Selling solutions by selling value

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ABSTRACT

Selling new innovative services and solutions demands a proactive and customer value-focused sales approach, and new capabilities and resources to support the approach. Firms find the transformation challenging and lack tools to succeed. In this article, I discuss the internal and external challenges of implementing value-based solution selling, illustrate the involved processes and their connections, and explicate the key activities of the value-based solution selling process. The article embeds the sales transformation into a broader change of business logic, analyzes the value-based solution selling from the value proposition communication and differentiation method, and provides a managerially relevant framework to guide the implementation.

Key words: value-based selling, solution selling, value proposition, servitization practices

INTRODUCTION

Global competition, access to information, and industrial imitation even out competitive differences in increasingly short cycles, forcing selling firms to innovate differentiating products, services, and solutions to stay ahead of competition. A very visible outcome of the quest for differentiation and competitive advantage has been the service transformation of industrial companies. Service transformation brings about a rather fundamental change of business logic, offerings, relationships, structures, management, incentives, capabilities and resources, and most organizational functions, specifically sales. Not surprisingly, firms have found it difficult to implement such comprehensive change. Despite the challenge, the organizational ability to sell solutions by proactively demonstrating the life-cycle value of the solutions is one of the crucial goals to achieve.

Unfortunately, sales and sales management literature provide little support for the transformation.

In this chapter, I develop a solution selling framework of activities, goals, and tools, focusing on the distinctive features of the proactive value selling. I position selling as a concurrent and connected activity to organizational buying. Organizational buying is defined as a tool to implement changes that improve organizational performance toward business goals. I also illustrate the capability development activities preceding the actual customer engagement. To support the managers implementing the change, I illustrate the broader business cultural drivers of the change, including the barriers that impede the change, inside organizations and within the connected ecosystem of customers and suppliers.

THE CHANGE OF BUSINESS LOGIC

Selling and buying are both strongly influenced and directed by the beliefs and norms of the actors engaged in the exchange (Thornton, Ocacio, & Lounsbury, 2012). Industrial buying has been strongly influenced by an approach that emphasizes transactional efficiency, product-based exchange, and independence for value capturing power. Value-based solution selling (Töytäri & Rajala, 2015), however, requires different supporting business logic to succeed. Selling and implementing a solution requires information exchange, evaluation of alternatives based on value created, and leads to a joint value creation engagement. The established industrial supply management practices often prioritize short-term transactional efficiency instead of long-term lifecycle value, sets purchasing criteria on optimizing price or capital expenditure over value-in-use or operational expenditure, seeks strong negotiation position by decomposing solutions to constituting elements for easy comparison, and prioritizes short-term value capture over long-term value creation. The solution vision is often developed based on internal knowledge rather than leveraging a broader knowledge base by involving the supply network. The value sharing (pricing) reference is quite exclusively "cost+" rather than the actual value created. However, despite the challenges, most firms and industries are investing in developing new capabilities and resources to support value-based strategies to escape the "commodity trap," improve value creation, and build stronger networks for competitive differentiation, to highlight some examples of the potential benefits. For an illustrative example, I label the competing approaches to industrial exchange and relationships as "product logic" and "solution logic," and I highlight the differences in Table 1.

Table 1. Key differences between value capture and value creation-focused strategies

Key dimensions	Product logic	Solution logic
Exchange focus	Transaction	Relationship
Optimization focus	Exchange value (e.g. Capex)	Use value (e.g. Capex + Opex)
Exchange scope	Product	Solution
Temporal focus	Short-term	Long-term
Relationship logic	Independence for value capturing power	Partnership for joint value creation
Initiator	Buyer	Seller
Market phase	Commoditized	Innovation
Solution vision	Buyer's	Jointly created
Value sharing reference	Supplier cost	Customer value

The value-based solution selling builds on the solution logic, while much of industry operates under the product logic. This collision of logics clearly makes solution selling and value-based relationships difficult to achieve and manage. The change from the product logic to solution logic is equally difficult to achieve. Research has found a multitude of barriers to change at individual, firm, and industrial levels, including established beliefs and attitudes, experience and current skills, and the high cost and complexity of value-based approach. Similarly, product-oriented sales culture, prevailing managerial practices, incentives, IT-systems, organizing principles, and other organization-level barriers impede change (Töytäri, Keränen, & Rajala, 2017). In the following, I illustrate some of the key solution selling related challenges, which directly influence the activities and goals of the solution selling process discussed later.

First, digitalization of industrial operations enables novel services that leverage the production data for diagnostics, operational control, predictive maintenance, performance benchmarking within a global fleet of equipment, and similar. Those new services are, indeed, new to the customer. Hence, there is no active demand for the new services and no active understanding of the business benefits of the services. This "no active demand" situation puts all the responsibility on the sellers to motivate the buyers to proceed. Second, if the sellers get lucky and successfully convince the buyers about the value of the initiative, the next hurdle relates to the implementation of the value creating solution itself. Most often, the value creation by services and solutions involves a re-allocation of activities, business processes, or even complete operations from customers to suppliers. However, customers frequently find this service outsourcing of giving up on resources and activities risky in many ways, and hence it is a decision that is hard to take. Third, in contrast to the product-based exchange, the solution-based value creation engages the suppliers (and possibly other firms) in managing a joint business process, which requires new levels trust, common goals, information exchange, and sharing of risk and profit. Hence, suppliers need to offer credible and compelling evidence of the business benefits to overcome the barriers to change. Value-based solution selling must be and is designed to offer the evidence.

THE BUYING PERSPECTIVE

Individuals and organizations buy to achieve their goals. All action is motivated by goals. Organizations and broader business ecosystems are built around goal achievement; organizations are social structures to support the collaborative pursuit of specified goals (Scott & Davis, 2016). Goals guide decision making by providing criteria for selecting among alternatives. If set correctly, goals help recognizing and selecting those value creation opportunities that provide the highest potential value. Organizational goals are negotiated and set by powerful stakeholders (Cyert & March, 1992). Firms then devise business models, organizational structures, management systems, IT systems, and incentives to mobilize action toward the set goals. Organizational structures also reflect goals. Organizations can be portrayed as goal hierarchies. Goal analysis reveals challenges that impede achieving the goals. The identified challenges are then delegated as goals for the next organizational level. Continuing this process through all the organizational levels generates a goal hierarchy that spans the entire organization (See Gutman, 1982; Woodruff, 1997; Zeithaml, 1988). See Figure 1 for an illustration.

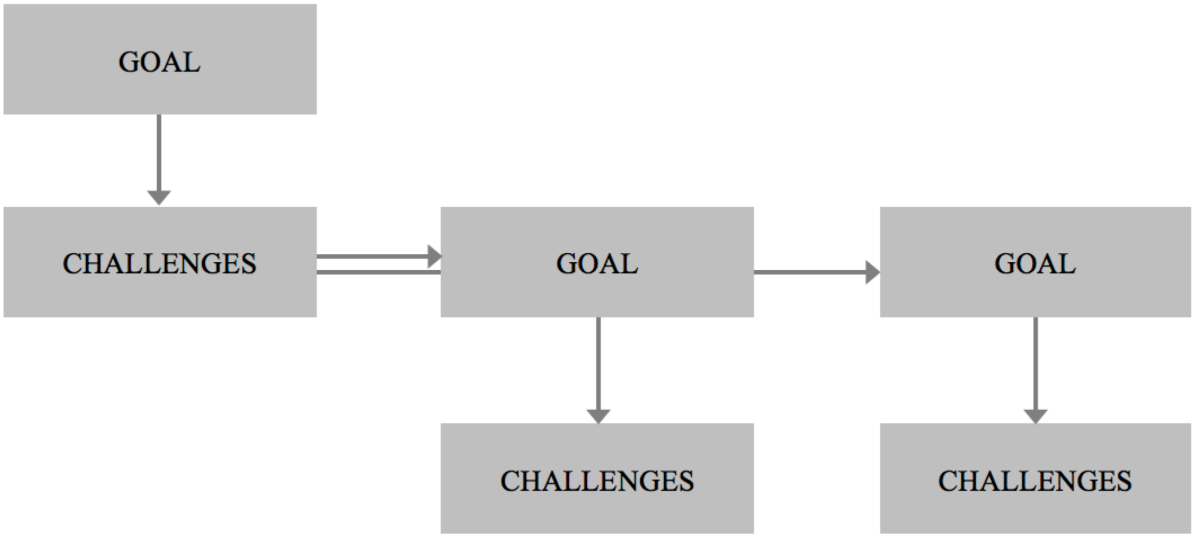

Figure 1. An example of a goal hierarchy, where higher level challenges determine lower level goals

The organizational buying process

The quest for achieving goals (by overcoming the identified challenges) initiates renewal of an organization, manifested as buying activities. The early buying activities include determining, evaluating, and prioritizing the gap between the current situation and the desired future situation. Once the gap is sufficiently large to motivate and justify action, the actor(s) involved engage in developing a vision of the solution that achieves the goal by overcoming the challenges within the given constraints. Once the solution vision is detailed enough for comparing and matching with available alternatives, a search for market alternatives is commenced. The solution vision is often adapted based on the new information on available alternatives. The rational part of the decision making promotes a solution that maximizes value. Finally, the solution is chosen, and the roles, responsibilities, terms, and conditions that determine the value co-creation arrangement are agreed upon. Pricing, or more broadly, the value sharing among the contributing actors, is agreed upon. Figure 2 illustrates the goal-driven buying process and the key activities within the process.

INCENTIVE TO ACT	SOLUTION VISION	SEARCH FOR ALTERNATIVES	DECISION
• Identify, evaluate, and prioritize the gap between the current state and achievable stage • What are the challenges that impede goal achievement?	• Develop a solution vision based on goals, identified challenges, and constraints	• Identify solution alternatives matching the solution vision • Adapt the solution vision with the best value and lowest risk	• Agree on price and other sacrifices • Agree on roles and responsibilities • Assess risk • Agree on terms and conditions

Figure 2. The goal-driven buying process, adapted from Eades (2004), Rackham and DeVincentis (1999), Töytäri (2015).

THE SELLING PERSPECTIVE

The value-based solution selling is closely aligned with the organizational buying process, including activities that match the buying process activities. Key value selling activities explore customer goals, challenges, and constraints, and build a solution that addresses the goals and challenges within constraints, build on supplier strengths, quantify and communicate solution value, develop the value constellation to implement and operate the solution, and agree on terms of the arrangement, including pricing.

Value selling activities can be classified into three categories. (1) Relationship activities identify actors with influence, goals, and receptivity, and develop those relationships to enable information exchange and value communication. (2) Value activities develop, adapt, communicate, and quantify value to influence customer's incentive to proceed and solution vision. (3) Control activities gain commitments and devise shared plans to keep the buying and selling processes synchronized and aligned. Of these, I focus on the value process.

The above describes only the final implementation part of value selling. Proactive influencing must be planned for. Much of the value-based influencing builds on understanding and mapping customer segments' business processes and analyzing the processes for improvement opportunities. See, for instance, Bettencourt and Ulwick (2008) for an illustration of a customer value research method. Gaining customer insight is a crucial new capability of value-based solution selling, which creates a foundation for developing impactful value propositions. Specifically, customer insight is also a capability that highlights the differences between product logic and solution logic. Product-based exchange is quite possible without customer understanding, but solution-based exchange is not, simply because the solution-based value creation involves the supplier in the value creation process. Value proposition development is then grounded in the knowledge achieved during the insight process. The planning activities mobilize the value proposition for the sales organization by developing tools for value proposition communication, including success stories, value calculators, and benchmarking studies (Töytäri & Rajala, 2015). Figure 2 suggests a framework for value-based selling. The framework includes three stages from gaining customer insight to engaging in joint value creation. Each stage includes a selection of value-based solution selling specific activities. I discuss these steps next.

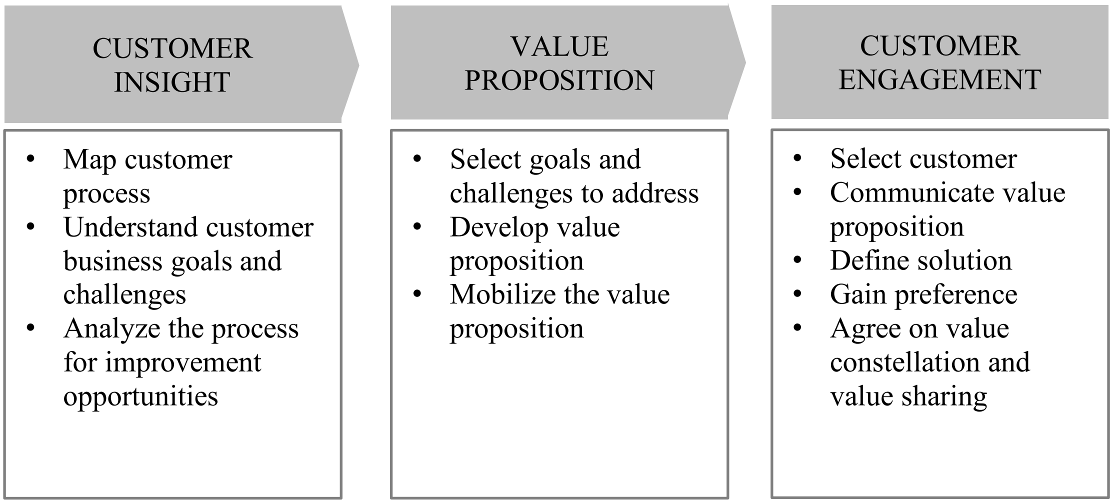

Figure 3. The framework for value-based solution selling

Customer insight

Gaining customer insight seeks to understand and analyze customer activities to identify opportunities for improvement. In most areas of industrial activity, gaining customer insight focuses on (a) understanding and mapping a customer's business processes and (b) a customer's situation, goals, challenges, and associated key performance indicators. The goal of the business process mapping is to explore identifiable "pains" in the process as well as innovate improvement opportunities enabled by, for instance, new technology (such as the digital transformation), re-allocation of activities by service outsourcing, and (obviously) re-designing the process.

Value proposition

Value propositions are the seller's primary tools to motivate a joint value creation opportunity (Anderson, Narus, & van Rossum, 2006; Vargo & Lusch, 2008). Value propositions are communicated, adapted, quantified, and ultimately verified (See Töytäri and Rajala (2015) for discussion on post-implementation value verification) to communicate value creation opportunities and to initiate business relationships. Many current change drivers amplify the importance of value propositions in the context of solution selling. First, value creation through solutions takes place increasingly as a result of collaboration in the customer´s "value space" (Adegbesan & Higgins, 2011), putting pressure on suppliers to understand customer goals and challenges through gaining customer insight. Second, value generated by the solution is realized in the future, but the decision to engage in a relationship must be done based on the information communicated by the value proposition. Third, business strategies are increasingly building on recognizing and effectuating novel business opportunities as service exchange, as opposed to leveraging protected industry positions or differentiated capabilities and resources (Lengnick-Hall & Wolff, 1999). Hence, focus is on joint creation of value, rather than value capture only. Value propositions that quantify the business impact of novel opportunities likely determine the managerial attention those opportunities receive. Finally, the digitalization of economic activity disrupts established business models, shakes established power positions, promotes networked value creation, and greatly supports transparent value assessment (Kagerman, Helbig, Hellinger, & Wahlster, 2013). To gain management attention, value proposition needs to address timely and salient business drivers and (preferably) link to measurable key performance indicators. Salient criteria for evaluating the economic impact of the identified "pains" and "gains" include (a) revenue impact, (b) cost impact, (c) impact on asset efficiency (or return on capital employed), and (d) impact on risk and risk distribution.

Select goals and challenges: The business process analysis often identifies improvement opportunities. In an industrial setting those include such benefits as reduced energy consumption, higher production volume, improved resource efficiency, improved quality, reduced planned and unplanned production stops, and similar. Those value elements identified by the value research are not identical in importance. At least two value selection criteria are rather compelling: 1) Impact on goal. Rather obviously, large financial rewards are more interesting than small ones. Suppliers and customers need to apply value quantification for each identified value dimension to determine the potential (financial) impact on key business performance indicators. Those value elements that have the biggest potential impact on business goals are then included in the value proposition. 2) Supplier differentiation: Supplier's likely have differing capabilities and resources to create value. Suppliers should incorporate those value dimensions in their value propositions that differentiate themselves from competition (Anderson et al., 2006).

Develop value proposition: Investigation of the industrial value propositions reveal what value propositions are made of. Consider the following definition of a value proposition.

> *Value propositions are bundles of benefits that address business goals of specific target groups and offer significant value for the customer. Value propositions must help in differentiating from alternatives and resonate with the stakeholder's value views by addressing timely and salient business challenges.*

Value propositions are expected to communicate value toward customer goals, explicate the business challenges that are addressed, and differentiate the supplier and the solution from the alternatives. These elements of the value proposition emerge from the need to connect to and influence the organizational buying process during the early stages of organizational buying. Figure 4 illustrates the connection.

Consider also the attached example of an industrial value proposition. The example is deduced from the actual value communication tools that the firm employs to mobilize its value proposition. The value proposition explicates three benefits (metal recovery, energy, maintenance) and quantifies and aggregates the economic impact of the innovation.

> *A global supplier of mining and metals processing solutions has innovated an improved solution for their copper flotation process. Compared with their older technology, the new solution improves minerals recovery percentage, reduces energy consumption, and lowers maintenance cost. While the actual revenue improvement and cost saving are site specific, in an example case, an achievable two percentage unit recovery improvement equaled to two million euros in additional revenue. Correspondingly, a 50% reduction in energy cost equaled to EUR 100,000 savings, and a 50% decrease in maintenance costs equaled to EUR 50,000 yearly saving in maintenance expenditure.*

Mobilize value proposition: Value propositions are embedded into and communicated by marketing messages, reference stories, and value calculators, in increasing order of customer specificity and impact. These value communication means greatly improve the influence and efficiency of value communication by leveraging wider organizational knowledge that is integrated and orchestrated by the sales force. In the past, the industrial marketing messages have been highly product-focused, reflecting their product logic (see

Figure 1). However, firms engaging in solution business are actively developing databases of success stories to influence customers at the different stages of their buying processes. Success stories seek to create urgency to act by demonstrating value creation opportunities and outcomes and to influence customer goals and challenges during the “pressure to act” phase. They also seek to build credibility during the “search” phase. Then, value calculators are tools for analyzing the value creation potential in a specific customer situation, using the customer’s own data, goals, and identified challenges in adapting and quantifying the value proposition. Firms are increasingly building visually and technically sophisticated tools to help the sales force to conduct structured and fact-finding oriented conversations, for instance, by simulating the value impact of different solution alternatives and scenarios. In any case, impactful value proposition communication requires powerful IT tools, which hide the computational complications, connect to reference information databases, and present the results visually appealingly.

CUSTOMER ENGAGEMENT

The customer engagement involves customer selection from the target segment of customers for which the value proposition is designed. After the customer selection, the customer buying process (Figure 2) and the value-based solution selling process are tightly aligned, see Figure 4. The selling activities fall into three categories. The organizational buying is influenced through the coalition of powerful stakeholders (See discussion on buying center in Johnston and Bonoma (1981)). Therefore, the first category of selling activities focus on identifying, contacting, and developing key stakeholder relationships by supporting their goal achievement. The second, and perhaps the primary category of selling activities seek to understand and influence buying at every stage of the buying process. The third category of selling activities focus on managing the joint progress by agreeing on joint activity plans and otherwise controlling process alignment and measuring mutual commitment to proceed.

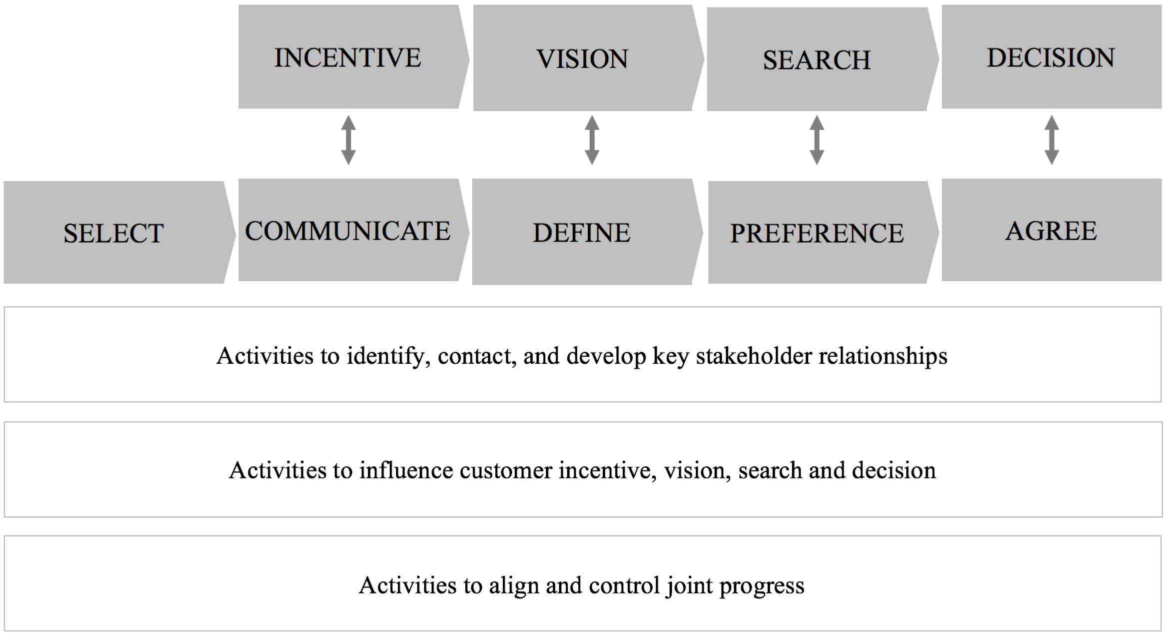

Figure 4. Buying and selling process alignment.

From the value selling perspective the second category of influencing activities include the activities to (1) influence the customer's incentive to act by communicating the joint value creation potential, (2) influencing the customer's solution vision by proposing a solution that addresses the identified challenges, and (3) influencing solution selection by quantifying solution value.

Select customer

Rather obviously, the customer and stakeholder selection made to initiate a sales process must comply with the criteria, which were applied when building customer insight, for value proposition relevance and receptivity. The better the match, the higher the likelihood of attracting interest. However, customer selection is complicated for three reasons. First, the actual selection criteria applied frequently violate the agreed principles. The opportunistic "we sell to anyone interested" attitude often overrules the more careful analysis and qualification of customer situation, customer relationship, and supplier brand credibility, often leading to costly mistakes and high cost of sales. Second, supplier category management allocates suppliers into categories based on criticality and differentiation (Kraljic, 1983). The innovative suppliers, which, however, may be perceived as non-critical and easy to replace, usually find it very hard to gain access and get their message heard, regardless of the potential value of their solution. Third, the value proposition may not be perceived attractive by the stakeholders. The practical and economically viable audience of value proposition development is the market segment or the stakeholder level. Hence, individual stakeholders, guided by their beliefs, past experiences, and incentives may fail to appreciate the value proposed. The final value proposition communication, adaptation, and quantification takes place during the sales process, and is only possible, the customer engagement is successful.

Communicate value proposition

Driven by their goals, organizational stakeholders initiate buying processes to engage in prioritized improvement opportunities and seeking strategic renewal of their organizations. Many key decisions during the buying processes, such as which goals are deemed important and which challenges are identified and prioritized, are all influenced by the actors' beliefs about what is relevant and critical in the current situation. Management history is rich of examples of managerial decision making failures originating from repeating past recipes and being too strongly influenced by the prevailing organizational culture and industrial belief systems (Laamanen, Lamberg, & Vaara, 2016; Tripsas & Gavetti, 2000). Important value creation opportunities may be lost if they fall outside of stakeholders' radar screens. Value creation opportunities may also be lost if deemed irrelevant in the current decision-making situation. Hence, even with everything done right, the value-based solution selling process may still meet a stakeholder with severely outdated beliefs and goals.

Influencing perceptions: The product-based buying culture is often unprepared and unskilled to evaluate the business impact of novel solutions. Instead, industrial buyers set minimum requirements for acceptable solutions, short-list qualifying vendors, and exercise their bargaining power for lowest price as a primary selection criterion. To influence buyers' value perceptions, value-based sellers need to gain access to their customers' buying processes at the early stages, while the customers are evaluating and prioritizing their situation, goals, and challenges, and skilfully employ success stories, value calculators, benchmarking studies, and other value communication tools to influence, align, and broaden perceptions. Specifically, guided by the product logic (See Table 1), industrial buyers often hold a narrow set of decision criteria, such as focusing on the capital expenditures of the investment decision. In contrast, progressive industrial sellers (guided by their solution logic) may promote a broader set of decision criteria, focusing on the life-cycle value of the solution (e.g. evaluating both the capital and operational expenditures). If the value creating and differentiating elements of the supplier's solution relate to improvements achieved by, for instance, higher operational efficiency, the supplier's solution fails to appeal to the buyer.

The value creating elements of the seller's solution are not included in the buyer's value conception (See Rajala, Töytäri, and Hervonen (2015) for a definition of value conception); the product logic collides with the solution logic. Hence, the seller's pre-requisite for success is to influence the buyer's value conception by convincing value proposition communication.

Adapting value proposition: In addition to influencing buyer's decision criteria, seller's potentially need to adapt value proposition to a specific buyer situation and context. Designing a value proposition is an optimization exercise between impact and scope (Töytäri & Rajala, 2015). An impactful value proposition matches the individual stakeholder's views. However, the subjective nature of customer value renders this task impractical during the value proposition development stage; the pre-designed value propositions are crafted to address sufficiently large stakeholder segments, therefore potentially leaving a gap between the value proposition's generic scope and individual value perceptions. This gap can be filled in two ways; either the value proposition communication tools support adapting the value proposition to match individual views, and/or the value proposition communication is impactful enough to influence and align the stakeholder views with the pre-designed value proposition.

Define solution

Ideally, developing a solution optimally integrates customer's and a supplier's resources (such as knowledge, skills, technology, and similar), and hence arrives at a solution that maximizes long-term value. I have already introduced the concept of solution vision as an elementary milestone of the customer's buying process. When implementing the buying process, the customer must develop a solution vision to proceed to matching the vision with real alternatives. Clearly, the supplier develops a solution proposal based on the information exchanged. Often, the customer's and supplier's solution visions are different. For instance, the best value-maximizing solution could be the outsourcing of an entire business process to the supplier, while the customer wants to implement new technology and educate its own staff. Both alternatives get the job done, but differently. The parties likely have different experiences, knowledge, preferences, and perceptions leading to deviating solution visions and constraints. The buyer may be guided by the product logic, while the seller is guided by the solution logic.

The value proposition and the solution vision are connected. Consider the following extract from the value proposition example presented earlier: "*the new solution improves minerals recovery percentage, reduces energy consumption, and lowers maintenance cost.*"

This part of the value proposition identified three sources of value (value elements or value dimensions), through which value is created. Revisiting the earlier discussion on organizational goals, we can now link the organizational (or stakeholder) goals, the challenges to overcome, and the solution to overcome the challenges to achieve the goal. See Figure 5 for illustration. The challenges here are minerals recovery, energy, and maintenance cost.

Figure 5. The connection between goals, challenges, and the solution.

A stakeholder's solution vision can be influenced by quantifying the achievable value. Demonstrating a significant value creation opportunity involving specific challenges (or value elements) may well influence the stakeholder's value conception. For instance, showing significant savings potential by improving operational efficiency may persuade the stakeholder to expand the value conception from product logic to solutions logic. The value proposition quantification is implemented through the following steps:

1) For each involved value dimension (e.g., recovery, energy, and maintenance in the example), suppliers and customers need to determine the gap between the current level and the achievable level.
2) Then, each gap needs to be translated into a salient measure of value (such as revenue increase or cost reduction) by identifying an appropriate value function to calculate the monetary value of energy savings, production increase, and similar (Rajala et al., 2015).
3) Finally, the individual contributions of quantified value elements are aggregated into a commensurate measure of value created, as the measure of goal achievement.

The above quantification steps include a number of challenges for practical implementation. The current state performance is often difficult to determine. The growing volume of digital production information is helping to remedy the problem by creating volumes of component, equipment, process, and plan level production data, but currently the lack of information poses a challenge. Suppliers also need to determine what is possible to achieve and what level of risk in committing to the results is acceptable. Suppliers are actively building databases of success cases and verifying the results achieved together with their customers. However, goals involve risk, and risk sharing between the parties is a profound new business model related topic on the agenda. Finally, the value function that translates the operational changes into (monetary) key performance indicators is often difficult to determine. In simple cases, the industrial process can simply be modified to reveal the impact of the changes, but often the value creating changes have delayed effects on the KPIs, or there may be other, uncontrollable variables also influencing the KPIs. Hence, the equation between the value creating changes and the resulting KPIs may be difficult to determine and to demonstrate convincingly.

Proactive influencing of a stakeholder solution vision involves agreeing on common goal, salient challenges to address, and agreeing on other constraints to meet. Apart from the rather evident budgetary, resource, scheduling, legal, and other constraints, also organizational identity and positional power influence solution visions. Customers may be unwilling to give up specific business functions for identity and power related reasons. In any case, the seller is more likely to succeed, if the seller succeeds in engaging with the stakeholder early enough, before the buying process has progressed past the solution vision development.

Gain preference

During the search buying process stage, the buyer focus is on identifying a number of alternative solution suppliers with an ability to deliver the solution vision. The seller focus is on building a competitive preference based on a business impact (economic value), and a solution definition addressing the identified challenges. Clearly, such supplier related decision criteria as the supplier's ability to deliver and participate in the value creation as agreed weight heavily in gaining preferred supplier status. The remaining activities include building a shared plan of planning, evaluating, and decision-making activities and milestones extending over the remaining part of the joint process (Töytäri, 2015).

Agree on value constellation and value sharing

Once the value-based solution selling process by the buying process have arrived at a joint solution vision, the remaining value activities include agreeing on value constellation and value sharing. Value constellation denotes the coalition of actors with their associated capabilities and resources required to implement the solution. Solution implementation clearly requires commitment from both the supplier and customer, but increasingly, value creation by solutions engages an multi-actor ecosystem to implement the joint value proposition (Adner, 2017).

Suppliers can improve their win-rates and profitability by demonstrating value (Aberdeen Group, 2011). However, to fully benefit from the value-based approach requires tying pricing to value created (Töytäri et al., 2017). All the steps related to value-based selling require a significant upfront investment, are demanding and costly to implement, and require significant new capabilities and resources. To justify the investment, value-based selling should pay-off in terms of improved profitability. Figure 6 illustrates the value-based and cost-based pricing logics. Both parties capture a share of the value created if the price is anywhere between the supplier cost and value created (Kortge & Okonkwo, 1993; Töytäri, Rajala, & Brashear Alejandro, 2015). In essence, price determines how the value created is split between the supplier and the customer. A price close to the supplier cost (cost-based pricing) favors the customer, and a price close to the value created favors the supplier, correspondingly.

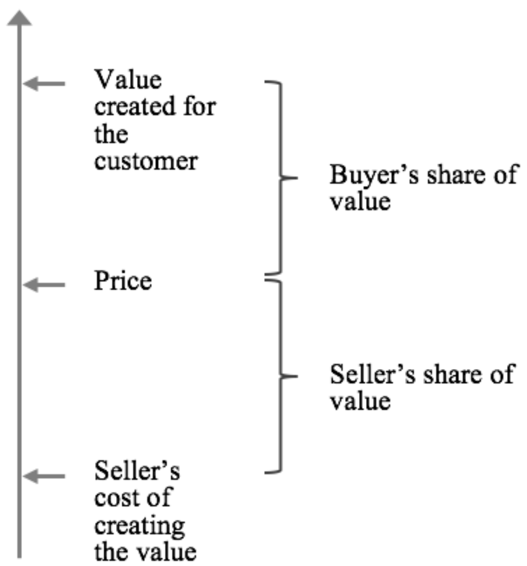

Figure 6. Price in relation to value created and supplier cost (Adapted from Töytäri and Rajala (2015).

Value-based pricing, however, is difficult to achieve. First, the product logic has a strong preference to the cost-based (or market-based) pricing, and considers value-based pricing greedy and going against the industrial norms of value sharing (Töytäri et al., 2015). Practically, value-based pricing requires (temporary) exclusivity to the solution and/or risk sharing arrangements.

CONCLUSIONS

This article ties value proposition and organizational goals as key elements of organizational buying and value-based solution selling. The value-based solution selling is embedded in to a broader, paradigmatic change from product-based exchange to solution-based exchange, where multi-actor constellations of firms, capabilities, and resources strive for improved value creation.

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