*

'When we operate in the industrial sector, there comes a need and it means that we quickly need to deliver what the customer wants. We cannot say that 'let's see if we have resources'. Usually we always say that 'Yes, we have resources; let's see how we can arrange it'. If the customer has an urgent need, it means that it is a serious need and we need to be able to make it happen. When it affects their production process, it is always a question of money.' *Head of department*

On the relationship level, the seller's value propositions included large-scale services based on the customer needs (functional/emotional value) and good personal relationships (functional/emotional value). Scheduled meetings in addition to project meetings (functional/emotional value) were a crucial part of the seller's value propositions. At the moment, only engineers manage the projects, which raises the question of whether the seller should have someone, such as a key account manager, to manage customers (functional/emotional value). In addition, trust was seen as an important premise in the seller's value propositions (emotional value).

On the project level, the seller's value propositions included quick delivery (economic/functional/emotional value), the customer's direct influence on the production process (functional/emotional value), successful implementation of projects (economic/functional/emotional/symbolic value) and minimisation of mistakes (economic/functional/emotional/symbolic value). Above all, the aim is to ensure customer satisfaction (emotional value).

Next, we take a closer look at how the case company manages its customer relationships by exploring the projects implemented by the case company for four of its customers. Customer case 1 involves new customers, customer case 2 involves a novel customer with a strictly defined contract and customer cases 3 and 4 involves established key accounts. The implemented projects reveal practices that the case company utilises to manage its key accounts at the project and relationship levels.

#### 4.2 Customer case 1

This customer is an SME providing a wide range of security and other support services. This customer is a *new customer* to the case company. The implemented project concerned the renewal of pumps and the isolation of sanitary water in an industrial area. The project was a result of personal relationships, although the customer relationship in question was completely new.

'We have rather thought that we would have one reliable partner with whom to negotiate case by case --- depending on what do we want.' *CEO*

In this project, complexity arose due to consideration of the special features of the industrial context and safety issues. In general, the customer was happy with how the case company planned and managed the project. A few misunderstandings concerning invoicing and knowledge sharing were brought up.

'I got good experiences (with the case company's work) --- their work was accurate and they questioned and took care of issues.' *CEO*

For its value proposition, the case company promises to deliver quality and savings throughout the project, although the case company has prices that are somewhat higher than those of its competitors. The value proposition that would be persuasive for the customer creates and increases trust through good references and the reputation of the service provider. From customer one's perspective, the seller's value propositions emphasised the relationship level, especially value based on references, which creates a basis for trust (emotional/symbolic value) and reputation (symbolic value). On the project level, the seller's

value propositions emphasised the special features of the industrial context and safety issues (functional value), the process of planning the project (functional value) and its ability to perform accurate work (economic/functional/emotional/symbolic value). In addition managing the project (functional value) and questioning (economic/functional/emotional value) were seen as important.

#### 4.3 Customer case 2

This customer is an SME providing water supply and wastewater drainage and cleaning. This customer chose the case company based on competitive bidding and entered into a longer contract. The implemented project concerned planning a water supply in a suburban area. The provider received the project by winning the tender. The customer did not want to take the risk that a service provider would later decide to charge exorbitantly for extra work. To avoid this, the customer compared specific issues such as experiences with the case company's earlier projects, competence, references, capital adequacy and employer obligations, awarding the contract to the service provider scoring the highest.

'Whatever the firm, if they can co-operate and IT enables operating smoothly, it goes well and --- we get the most competent persons to work for our project.' *Head of organisation*

The customer was very happy with the case company's competence in water supply planning, and the project was successful. The customer was especially satisfied with the quality of cooperation in the project. The challenges in this project concerned the large size of the project and the special features of the industrial context. Typical in any project, there were a few misunderstandings concerning the content of the project and the amount of extra work.

'The company won the competitive bidding. At times, we have had even severe disagreements on the content of the task and what belongs to the original assignment and what is extra work. We have had serious discussions. -- - It is always serious if a significant amount of extra work comes on top of the original assignment.' *Head of organisation*

The case company wants to highlight the real benefit for customers in its value proposition since, in principle, customers can get similar services from competing companies. In this case, the company viewed it as a challenge to identify the customer's needs and create the right kind of value proposition. The customer regarded quality of co-operation as a key requirement to implement the project.

'Some of the smaller projects have not succeeded at the first time. They have done sometimes sloppy work and it causes a lot of work for us.' *Manager*

From customer two's perspective, on the relationship level, the seller's value propositions should emphasise risk reduction and comparison between competing sellers (economic/emotional value) and differentiation of services compared to competitors (functional/emotional value). Competitive bidding (economic value) and contracts clarifying service components (economic/functional/emotional value) were issues that increased the customer's sense of safety and trust. On the project level, it was important that IT operated smoothly (functional/symbolic value) and the case company was able to co-operate well (functional/emotional value).

#### 4.4 Customer case 3

This customer is a key account of the case company and operates in the chemical industry. The implemented project concerned the modernisation of a dam utilising pre-made concrete elements. The role of the case company was to plan and monitor the implementation of the project. It was the case company's responsibility to ensure that the project was successful. The project came about as the result of the long-term relationship the case company shared with the key account. In this project, there were huge financial risks in case of delay or failure. Although the project was demanding and expensive, the project succeeded in staying on schedule and undercutting the budget. The customer was very satisfied with the implementation of the project. Although successful projects are good references for the case company, it must never be forgotten that there is always the possibility of losing customers if projects are unsuccessful.

The project succeeded due to good pre-planning, anticipation of risks and active co-operation and communication within the case company's organisation as well as between the constructor and the customer. In addition, the selection of a good constructor was crucial for ensuring good quality and minimising risk in the implementation phase. The case company acknowledged its inability to compete with the prices of its competitors. Thus, the company must recognise the needs of its customers and provide them with added value.

'I think it is important to have a meeting once or twice a year and go through what has happened and what is coming. --- If we say that we want a certain entity, it is good that the service provider says if it could be implemented also another way around. Reciprocal interaction is crucial also in that.' *Development manager*

According to the customer, the case company has very strong know-how, and the customer trusts in the case company's ability to manage the project from start to finish. The value proposition is persuasive for the customer promises added value to the customer's business in addition to competent management of the project.

'Reputation, long-term relationships, conservative way of doing is riskless. --- The value propositions --- provide something that we think is worth paying for.' *Development manager*

On the relationship level, the customer emphasised undercutting the budget (economic value), alternative solutions (functional/emotional value), something that is worth paying for (economic/emotional/symbolic value) and being able to trust that the seller is able to manage the project (economic/emotional value). Reputation (symbolic value) was also seen as crucial. On the project level, the seller's project know-how (functional value), selection of other network actors (functional/symbolic value), good pre-planning (functional value), anticipation of risks (functional value), planning and monitoring of the implementation of the project (functional value) and ability to stay on schedule (functional value) were valued by this customer. Also, the customer viewed active communication within the network (functional/emotional value) as valuable.

#### 4.5 Customer case 4

This customer is a large metal manufacturer and a key account of the case company. The implemented projects concerned the construction of large underground warehouse facilities in a mine and building a warehouse for rubble, concentrators and a crushing plant in a mine. Both projects were awarded as a result of tenders, but the customer was probably influenced

by the fact that the case company was familiar with the site and the case firm and that they had a long-standing relationship with the customer. In addition, the price level of the case company was considered normal, and the customer wanted to optimise its use of resources. The projects took place in demanding conditions and included many challenges, such as safety issues, project management and pre-scheduling. The case firm had to consider how to supply necessary equipment to the mine, and all the suppliers were required to go through safety training before working in the mine. The case company needed to be available 24 hours a day to respond to alarms in order to avoid the risk of huge losses.

‘There were no misunderstandings or planning problems since our project responsables could deliver our wishes and needs to the case company exhaustively.’

The customer was very satisfied with the success of the project, which was based on active communication and regular meetings. There were also technical successes in the field. The customer especially appreciated the case company’s expertise and commitment.

‘The case company has nice, co-operative and professional personnel. --- I think it was a personal level issue and we had the enthusiasm to do the project.’ *Manager*

The value proposition of the case company promises that committed and trustworthy experts will manage projects successfully according to the needs and wishes of its customers. A value proposition that would be persuasive for the customer would highlight the added value to the customer’s business. On the relationship level, customer four appreciated the co-operative, professional personnel (functional/emotional/symbolic value), the seller’s expertise (functional/symbolic value) and commitment (emotional/symbolic value), the long-term relationship with the seller (functional/emotional/symbolic value) and the seller’s competitive price level (economic value). On the project level, customer four appreciated the good interactions (functional/emotional value), regular meetings (functional/emotional value) and technical success in the field (economic/functional/emotional/symbolic value). For this customer, optimising its own use of resources was important (economic/functional value). In addition, the fact that the seller was familiar with the site (functional value), that safety issues were properly taken care of (functional/emotional value) and that there was good project management (functional value) brought value to the customer.

#### 4.6 *Synthesis of the analysis*

Today, business is tough and customers are becoming increasingly demanding, which means that issues such as added value, reliability of the service provider, long-term customer relationships and active communication, interaction and co-operation might influence a customer’s decision. In other words, relationships and key account management matter as much as good project management, know-how and references.

In general, the projects mentioned above came through either a tender or personal relationships. The type of customer relationship did not matter when obtaining projects. In other words, new customers could be a result of personal relationships or long-term customers through a tender.

In most cases the customers were satisfied with the case company and its work. The case company plans and manages large and demanding projects in which everything cannot always go perfectly. Thus, it seems that customers appreciate the strong competence of the

case company and the way it manages its customer relationships and keeps its customers satisfied, even though there is no marketer or key account manager to take care of customer relationships. As a result, the practices related to managing customer relationships might seem a bit non-structured.

Managing customer relationships as well as possible is especially important since the case company cannot compete with the prices of its smaller competitors. Practices that the case company utilises to manage customer relationships include regular meetings and active communication within the case company's organisation as well as with the constructor and the customer, which is crucial for remaining on the same page and avoiding misunderstandings. Another practice of the case company is scheduling meetings with its customers even when there is no active project. By meeting customers on a regular basis, preferably face to face, the case company reminds customers of its services and keeps customer relationships fresh, which might help in acquiring new projects. For their part, the customers are satisfied and trust the competence and expertise of the case company due to the case company's successful implementation of projects, minimisation of mistakes and ensuring of customer satisfaction.

The value propositions of the case company focus on delivering committed and reliable expertise to manage projects successfully from start to finish according to the needs and wishes of the customers, ensuring quality and savings throughout the project, although the case company has prices that are somewhat higher than those of its competitors. A value proposition that would be persuasive for customers creates and increases trust through good references and the reputation of the service provider while promising added value to the customer's business. Creating the right kind of value proposition requires that the customer's needs be ascertained, which can be challenging.

#### *4.7 Comparison of the content of value propositions in different types of relationships*

In a new customer relationship, the customer valued emotional and symbolic value, such as reputation, on the relationship level. On the project level, the customer valued functional value, such as project planning know-how, but also all the other value elements (economic, emotional and symbolic).

On the relationship level, the contract customer, who always utilises competitive bidding, was especially focused on economic values such as price. Functional and emotional values such as risk reduction and differentiation of services compared to competitors were also important. On the project level, functional and symbolic values such as IT systems were viewed as important. Emotional value, such as the quality of co-operation, also played a role.

Surprisingly, the first key account emphasised economic value as well as functional, symbolic and especially emotional value on the relationship level. On the project level, the key account appreciated functional value, such as the seller's project know-how and planning and monitoring of the implementation of the project. Emotional value, such as communicating actively within the network, was also important on the project level.

The second key account emphasised functional, emotional and symbolic values, such as the seller's expertise and commitment and long-term relationship with the customer. Also, economic values such as normal price level were important on the relationship level. On the

project level, the key account appreciated functional and emotional values, such as interaction and meetings, as well as economic and symbolic values, such as technical success in the field.

In Table 2, the content of the seller's value propositions at the relationship and project levels are compared in different types of customer relationships.



Table 2. Comparison of the content of value propositions at the relationship and project levels.

	Supplier perspective	Customer 1	Customer 2	Customer 3	Customer 4
Relation- ship level	<i>Emotional value</i> Good personal relationships	<i>Functional value</i> Value through reference -> Basis for trust	<i>Functional value</i> Differentiation of services compared to competitors	<i>Emotional value</i> Trust that seller is able to manage the project	<i>Emotional value</i> Nice co-operative professional personnel
	Scheduled meetings in addition to project meetings	<i>Symbolic value</i> Reputation	<i>Economic value</i> Competitive bidding	<i>Functional value</i> Giving alternative solutions	Seller's commitment Long-term relationship with the seller
	Trust		Contracts to clarify service components	<i>Economic value</i> Undercut the budget	<i>Functional value</i> Seller's expertise
	<i>Functional value</i> Large-scale services based on customer needs		Risk reduction ->Comparison of competing sellers	Provide something that is worth paying for	<i>Economic value</i> Price level normal
	Only engineers manage the projects ->Someone to manage customer interface? KAM needed?			<i>Symbolic value</i> Reputation	
Project level	<i>Emotional value</i> To ensure customer satisfaction	<i>Functional value</i> Special features of industrial context and safety issues	<i>Functional value</i> IT operates smoothly	<i>Emotional value</i> Communicating actively in the network	<i>Emotional value</i> Good interaction
	<i>Functional value</i> Direct influence to production process	Planning the project	Co-operation ability/ Quality of co-operation	<i>Functional value</i> Seller's project know-how	<i>Functional value</i> Technical success in the field
	Implementing projects successfully	Managing the project		Selection of other network actors	Customer could optimise its own usage of resources
	<i>Economic value</i> Quick delivery Minimising mistakes	Accurate work Questioning		Stay in schedule Good preplanning Anticipating the risks	Seller was familiar with the site
				To plan and monitor the implementation of the project	Safety issues Good project management

According to the analysis of our empirical data, in both new and contract customer relationships, functional values were particularly emphasised, both at the relationship and project levels. Economic and symbolic values were also emphasised. In key account relationships, emotional value was emphasised, and functional, economic and symbolic values were also appreciated.

## 5. CONCLUSION

The service provider must define the customer's requirements to be able to provide a superior offering based on the few elements that matter most to the target customers. Demonstrating, documenting and communicating the value of the service provider's offering require working closely with the customer in every phase of the process. Making value propositions a fundamental part of a service provider's business strategy helps provide an understanding of customers and their needs and aids in identifying customers' future business needs and sensing forthcoming changes in the business environment.

Involvement in the different phases of the customer's decision-making process allows a company to grasp the most critical issues in the customer's business. A company must have knowledge of both its own and its customer's organisations and resources to identify the customer's needs. A service provider can gain this kind of knowledge through information sharing, researching the customer and various market-sensing activities. Open dialogue, regular personal contact and group meetings improve the understanding of both parties.

The service provider usually competes with other companies in terms of price. If a competing proposal is cheaper, the customer is likely to choose that option if the service provider does not know which values to emphasise in the value proposition. It is crucial for service providers to show their value compared to their competitors and convince customers they can offer them exactly what they want.

The service provider needs to aware that it must only communicate the benefits of the features that actually benefit the customer; salespeople may promise anything in order to make a deal. The service provider should ensure that the customer is able to see the novelty and innovativeness of the service provider's offering and its ability to fulfil the customer's value expectations.

In this study, we explored how the inter-organisational relationship type influences value propositions in project-based KIBS. According to the analysis of our empirical data, in both new and contract customer relationships, functional values were strongly emphasised, both at the relationship and project levels. In addition, economic and symbolic values were emphasised. It is interesting that both new and contract customers also value issues other than purely economic considerations. This means that a service provider does not have to compete with competitors in terms of price if it acknowledges the role of functional and symbolic values and emphasises them in its value propositions to new or contract customers.

In key account relationships, emotional value played a central role. It is interesting that in addition to emotional values, the key accounts appreciated functional, economic and symbolic values. This means that service providers cannot rely simply on long-term customer relationships; they need to work to win projects and ensure the continuity of their businesses. Value propositions targeted to key accounts should emphasise that the service provider's price level is normal compared to its competitors'. In addition, value propositions to key accounts should highlight functional and symbolic values.

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