Value-based selling: An organizational capability perspective

Pekka Töytäri *, Risto Rajala 1

Aalto University, School of Science, Department of Industrial Engineering and Management, Otaniementie 17, FI-02150 Espoo, Finland

A R T I C L E   I N F O

Article history:
Received 13 September 2013
Received in revised form 21 May 2014
Accepted 27 June 2014
Available online 19 February 2015

Keywords:
Customer value
Value-based selling
Sales process
Organisational capabilities
Value proposition

A B S T R A C T

Creating superior customer value is central to a company’s success in competitive markets. In their quest to increase customer-perceived value, many industrial companies are moving toward customer value-focused sales management. Research-based knowledge of how to manage customer value-based sales operations remains sparse, however, with most of the customer value literature focusing on concepts of value, not their application. By exploring the emerging practices of value-based selling and linking the findings to the body of knowledge on value creation and capture, this study investigates organizational capabilities that contribute longitudinally and relationally to increased customer-perceived value in sales management practice. Our empirical investigation employs nine globally operating industrial companies in an exploratory multiple case study setting. The data collection methods consist of interviews, practice benchmarking workshops, focus groups, and reviews of value assessment tools. The findings of our abductive research process improve the theoretical understanding of organizational capabilities required to improve customer perceived value in business-to-business (B2B) exchange, based on a wider conceptualization of the operational, strategic, symbolic, and social dimensions of customer value. For managers, our study identifies the essential capabilities required for value-based selling, illustrates managerial practices to implement those capabilities, and provides guidance on value proposition design, value quantification, and value communication.

© 2015 Elsevier Inc. All rights reserved.

1. Introduction

Recent studies on value-based business strategies (e.g., Adamson, Dixon, & Toman, 2012) have suggested that a seller’s successful leverage of customer value, focused on assisting the customer to derive value from an exchange, also produces greater value for the seller. Hence, superior customer value is considered a prerequisite for a company’s realization of above-normal economic returns (Blois & Ramirez, 2006) and strategic benefits (Brandenburger & Stuart, 1996). Because value-focused thinking is becoming more common in the industrial exchange, selling is moving away from individual-focused, relationship-based activity toward customer value management (Keeney, 2009). Great strides have also been made in buyer sophistication. Industrial buyers now seek the best available total solution and the maximum long-term benefits for their organization. These developments call for organizational sales management capabilities that support the value-focused sales approach. Such an approach manifests in jointly understood and more transparent value experiences and manageable value propositions in business-to-business (B2B) exchange. Moorman, Ruddell, and Sims (2013) argued that the capability to conduct value-based selling will distinguish winners from losers in B2B markets.

This study defines value-based selling (VBS) as a sales approach that builds on identification, quantification, communication, and verification of customer value. Hence, VBS can be regarded as a bundle of capabilities and management practices by which critical value-selling activities are planned, implemented, and leveraged. Value-focused selling is not a new concept. A cumulative body of evidence now supports the importance of customer value in sales management (e.g., Moorman et al., 2013; Terho, Haas, Eggert, & Ulaga, 2012). However, the organizational capabilities required in profitable buyer–seller interaction have not received sufficient attention in the sales management literature (Payne, Storbacka, & Frow, 2007). Avlonitis and Panagopoulos (2010) concluded that more emphasis should be placed on empirical analysis centered on actionable concepts and tools for VBS. The earlier sales research and sales management practices focused on personal selling skills, tactics, and the management of sales organizations from a human resource management perspective (Geiger & Guenzi, 2009). Correspondingly, in their review of 1270 published articles on sales research, Plouffe et al. (2008) found that research addressing sales from an organizational capability perspective is scarce. A review of the sales research (Geiger & Guenzi, 2009) revealed that sales capabilities are often tacit, and possessed by individual, experienced members of the sales force.

To fill this gap, this study identifies and analyzes key capabilities and management practices required to implement value-based selling in business markets. The following question is posed: What organizational capabilities are amplified in the systematic implementation...
of a value-based sales approach in the industrial exchange? By answering this question, the study deepens existing knowledge of the essential capabilities needed in VBS. In particular, the findings highlight the roles of value identification, value proposition design, value communication, and value quantification in the value-focused B2B sales management practice. Furthermore, the study conceptualizes VBS as an organizational capability that longitudinally and relationally improves customer-perceived value. Through a multiple case study with nine industrial sales organizations, the present study adds to the knowledge of how to implement value-based business strategies.

The remainder of the paper is structured as follows. After this introduction, the literature on customer-perceived value and VBS is discussed. Section 3 describes the research process and the methods used. Section 4 presents the analysis and findings of value-selling capabilities. The last section discusses the findings and conclusions of the study and offers suggestions for future research and implications for research and practice.

2. Background of the research

Academic literature on organizational capabilities and managerial practices that contribute to the implementation of VBS remains sparse. Previous research has identified several gaps in the knowledge of value in B2B exchange: Ulaga and Eggert (2006) concluded that there has been no meticulous investigation of value drivers in manufacturer–supplier relationships that integrate the essential dimensions of value into managerial practice. In addition, Anderson and Wynstra (2010) called for conceptual and empirical research to guide the creation, communication, and sharing of value. Congruently, Ballantyne, Frow, Varey, and Payne (2011) suggested that the concept of value proposition needs more attention. Storbacka (2011) argued that value quantification poses a significant capability gap for industrial companies.

2.1. Customer-perceived value as the basis for VBS

Creating value for customers is a prerequisite for value capture (Blois & Ramirez, 2006; Gosselin & Bauwen, 2006). Mainstream industrial firms aim to help their customers create value so as to capture a part of the value created. In the literature, business value has been defined in terms of several attributes and many customer value attributes are relevant for VBS. First, value is considered to be subjectively and uniquely evaluated by stakeholders and beneficiaries (Kahneman, Slovic, & Tversky, 1982; Ramirez, 1999; Vargo & Lusch, 2008). In addition, value is considered to be context-specific and dynamically changing (Kowalkowski, 2011). Specific business situations guide the evaluation of value. Also, perceptions of value may change over time (Flint, Woodruff, & Gerald, 2002). However, established rules, norms, and beliefs tend to generate shared perceptions (Tripsas & Gavetti, 2000; Zucker, 1987), which impede the application of novel value creation opportunities. Moreover, value is future oriented, as many of the benefits and incurred costs will be realized only over a long period of time. The future orientation of value is especially significant for VBS because VBS often focuses on longitudinal relationship value, which is uncertain, risky, and may involve innovative and complex changes in roles, responsibilities, and business models (Hinterhuber, 2008; Möller & Törnroen, 2003).

Based on a review of the literature, we have defined customer-perceived value as the difference between the perceived benefits received and the perceived sacrifices made by a customer. Customer-desired value (Flint et al., 2002) denotes a customer’s conception of value, the elements and dimensions that are included in the customer’s perception and scope of value, and the expected outcomes of value creation.

2.2. VBS as an organizational capability

Helfat and Peteraf (2003, 999) defined organizational capability as the “ability of an organization to perform a coordinated set of tasks, utilizing organizational resources, for the purpose of achieving a particular end result.” Focusing on the process-like attribute of a capability, Winter (2000, 983) defined capability as “a high-level routine (or collection of routines) that, together with its implementing input flows, confers upon an organization’s management a set of decision options for producing significant outputs of a particular type.” Examples of resources and capabilities that can provide competitive advantage are pricing (Dutta, Zbaracki, & Bergen, 2003; Hinterhuber, 2004), customer relations (Storbacka & Nenonen, 2009), and supplier relationship management (Ulaga & Eggert, 2006). Similarly, VBS represents a valuable bundle of capabilities that are difficult to imitate or substitute.

Based on the prevailing knowledge regarding value-based exchange, VBS can be applied in selling novel and complex offerings and often requires a proactive approach to influence customers’ value conceptions, value perceptions, and value creation strategies. The differences in a supplier’s and customer’s value creation strategies can pose challenges for VBS (Möller, 2006; Möller et al., 2008). Moreover, Möller and Törnroen (2003) pointed out that the future orientation of customer value calls for capabilities associated with higher relational complexity, an innovative approach, an understanding of the customer’s business, and management of risks and uncertainty. Hence, VBS characteristically leads to a deeper relational commitment between the parties, emphasizing relational capabilities (Kohtamäki, Vesanainen, Henneberg, Naudé, & Ventresca, 2012) and value co-creation (Grönroos & Voima, 2013).

3. Methodology and cases

This study was conducted as part of two large research projects (Future Industrial Services and Innovation Selling) with nine globally operating companies from a range of industries. Services are a significant and growing share of turnover and profit for the case companies. The companies are undergoing a transformation toward the adoption of service- and value-focused strategies. The transformation is accompanied by fundamental changes in business processes, and the case companies are all heavily investing in developing their capabilities to implement value-focused strategies. We selected knowledgeable and experienced informants with key roles in the transformation programs among the case organizations. The companies are in different stages of value development, maturity, and focus in their transformation and thus reflect a rich cross-section of industries, development stages, and global presence. Findings from the case companies enrich the understanding of emerging value-sales capabilities based on the development stage and focus. The key characteristics of the participating companies are described in Table 1.

Given the exploratory nature of the study, the relative novelty of the value-selling phenomenon in the research context, and extensive literature on customer value and selling, the study applied an abductive research process (Dubois & Gadde, 2002). Moving back and forth within the literature, data, and emerging theory enabled managing the diversity in and building a coherent view of value-selling practices, routines, and capabilities.

3.1. Data collection

Data for this study were collected from multiple sources through multiple methods: (1) interviews with executives, salespeople, specialists, and customers of the case organizations, (2) group discussions with suppliers and customers, (3) interviews with industry experts, and (4) corporate documents such as sales collateral and value calculation tools and templates. Semi-structured interviews were the primary means of data collection. Most of the
Table 1  
Profiles of the case companies in the study.

<table>
<thead>
<tr>
<th>Firm</th>
<th>Industry</th>
<th>Value-based business and sales initiative</th>
<th>Sales (€)</th>
<th>Staff (Mil.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alpha</td>
<td>Global minerals</td>
<td>Corporate-wide business</td>
<td>Over 4,805</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>processing company</td>
<td>transition program toward value-based business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beta</td>
<td>Leading paper</td>
<td>Extensive program to develop</td>
<td>ca. 30,212</td>
<td>7.5</td>
</tr>
<tr>
<td></td>
<td>industry technology</td>
<td>value quantification</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>and service provider</td>
<td>competence and value sales competence</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gamma</td>
<td>Elevators and</td>
<td>Global program to develop and train</td>
<td>ca. 39,851</td>
<td>6.3</td>
</tr>
<tr>
<td></td>
<td>escalators</td>
<td>value-selling tools and skills to global sales organization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Delta</td>
<td>Telecom equipment</td>
<td>Extensive and long-lasting investment in value-selling capabilities and solution capabilities</td>
<td>ca. 58,411</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>provider</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Epsilon</td>
<td>Industrial equipment</td>
<td>Value sales process and tools development.</td>
<td>Over 11,917</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>and services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bearings, lubrication</td>
<td>Significant investment in value-based business development, with value-selling experience of more than 10 years, actively contributing to the total cost of ownership research.</td>
<td>ca. 44,168</td>
<td>7.5</td>
</tr>
<tr>
<td></td>
<td>systems, and services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Development of tools for</td>
<td>ca. 46</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>quantifying value-based sales.</td>
<td>30 (2011)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Value-based sales quantification</td>
<td>ca. 5</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>tools development.</td>
<td>18,900</td>
<td></td>
</tr>
<tr>
<td>Iota</td>
<td>Cargo-handling</td>
<td>Long-term focus on customer</td>
<td>ca. 3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>solutions</td>
<td>value and value quantification tools.</td>
<td>10,610</td>
<td></td>
</tr>
</tbody>
</table>

interviews were conducted face-to-face, but a few were carried out by telephone with follow-up e-mail exchanges. Each interview lasted from one to two hours. With few exceptions, all interviews were audio taped and transcribed verbatim. Extensive field notes were taken in all cases. The two principal researchers conducted primary data collection and analysis from March 2012 through May 2014. For the purposes of investigator triangulation, other researchers in research team meetings periodically reviewed the analyses and results.

The research included a review of previous knowledge in the field, with a focus on customer value in marketing, strategic management, and organizational buying and selling literature. In addition, five interviews with two of the participating companies (Alpha and Beta) were conducted first to build the analytical VBS capability framework, which was then complemented by empirical insights gained from additional interviews with representatives of Alpha and Beta and the other six case companies. Consistent with abductive research, the interviews centered on exploring the insights uncovered in earlier interviews following theoretical sampling (Corbin & Strauss, 2007). Additional interviews in each company ended when interviews began to uncover redundant information (Corbin & Strauss, 2007). Anonymity was offered to all interviewees to encourage open dialogue. The results were also presented and discussed in company-specific workshops and program seminars.

The number of interviewees from each participating company ranged from 2 to 20. Nine case companies participated through 46 interviews with 50 interviewees, 13 of whom were from customer organizations, resulting in 52 h of interview materials, extensive notes, and a 584-page transcript. Purposeful sampling was applied with a semi-structured interview approach (Eisenhardt, 1989; Yin, 2009), adapting the interview contents based on previous interviews. In addition to semi-structured interviews with the case organizations, the data collection included special interest group workshops attended by representatives of Alpha, Beta, Gamma, Zeta, and Iota and experts in sales management. Insights gained from the workshops were used to verify the relevance of the interview themes. During the benchmarking workshops, the company representatives presented and discussed different themes pertaining to VBS: (1) distinctive value proposition, (2) value-based procurement, (3) value quantification, (4) value implementation, (5) quantification of intangible value, and (6) value-based pricing. The workshops were conducted between August 2012 and May 2014, lasting four hours each and resulting in a significant quantity of field notes, presentation materials, and documentation of the research project.

3.2. Data analysis

The data analysis began early in the data collection process so that elements of the analytical value-selling framework could emerge from each case. The team searched for similar themes across the cases, analyzed the differences among the cases, and studied reasons for those differences. Common themes were then identified across the cases. The findings were compared to the evolving VBS capability framework and existing knowledge and then discussed and verified with key informants to fine-tune the analysis.

3.3. Assessing trustworthiness, credibility, and reliability of the findings

The data were triangulated throughout the interview processes as the framework elements were tracked to offer guidance on saturation. Several experts and key informants reviewed the data, and a cross-case analysis was then carried out to preserve replication logic (e.g., Eisenhardt, 1989). The criteria of fit, understanding, generality, and control from grounded theory (Corbin & Strauss, 2007) were combined with credibility, transferability, dependability, confirmability, and integrity (Corbin & Strauss, 2007; Hirschman, 1986; Wallendorf & Belk, 1989), as reflected in Table 2.

4. Findings and analysis

Following an abductive research approach (Dubois & Gadde, 2002), we initially established an analytical VBS capability framework to guide our empirical work. The literature suggests that VBS is a two-stage activity of planning and implementation (Eades, 2004; Storbacka, 2011; Terho et al., 2012). The initial capabilities identified in the planning stage included value analysis and value proposition design and were derived from Anderson, Narus, and van Rossum (2006); Ballantyne et al. (2011). The implementation stage drew on Anderson, Kumar, and Narus (2007), Eades (2004), Monnier and Marshall (2005), and Rackham and Devvincentis (1999) to provide a process-like representation of VBS. Our empirical findings gave rise to a third stage: leverage. The leverage stage includes capabilities to verify and benefit from the value created within and beyond the focal relationship. The value leverage-related capabilities pertaining to value verification and communication identified in the data were compared with those discussed earlier by Anderson et al. (2006); Storbacka (2011). The identified capabilities and practices were refined during the data collection and data analysis stages. We omitted any capabilities and practices that were not strictly connected to VBS. The resulting VBS capability framework is illustrated in Table 3. Each element in the framework combines our empirical findings and previous research.

The VBS capability framework presented in Table 3 describes the adjacent stages of planning, implementation, and leverage of VBS. The study identified 12 key managerial capabilities and practices within the framework. The analysis reported in the following sections was
Conducting research in an inductive manner, combining empirical findings and insights gained from the literature.

4.1. Planning

4.1.1. Target segment and stakeholder group identification

Our informants from Gamma referred to their approach to analyze customer processes to identify influential stakeholders and their role in investment decision-making. Similarly, in an interview with Theta, the informants presented a stakeholder map that included municipalities, governmental bodies, and other stakeholder groups that they needed to persuade to promote their technology in the sales activity. These findings are examples of the case organizations’ level of value analysis, value proposition development, and value sales implementation.

Our cases show that industrial firms principally build value propositions for identified target segments and influential stakeholder groups, as also observed by Storbacka (2011, 705): “the case firms typically make segment specific value propositions to selected segments in order to attract interest.” The most influential stakeholder groups in our cases are those that affect decision making either inside a customer organization (e.g., a buying center as identified by Johnston & Bonoma, 1981) or in the customer’s business ecosystem. The target segments are often chosen based on suppliers’ expected ability to create and capture value (which is consistent with Venkatesan & Kumar, 2004). Moreover, our cases show that the potential for value creation is maximized when the value propositions crafted address the urgent business goals of the stakeholders and leverage the supplier’s competitive advantage. The salient managerial practices of target segment and stakeholder group identification emerging in the cases include the documentation of target customer segments and stakeholder groups in customer relationship management (CRM) systems.

4.1.2. Value analysis

Alpha strives to holistically understand and map its customers’ production processes to ascertain which of its offerings are likely to appeal to customers at different stages of the economic cycle. Having identified key stakeholder groups, Gamma set out to analyze the individual stakeholder processes, building an intranet resource of stakeholder processes and describing stakeholder goals and challenges to guide value proposition development:

Two years ago, we did an exercise to describe the processes, and I personally did [describe the roles of] builder and architect ... [depicting] different steps in the process and challenges. (Senior Executive, Gamma). We have a process called value research. We are continuously researching the cargo-handling process for improvement opportunities. (Director, Customer Solutions, Iota).

<table>
<thead>
<tr>
<th>Table 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessing trustworthiness, reliability, and validity of the study.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Explanation</th>
<th>Method of assessing in this study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credibility</td>
<td>Extent to which the results appear to be acceptable representations of the data.</td>
<td>The first author has 10+ years of solution selling, 10+ years of solution sales management, and 10 years of experience in sales management consulting. Twenty-six months conducting interviews in the field. Two researchers participating in the research. Researcher triangulation, focus groups, analyses, and findings reviewed in researcher meetings. Preliminary results presented, discussed, and verified with key informants and larger corporate audiences.</td>
</tr>
<tr>
<td>Transferability</td>
<td>Extent to which findings from one study in one context apply to other contexts.</td>
<td>Sampling across different positions and business lines within case organizations. Additional interviews with different industries were conducted (information and communication technology and medical).</td>
</tr>
<tr>
<td>Dependability</td>
<td>Extent to which the findings are unique to time and place; the stability or consistency of explanations.</td>
<td>The companies attending the research program were in different stages of maturity, predicting the likely path of development for the focal industries. The findings across companies were highly consistent, with the maturity stage taken into consideration.</td>
</tr>
<tr>
<td>Confirmability</td>
<td>Extent to which interpretations are the result of the participants and the phenomenon as opposed to researcher biases.</td>
<td>Three researchers analyzed the data independently. Results were audited by several experts and key stakeholders. Co-researchers reviewed the findings and analyses.</td>
</tr>
<tr>
<td>Integrity</td>
<td>Extent to which interpretations are influenced by misinformation or evasion by participants.</td>
<td>Interviews were treated anonymously and according to high ethical standards. Participants were carefully selected to ensure knowledge and experience.</td>
</tr>
<tr>
<td>Fit</td>
<td>Extent to which the findings fit the substantive area under investigation.</td>
<td>Careful reliability and validity analysis was performed. Case selection was conducted carefully to provide a complete picture of the area of interest. Interviewees were offered preliminary findings and asked to comment on them and verify their accuracy. Large numbers of industry representatives from different professions have reviewed and verified the results.</td>
</tr>
<tr>
<td>Understanding</td>
<td>Extent to which participants buy in to results as possible representations of their worlds.</td>
<td>Nine separate cases representing different industries and stages of development. Interviewees were lengthy and open to capture insights from a broader perspective. Interviewees were chosen to capture all the viewpoints of the topic.</td>
</tr>
<tr>
<td>Generality</td>
<td>Extent to which findings discover multiple aspects of the phenomenon.</td>
<td>Participants had an opportunity to review and comment on the theoretical suggestions.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Table 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key VBS capabilities.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Planning</th>
<th>Implementation</th>
<th>Leverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target segment and stakeholder group identification</td>
<td>Customer selection and stakeholder identification</td>
<td>Value verification (Anderson et al., 2007)</td>
</tr>
<tr>
<td>(Storbacka, 2011)</td>
<td>Trust and credibility building</td>
<td>Development of a case repository (Storbacka, 2011)</td>
</tr>
<tr>
<td>Value analysis (Flint et al., 2002)</td>
<td>Value proposition communication (Anderson et al., 2006; Ballantyne et al., 2011)</td>
<td></td>
</tr>
<tr>
<td>Value proposition development (Anderson et al., 2006)</td>
<td>Shared solution vision building (Eades, 2004)</td>
<td>Value quantification</td>
</tr>
<tr>
<td>Sales tools preparation</td>
<td>Value sharing and profitability management (Hinterhuber, 2004)</td>
<td>Value quantification</td>
</tr>
</tbody>
</table>
Another example of value analysis is illustrated by *Eta*, which performed an extensive market study of its key European customers to understand their value drivers. Investigation of customers’ value preferences and their value creation process was carried out to understand what customers do and what they prefer, as well as to use this knowledge to identify opportunities for improvement, as *Anderson et al.* (2007); *Miles* (1972) suggested. The analysis centered on understanding the contingencies and customers’ individual and organizational perceptions of what is valuable in each beneficiary’s business context. Providing insight into how to conduct value research, *Bettencourt and Ulwick* (2008); *Sawhney* (2004) discussed customer activity mapping as a means of identifying improvement opportunities, and *Anderson et al.* (2007); *Flint* (2002) described techniques for performing value research.

In the data, we identified the following managerial practices pertaining to value analysis: Customer workshops and focus groups were conducted regularly in some of the cases, and stakeholder processes, goals, and challenges were documented and made available for wider use within the sales organization.

4.1.3. Value proposition development

The following excerpts from our interviews illustrate sample value propositions from the case companies and how our key informants described the anticipated benefits and business outcomes:

Mining business benefits of more resource and environment efficient ways to produce metals. (Senior Manager, Alpha). Industrial production line performance increases by reducing unplanned downtime and eliminating performance bottlenecks. (General Manager, Epsilon).

Upon investigating the value propositions built by the case companies, we identified several properties and requirements. In doing so, we considered value propositions as bundles of benefits (*Anderson et al.*, 2006; *Lindgreen & Wynstra*, 2005; *Uлага & Eggert*, 2005) that address business goals of specific target groups (*Menon, Homburg, & Beutin*, 2005) and offer significant value for the customer. Bearing these properties of value propositions in mind, we analyzed how they contributed to differentiating from alternatives (*Anderson et al.*, 2007, 2006) and resonated with the stakeholders (*Anderson & Narus*, 1998). In addition, following *Storbacka* (2011), we investigated whether the value propositions manifested customers’ desired views of value by addressing their timely and salient business concerns. For example, our respondents suggested:

Industrial machinery benefits of reduced maintenance cost, energy cost, and logistics cost. (Managing Director, Zeta). Telecom operators benefit from reduced customer churn and improved customer experience. (General Manager, Delta).

4.1.3.1. Specific target groups. Designing a value proposition is an optimization exercise between impact and practicality. An effective value proposition matches the individual stakeholder’s views. However, the subjective, context-specific, multi-faceted, and evolving nature of customer value renders this task impractical during the value proposition development stage. Hence, the pre-crafted value propositions address specific segments, and the perception gap has to be filled by combining value proposition adaptation and stakeholder influence.

4.1.3.2. Bundles of benefits. Value is defined as bundles of benefits and sacrifices. Value propositions communicate potentially favorable changes in customer value as either improved benefits or reduced sacrifices, as illustrated by the examples above. The value analysis approaches applied by the case companies focus on customers’ business processes to discover improvement opportunities, labeled value elements. The value elements discovered are not equally significant. For instance, a value analysis process conducted by *Gamma* yielded 47 targets for improvement, only three of which were selected for communication by the resulting value proposition. In this vein, value propositions facilitate customers’ selection of value elements and utilities served.

4.1.3.3. Business goals. The bundle of benefits communicated by a value proposition must be expressed in terms of the customer’s business goals for impact and influence. The taken-for-granted business goals include monetarily measured outcomes, either short or long term. To illustrate the point, *Beta, Gamma*, and *Alpha* have a requirement to link their value propositions to economic key performance indicators such as increasing revenue, reducing ownership cost, or improving resource efficiency, including return on capital employed (*Vitasek et al.*, 2012). In this study, most of the value propositions were directed toward reducing the ownership cost:

Our value proposition builds on that construction companies benefit from faster transportation of workforce at a production site. (Program Manager, Gamma). Extracting minerals from ore is improved by new innovations that increase minerals recovery and reduce energy and maintenance costs. (Product Manager, Alpha).

4.1.3.4. Significant value. The first step of substantiating a value proposition is to quantify the anticipated business impact on a customer’s situation and environment. Value quantification is discussed as a distinct capability.

4.1.3.5. Resonance with stakeholders. To garner attention and create interest, value propositions must link to customers’ timely and urgent business concerns (*Anderson et al.*, 2007, 2006; *Menon et al.*, 2005; *Storbacka*, 2011). Focusing on those value elements that are already on a stakeholder’s agenda helps to create interest; however, stakeholders may not be receptive to the most promising value elements. Most of the prevailing desired value perceptions are established under good-exchange dominant market conditions and may not serve the interests of networked and relational exchange. Trends, industry-level business drivers influencing stakeholder attention, and industry-level benchmarking and imitation (*March & Sutton*, 1997) are among the isomorphic forces that tend to steer stakeholder attention. The case companies repeatedly expressed frustration with buyers and sellers’ conflicting notions of value. Procurement often focuses on price instead of cost (*Anderson, Thomson, & Wynstra*, 2000).

Congruent with previous research, we found that value propositions are among the key means to differentiate a business from the competition. When developing value propositions, *Anderson et al.* (2006, 2007) suggested selecting those few value elements that help in differentiating from alternatives. Our case companies emphasized three criteria when developing their value propositions: resonating focus for stakeholder attention, differentiation to exclude competition, and economic business impact to generate interest and action. The resulting managerial practices connected to value proposition development include documenting segment-specific value propositions and embedding them in sales tools, such as reference stories, value calculators, and stakeholder-specific conversation guidelines.

4.1.4. Sales tools preparation

The case companies identified value quantification and implementation at the sales force level as the biggest challenges in carrying out the transition toward VBS. These capability gaps have also been reported in other studies (*Storbacka*, 2011; *Terho et al.*, 2012). To institutionalize value selling as an organizational capability, the case companies emphasized the significance of shared routines, shared tools, and best practices to help individual sales resources learn and consistently apply the best practices. Key tools included artifacts, such as quantified reference
stories and value calculators, manifesting the organizational capabilities and institutionalizing value-selling practices:

We have built a tool for sales executives to compare different power plant investment alternatives by calculating the unit production cost of electricity over the life cycle of a power plant as a function of the initial investment cost, operating cost, and fuel cost. (Director, Theta). We calculate the impact of preventive maintenance on the return on capital employed of an industrial production line to motivate outsourcing decisions. (General Manager, Epsilon).

At the time of our empirical study, the case companies were at different stages in their efforts to develop sales tools supporting VBS. All of the case companies had invested in developing calculation tools. They demonstrated such tools during interviews and focus group meetings. For example, Theta had taken measures to calculate the impact of preventive maintenance on the return on capital employed that were similar to the measures taken by Epsilon, which is illustrated in the quotation above. Zeta built value calculation tools and a repository of quantified reference stories over a period of 10 years. Its repository currently has thousands of quantified and verified reference cases and the sales organization is actively adding new cases:

Modernization of process equipment is motivated by improved minerals recovery and savings in maintenance and energy costs. (Product Manager, Alpha). Our tools show the potential savings resulting from using their elevators instead of auxiliary equipment during construction time. (Director, Gamma). We identify yearly vessel-specific revenue improvement potential, quantify, and communicate the potential as a survey report. (Director, Iota).

Through the interviews and field observations, we identified sales tools implementation, documentation, and training as among the key managerial practices of sales tool preparation. In many cases, the sales tools were linked to sales processes and sales management invested in activities to provide explicit guidance on how to apply the tools in customer encounters for systematic and consistent VBS application. Importantly, the case companies managed the complexity of value quantification by developing value quantification tools to support organizational learning and to provide an appealing and informative interface to hide the complexity of value-based sales from the frontline salespersons.

4.2. Implementation

4.2.1. Customer selection and stakeholder identification

Examples from our cases illustrate that organizational buying often involves buying centers and multiple stakeholders that evaluate value propositions. Segment-specific value propositions are used in communication with stakeholder groups, and success depends on the subjective evaluation of the value proposition by the individual stakeholders. Managerial receptivity for a value-based message is affected by attention, cognition, goal alignment, and other factors guiding managerial decision making. During the interviews and workshops, Beta, Gamma, Epsilon, Zeta, Eta, and Theta stressed the importance of identifying an influential decision maker with personal goals aligned with the value proposition and with sufficient awareness and receptivity to the broader value-based message. Illustrating the challenge, an executive from Zeta emphasized the limitations in buyers’ value perceptions as follows:

Their view of total-cost-of-ownership is very limited, including only item price and delivery cost. (Senior Executive, Zeta).

Our analysis of the cases endorses that when selecting customers for a value-based approach, the following customer-specific criteria apply:

First, in line with Kraljic (1983), a value-based approach is likely to fail if it is not aligned with the customer’s vendor management model. That is, implementing VBS may be ineffective in situations in which the customer is not receptive to a value-based message and value-based evaluation of the offering. A salient explanation for the situation is a gap between the customer’s and supplier’s value creation strategies (Möller, 2006). There are situations in which the supplier’s value creation strategy is more innovative, radical, and novel than the buyer’s current value creation strategy. Second, our informants stressed the importance of open communication and access to performance and other data mandatory for value quantification because a sufficient level of credibility and trust must be achieved. Third, congruent with previous studies (e.g., Bowman & Ambrosini, 2000), sufficient supplier bargaining power is often a prerequisite for capturing an equitable share of the value created because the primary objectives of VBS are to enable value creation and to benefit from the value created. The managerial practices identified in our cases pertaining to customer selection and stakeholder identification include customer selection guidelines documented in CRM systems. Some of the case companies have implemented a systematic evaluation of sales opportunities using predefined criteria. The outcomes of the evaluation have been documented in their CRM systems.

4.2.2. Trust and credibility building

Trust, especially trustworthiness and credibility, are important determinants of relationship quality and communication between parties (e.g., Barney & Hansen, 1994). Trust is especially instrumental in value-selling situations:

Value-based selling is based on mutual trust and respect. (Director, Beta).

The perceived risk is high due to incomplete information, future orientation of value, and the relative newness of the value-based approach. Lack of trust and credibility discourages decision makers from sharing essential information such as production data, which makes value quantification difficult if not impossible. A senior manager from Beta emphasized the importance of relationship building as a prerequisite for credible access to essential data on customers’ true value experiences:

A collaborative buyer-supplier relationship manifesting the commitment between the involved parties is a key to creating value based on customers’ true value experiences. Why? Because otherwise it would be impossible to get access to the real-life data backing decision making. (Senior Manager, Beta).

As illustrated by this excerpt, transparent sharing of the true perceptions of experienced value by the customer requires trust and credibility in the buyer-supplier relationship. Reference customers, quantified reference stories, and piloting of solutions were identified as important tools for building trust. Similarly, Anderson and Wynstra (2010) found that reference customers and pilot programs provided effective value evidence in reducing ambiguity about value. The companies unanimously reiterated the importance of quantified reference stories that report the numerical and monetary results achieved as a means of building trustworthiness and motivation. Zeta has made a significant investment in building a database of quantified reference stories. These stories might build up the supplier credibility and decision maker motivation that leads to the value quantification exercise and to a firm-specific evaluation of the business impact of the offering. In the case companies, relationship status documentation as stakeholder maps with relationship-specific attributes in CRM was a key management practice in trust and credibility building.
4.2.3. Value proposition communication

Based on our empirical findings, value propositions are predesigned and focused on highlighting customer net benefits. Previous research has shown that an effective value proposition responds to individual stakeholders’ business concerns and critical business issues and drivers (Kowalkowski, 2011; Menon et al., 2005; Storbacka, 2011; Ulaga, 2003). Despite attempts to uncover and address urgent business goals of the target audience during value research and value proposition development, the segment-specific value propositions address segment-wide goals and business issues, which are not necessarily shared by all stakeholders. Clearly, there are two ways to align the buyers and sellers’ views. The stakeholder can be influenced to agree with the value proposition or the value proposition can be adapted to customer- and stakeholder-specific goals, incentives, business issues, and beliefs. Ballantyne et al. (2011) suggested that value propositions can be co-created with the customer. Accordingly, we analyzed capabilities pertaining to the communication and adaptation of value propositions to close the desired value gap between suppliers, and stakeholders were identified as a distinct capability group.

Our analysis of the value propositions crafted by the case companies revealed that the adaptation of value propositions addresses the value elements included, but also affects the aggregate measure of the value applied. When adapting a value proposition, the criteria of a focus on impact, differentiation, and resonance need to be applied to the value elements, and the aggregate economic business impact needs to be expressed consistent with the stakeholder’s key performance indicators. Adapting the value proposition to specific customer and stakeholder situations requires seller competencies that the case companies find very difficult to acquire. Our interviews and workshops did not reveal any systematic approach to value proposition adaptation. The degree of adaption required depends on the uniformity of the prevailing views among the stakeholders with the target audience, the supplier’s ability to influence and align those views with the value proposition (i.e., influence views instead of adapting value proposition), and the extent to which the target customer has participated in value proposition development (i.e., the value proposition is developed for an individual customer). Ideally, the value proposition is adapted and communicated by using tools that allow flexible simulations with different value elements and outcome variables. For example, the case companies emphasized the power of quantified reference stories to influence customers’ perceptions.

Instead of adapting the value proposition, the supplier can attempt to influence customers’ prevailing views, the desired value perceptions, to align with the pre-designed value proposition. For instance, the initial purchase price of a commercial aircraft or heavy truck accounts only for 8%–12% of the lifecycle ownership and operating costs of the equipment (Snelgrove, 2012). Showing the distribution and relative share of all elements of ownership costs seems to be an efficient way to influence a customer’s prevailing value perceptions. Hence, value quantification is especially important when addressing improvement opportunities outside the accepted, explicit needs of stakeholders to influence their desired value conception.

Identified managerial practices manifesting value proposition communication included the implementation and deployment of customer value assessment tools and customer case studies. Moreover, systematic assessment of the value of sales opportunities by applying predefined criteria and metrics was of growing importance among the case companies. The opportunity assessment capabilities manifested as highly important managerial practices to effectuate and institutionalize VBS and develop individual VBS competencies.

4.2.4. Shared solution vision building

A solution vision is a set of customer expectations and requirements for the value-creation solution. The respondents repeatedly stressed the importance of proactively influencing stakeholder views early in the buying process. They also expressed frustration with the low success rates of the prevailing reactive selling, often ending up selling against someone else’s solution vision. As an extreme example of differing solution visions, Beta found that two leading global paper and pulp manufacturers have diametrically opposed views on the outsourcing of maintenance services.

The value proposition communication step acknowledges the differences in the views, perceptions, and goals of stakeholders. Once the value-based incentive to change has been established and agreed upon, a seller’s main objective during buyer-seller interactions is to build and influence the customer’s vision of the desired solution (Eades, 2004), to leverage the seller’s strengths, and to eliminate rivals before a competitive tendering. Even if the value proposition is attractive to the stakeholders, the proposed solution may not be; a problem can have more than one solution. The solution vision is built and negotiated during the buying process, influenced by stakeholder power, goals, search behavior, beliefs, rules, norms, and imitation, resulting in different viewpoints. For example, Kowalkowski (2011, 280) illustrated how different financial policies and organizational directives such as the length of contractual periods affect the solution vision. Organizations also have differing and even contradictory views on their core and non-core competencies (Prahalad & Hamel, 1990), with a direct influence, for instance, on what can and cannot be outsourced to partners. However, it is often crucial for the seller to sell a solution vision for the customer to enable value creation and implement the value proposition.

The managerial practices of building a shared solution vision include making solution assessment tools available in the sales organization. In many cases, the evaluation of differentiators in solutions was systematically implemented, and the outcomes of the evaluation were documented in CRM systems.

4.2.5. Value quantification

The customer value literature emphasizes the critical importance of offering quantitative evidence of realized value for the focal customer (Anderson et al., 2006; Hinterhuber, 2004). Storbacka (2011, 706) observed, “A key to becoming part of a customer’s strategic agenda is the ability to quantify the business impact of solutions.” During the relational buyer–seller process, the value proposition can be brought closer to a stakeholder by (1) influencing the stakeholder’s desired value conception, (2) adapting to the resonating measure of economic business impact, (3) selecting value elements based on salience, differentiation, and impact, (4) using relevant and quantified case stories as a source of motivation, and (5) aligning the solution proposal for the stakeholder. Finally, value quantification evaluates the adapted value proposition in the focal customer’s situation.

Our cases show that quantification of value requires determining the functional relationship between the selected value elements and the selected key performance indicators, such as revenue increase or ownership cost reduction. An example of such value function is the DuPont analysis (e.g., Soliman, 2004), which decomposes the return on net operating assets into profit margin and asset turnover. When applied to industrial production analysis, it establishes a link between operational equipment efficiency (OEE) (Nakajima, 1988) and economic performance measures, such as return on capital employed (ROCE) or lost profit due to unplanned production downtime. Among the case companies, Zeta and Epsilon referred to the DuPont analysis. In some cases, the value function is slightly more complex. For instance, Saccani, Alghisi, and Borgman (2012) described a probability-based model for calculating cost savings resulting from reduced risk achieved by preventive maintenance of cruising ferries.

Value quantification requires the quantifiability and commensurability of the value elements. Some value elements are harder to quantify than others. However, a closer analysis of the less-tangible value elements may offer insights into how to quantify their business impact. For example, Epsilon shows that value can be derived in a variety of ways that may be difficult to quantify:
Improvement in safety can be rewarded by lower insurance premiums. (Country Manager, Epsilon).

Firms face significant practical challenges in obtaining access to essential data on the elements of value needed for the quantification of value of offerings for customers. Trust, confidentiality, rivalry, and similar reasons may prevent access to the numbers required to perform value quantification:

Few factories have good systems to collect data. They are also sometimes jealous about the data, thinking that it may benefit competition. (Director, Beta).

To solve these problems, many of the case companies (especially Epsilon, Zeta, and Theta) are furnishing their installed equipment base with sensors to collect production and performance data and use this information in advanced services and equipment modernization recommendations through value quantification and verification.

Identified managerial practices of value quantification include designing and implementing processes and tools to quantify value with the customers. The practices also include communication of the results of value quantification with customers. Once the functional relationship between the value elements and the key performance indicators has been established, the case companies apply value quantification, by comparing either two competing alternative offerings or a new offering to the customer’s situation.

4.2.6. Value sharing and profitability management

A sales organization’s goal is not only to create value, but also to capture it (Blois & Ramirez, 2006). Brandenburger and Stuart (1996) concluded that creating customer value is a necessary but not a sufficient condition for a supplier to capture high economic returns. Hence, the capabilities and management practices required to earn an equitable share of the value created should include (1) measures to manage the co-creation of value, (2) mechanisms to verify the value created, and (3) sufficient bargaining power to capture a fair share of the value verified. Our case data are rich with examples of capabilities needed to transform perceived value into economic measures. For example:

By showing value, we can charge steep cost-based prices. (Senior Manager, Alpha).

Customer value is co-created with the customer and with a wider coalition of network actors (e.g., Normann & Ramirez, 1993). Successful co-creation of value requires that capabilities and management practices match the supplier and customer value-creating processes and encounters (Payne et al., 2007). A central challenge identified by the case companies was risk management, especially customer-induced risks for value creation, by factoring the risks into pricing (Storbacka, 2011) or by gaining control of the processes by outsourcing. Information asymmetry and incomplete understanding of the customer’s value-creating process presented a major outsourcing challenge:

We need to exclude competition in order to price based on value. (Manager, Alpha).

Benefiting from the value created requires bargaining power (Bowman & Ambrosini, 2000) and value-based pricing capabilities (Liozu, Hinterhuber, Boland, & Perelli, 2012; Töytäri, Rajala, & Alejandrov, 2015). While demonstrating and quantifying value may provide sufficient incentive for a customer to initiate a buying process, a professional buyer is likely to seek the best possible deal by searching for alternative solutions to leverage competition to capture a higher share of the value created. Bargaining power is achieved at different stages of the proactive value-selling process by (1) demonstrating superior value, (2) differentiating from alternatives by adapting the value proposition, and (3) building a differentiated solution vision. All these measures contribute to establishing a temporary exclusivity for the business case.

Identified managerial practices pertaining to value sharing and profitability management include the design and implementation of tools and processes used to evaluate a negotiation position. In some cases, systematic position and risk assessment was conducted for sales opportunities.

4.3. Leverage

4.3.1. Value verification

Trust, credibility, and quantified evidence of value have a significant impact on the success of the value-based approach. In this regard, Anderson et al. (2006) showed that to benefit from the value created, suppliers must periodically review, document, and verify the value created with the customer. Our case companies have differing views on value verification. Companies like Zeta and Iota, with long histories of value-based business, are willing to enter into value-based compensation schemes and to accept the inclusion of performance clauses in agreements:

Committing to the value makes us a really strong business case. Value verification is steering our R&D to continuously improve our customer’s earnings potential. (Director, Customer Solutions, Iota).

However, companies with less value experience are reluctant to grant value creation warranties. These intriguing findings reflect the difference in focus. Value quantification alone sends a powerful sales message, but value verification lends strong support to value-based pricing and value capture.

The identified key managerial practices for value verification include systematic design of tools and processes to verify and document value. Some of the cases also shared the results with customers and took steps to incorporate value-based pricing into their pricing practice.

4.3.2. Development of a case repository

The case companies also emphasized the importance of creating a feedback loop into a case repository. Storbacka (2011) reported the importance of gathering feedback. Our data show that to support organizational learning, build the legitimacy of the value-based approach, provide powerful tools for the early stages of the value-selling process, and build brand awareness, a timely and accurate repository of customers’ value experiences is indispensable. This repository may prove useful in future sales endeavors with new customers and in managing existing customers. For example, Zeta established an internal repository of thousands of verified and documented customer cases for these purposes. While building a database of documented evidence of value creation is a clear management objective for all the case companies, the sales organizations frequently do not meet expectations for reasons that are largely attributable to the immaturity of the VBS approach among the sales forces and customers.

Identified managerial practices pertaining to the development of a case repository include the systematic documentation of customer cases as reference stories, indexing the case stories by industry, stakeholder, and similar attributes, and making the stories available for sales and marketing communications through information technology (IT) solutions.

5. Discussion and conclusions

This study explored the organizational sales-related capabilities and managerial practices that contribute to value-focused sales management in the industrial sales context. In doing so, the study linked the empirical findings to the body of knowledge on B2B value creation and value capture. The empirical investigation used nine cases that represent globally operating industrial companies. The cases were
complementary and their subsequent analysis suggested a set of 12 capabilities that are crucial for the implementation of a value-focused sales approach. Our findings show that VBS requires capabilities for early engagement with a customer’s buying processes (1) to influence the customer’s perceptions of the value potential of a buyer–supplier relationship, (2) to expand the customer’s and seller’s shared conception of value, and (3) to commit to the shared vision of a potential solution to achieve the desired value for the involved parties. Finally, VBS promotes customer-perceived value as a reference used in negotiating prices in B2B exchange to capture an equitable return on the value created. The findings contribute to the scholarly discussion of customer-perceived value, organizational capabilities, and sales management.

5.1. Theoretical implications

Creating and capturing value in business relationships has become one of the most discussed topics in the industrial marketing literature. This research has answered the calls to investigate the creation, communication, and sharing of value that have been put forward, for instance, by Anderson and Wynstra (2010). In addition, this study fills the gap identified by Avlonitis and Panagopoulos (2010) between value strategies and managerial agency by conceptualizing the capabilities and managerial practices underpinning VBS. Moreover, the study presents value selling as an organizational capability and process, which Geiger and Guenzi (2009) advocated. This study also answers Sirmon, Hitt, and Ireland’s (2007) call to investigate how companies create and capture value. The VBS capability framework (Table 3) guided the analysis to deepen the current understanding of how to develop and use the capabilities needed in VBS.

Contributing to the discussion of customer value and the formulation of value propositions within the context of B2B sales management, which has been of interest in the recent industrial marketing research (e.g., Ballantine et al., 2011; Frow & Payne, 2011; Kowalkowski, 2011), this research enriches the understanding of organizational capabilities needed to implement value-focused sales. In the literature, a value proposition is considered to be a central element in the buyer–seller process of identifying and communicating value (Anderson et al., 2006). The value proposition has been understood as a supplier’s resource and capability integration proposal for a customer (Ballantine et al., 2011) to enter into a value-creating relationship and to realize the benefits suggested by the value proposition. In addition, the value proposition has been used as an artifact to capture the idea of how the parties involved could co-create value (Frow and Payne, 2008). Frow and Payne (2008) surveyed the use of value propositions in organizations and found that although the term was used by almost two-thirds of the investigated organizations only 8% had developed and routinely communicate formal value propositions. The capabilities identified and analyzed in our cases contribute to the analysis of value propositions by industrial marketers and thereby improve the understanding of the essential ways to leverage customer–perceived value. From the perspective of sales and strategic management, the analysis deepens the discussion of contingency factors that affect customers’ perceptions of the value propositions.

Our findings suggest that VBS capabilities, such as value quantification, value sharing, and value verification, are keys to influencing customers’ prevailing value conceptions and may be sufficiently influential to help align non-matching value creation strategies (cf. Möller, 2006). Industrial buyers have institutionalized their beliefs and norms, which often manifest a narrow conception of value. Many of our informants expressed their frustration with the often-conflicting value perceptions between buyers and sellers. VBS is likely to be effective when both parties possess a common understanding of value. Hence, the parties must align their views of value during the buyer–seller interactions. The seller carries the responsibility of influencing and adapting to the buyer’s value perceptions. Our findings emphasize that buyers frequently express a narrow operational view of value. A successful application of VBS in B2B exchange may require expanding the prevailing conception of value. Hence, a wider set of operational value dimensions (e.g., the use of total cost of ownership instead of purchase price) may be needed to recognize important but hidden benefits associated with the value exchange.

Furthermore, incorporating the wider strategic, social, and symbolic dimensions of value into the shared value conception may reveal new sources of value creation. Our informants offered many examples of social and symbolic aspects of value, but our analysis of the cases shows that they are rarely used in buyer–seller communication.

The main theoretical implication of our research is that a buyer–seller relationship must allow VBS to identify and communicate value more extensively to improve customer-perceived value in the B2B exchange. However, Suchman (1995); Townley (2002) demonstrated that it might be very difficult to change the legitimate grounds of business exchange. Therefore, the extension of value assessment from operative to strategic, social, and symbolic measures should be the focus of individual relationships in which participants seek comparative advantages relative to other actors in the market. In line with Kraljic (1983), we found that a customer’s receptivity to advanced implementation of VBS is characterized by relationship and market maturity, offering a life-cycle and customer-centered approach to supplier relationship management. It is negatively affected by a focus on short-term results and reluctance to share information (Terho et al., 2012). Importantly, capabilities and managerial practices related to value leverage are crucial in institutionalizing VBS, both internally among the sales forces and externally as a legitimate logic of value exchange in an industry.

5.2. Managerial implications

Buyer–seller relationships embody inter-organizational ties at different levels of joint activity. They include collaboration through operational linkages and procedures (Hutt & Speh, 2007, 91), management processes (Hutt & Speh, 2001), and social ties and personal bonds (Seabright, Levinthal, & Fichman, 1992). Therefore, to put the tenets of VBS into action, companies must tell their sales organizations exactly what to do and how to do it. The research reviewed in this study suggests that companies need to steer their value strategies with actionable and manageable practices and tools to ensure successful implementation. The study helps managers by showing them how to prepare for and implement a value-based sales process. By adopting and developing value-focused sales capabilities, industrial sellers can transform their customer relationships from transactional sales relationships to value-added exchange relationships to establish or enhance strategic and collaborative relationships.

While the value-focused approach is effective in all stages of the buying process, most of the case companies apply VBS in the early stages of the customer’s buying cycle to initiate buying processes by demonstrating value, challenging prevailing assumptions, and influencing the solution vision and criteria. Hence, VBS constitutes a powerful way for managers to implement a value-based strategy. The findings give rise to the suggestion that one of the keys to managing value-based relationships is a proactive and value-based approach to customers. The message must be built on the understanding of context-specific contingency factors that affect customers’ value perceptions and must address their business goals and performance measures. In the established industrial business markets, many sellers delay their engagement in the organizational buying process when buyers initiate the evaluation and selection phases of the buying process. In such cases, the early stages of need recognition, prioritization, and building of solution criteria for the buying process fall outside the seller’s domain of engagement. However, proactively influencing the customer’s views is likely to differentiate and improve profitability. Our cases show that
communicating value to customers may have important implications for performance. Some of the suppliers we investigated focused on bringing their customers’ value perceptions into line with their pre-designed value propositions to maximize the supplier’s competitive advantage. Our examples also show that deviating from the pre-designed value proposition may require development of new capabilities; that is, the ability to influence, rather than adapt, has potentially significant implications for profitability. Therefore, sales-related capabilities that align a customer’s views with the pre-designed value proposition can be highly valuable for sellers.

The research also suggests a change of emphasis in the development of sales competence. Companies tend to focus on behaviors and generic selling skills in their development activities, while competencies in understanding a customer's business model and business process, key performance indicators, and the ability to align value perceptions and quantify value are central. Industrial buyers are more accustomed to price than they are to value, leading to comparative ignorance about value relative to price, which also contributes to ambiguity about superior value (e.g., Anderson & Wynstra, 2010). To succeed in sales strategy, especially in the final stages of the organizational buying process with the procurement organization, VBS needs to interact with value-based buying. While organizations are developing their procurement practices, evidence from the case companies implies that value-focused evaluations of different offerings is still rather rare in B2B exchange. However, effective management of a buying process has become a key competitive advantage for most industrial organizations. Indeed, buying has continuously become better structured, more sophisticated, and more professional (Hunter, Bunn, & Perreault, 2006). Advances in value-based procurement seem to increase the demand for VBS capabilities.

As a recipe for sales organizations interested in assessing the value realized for customers, the key findings from our cases can be summarized into the following steps for value quantification and communication:

1) Establish economic performance measures that identify the essential aspects of value.
2) Identify the functional relationships between the value elements and the performance measures and quantify the relative importance of the value elements, taking situational factors into account.
3) Collect data to assess the value of available options (e.g., competing value propositions).
4) Perform the calculations and comparisons of the realized value between individual cases.
5) Communicate the expected value impact of the elements included in the analysis based on their leverage, differentiation, and saliency.

The findings of this study support business practitioners in their efforts to improve their organizations’ end-to-end excellence in VBS. The findings may also facilitate organizational learning and identification of best practices in sales management. Supporting this objective, the practices reported from the study cases might facilitate development of the vital capabilities for value-focused sales.

Finally, a successful implementation of VBS calls for a longitudinal and relational buyer–supplier partnership. Hence, a preferred supplier status, manifesting trust, access, and receptivity, allows suppliers to communicate value and influence value perceptions. Adding to Möller et al. (2008) conclusion, without an aligned conception of value between the participants in an exchange, it might be impossible to find a consensual way to address the issues that create value.

5.3. Limitations and future research directions

These findings add to the body of research-based knowledge of value-focused sales management, but no study is free of limitations. This study focused on the capabilities underpinning VBS in the context of industrial sales processes. The authors acknowledge that in the industrial context quantifying value may be easier than in many other contexts. This is because the focus of industrial buyer–supplier relationships is often on the improvement of industrial processes, for which data are often available to make comparisons possible. For example, in the information and communication technology (ICT) industry, longer lead times from implementation to results can make it difficult to control the environment with multiple variables influencing the outcomes. Moreover, a lack of reference data for comparisons may result in situations where the value quantification practices identified in this study are difficult to apply credibly. Therefore, more research on value selling in different contexts to provide more generalizable findings is needed.

In addition, the interconnection of value-based pricing and value-focused sales activities requires further investigation. Creating superior customer value is a necessary but not a sufficient prerequisite for capturing value. The ability to quantify and agree on the value created provides an opportunity for value-based pricing. However, successful defense of the value-based pricing requires bargaining power (e.g., Bowman & Ambrosini, 2000).

Our findings from the case companies provide insight into the positive impact of VBS on profitability. However, more research into the mechanisms applied to ensure that the seller captures more than the cost-based share of the value created is needed. Among the potential means of influencing the distribution of value between parties are risk sharing, profit sharing, and bargaining power. Apart from value creation, sellers need to consider what is required to capture a fair return of the value co-created with the customer.

Of the operational, strategic, social, and symbolic sources of customer value (Töytäri, Rajala, & Alejandro, 2015), current sales management practices focus on a narrow conception of operational value. While this choice is an obvious response to the need to appeal to financial decision makers and contribute to improved business performance, the other sources and forms of value also have an important role in the business exchange. While influencing decision making, the other elements of value are not explicit parts of the exchange and are much more difficult to quantify credibly. Further conceptual and empirical research is needed to quantify the intangible value elements to assist organizational decision making.

Finally, as our empirical findings demonstrate, VBS is an emerging practice in industry. Both suppliers and buyers are struggling to implement VBS. VBS is quite different from traditional reactive, request-driven industrial selling and represents a major transformation on the part of industrial companies. More research is needed to understand the mechanisms of institutionalizing VBS within sales organizations. Likewise, future research can explore the value-based guidance of buying and how value-based thinking may change the procurement practices. Thus, the findings pave the way for further empirical analyses of the impacts of sales management capabilities on sales performance.

Acknowledgements

The authors acknowledge financial support from the Finnish Funding Agency for Innovation through the Fimecc research program 2470/31/2010.

References


Pekka Töytäri is doctoral researcher at Aalto University, School of Science, Department of Industrial Engineering and Management. Töytäri is a member of the Service Engineering and Management research group. His dissertation in the field of industrial economics is expected to be published in 2014. His research interests include customer value, value creation, value-based selling and sales management, business models and innovation. His academic work has appeared in distinguished journals such as the Journal of Product Innovation Management and Industrial Marketing Management.

Risto Rajala is Assistant Professor at Aalto University, School of Science, Department of Industrial Engineering and Management. Rajala holds a PhD in Information Systems Science from the Aalto University School of Business. Rajala’s specialties include management of industrial service systems, collaborative service innovation, and business model performance. His work has been published widely in refereed scientific journals, including Industrial Marketing Management, California Management Review, Journal of Information Technology, Management Learning, and International Journal of Information Management.