

How Business Customers Judge Solutions

Solution Quality and Value in Use

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Motivation

There is increasing recognition of the importance of business solutions combining services and products. Many manufacturers look to business solutions to provide growth. It is unclear, however, how such solutions can create superior perceived value. Thus, this research explores what constitutes value for customers from solutions over time – conceptualized as “value-in-use” – and how this arises from quality perceptions of the solution’s components.

Research Question

How do business customers judge solutions and the value they create?

- How do business customers assess solution quality as antecedent to value?
- What constitutes the value in use that results from the solution?

Data & Methods

Repertory grid interviews with mean-end chains:

- Industrial solutions customers
- 36 interviews with usage center members (main usage center roles: maintenance, operations, purchasing, general management)
- 4 manufacturing firms (sectors: medical devices, printers, pharmaceutical products, building materials)

Transcript analysis to identify constructs and ladders between perceived quality and value

- 609 ladders
- 13 Quality Constructs & 15 Value-in-use Constructs

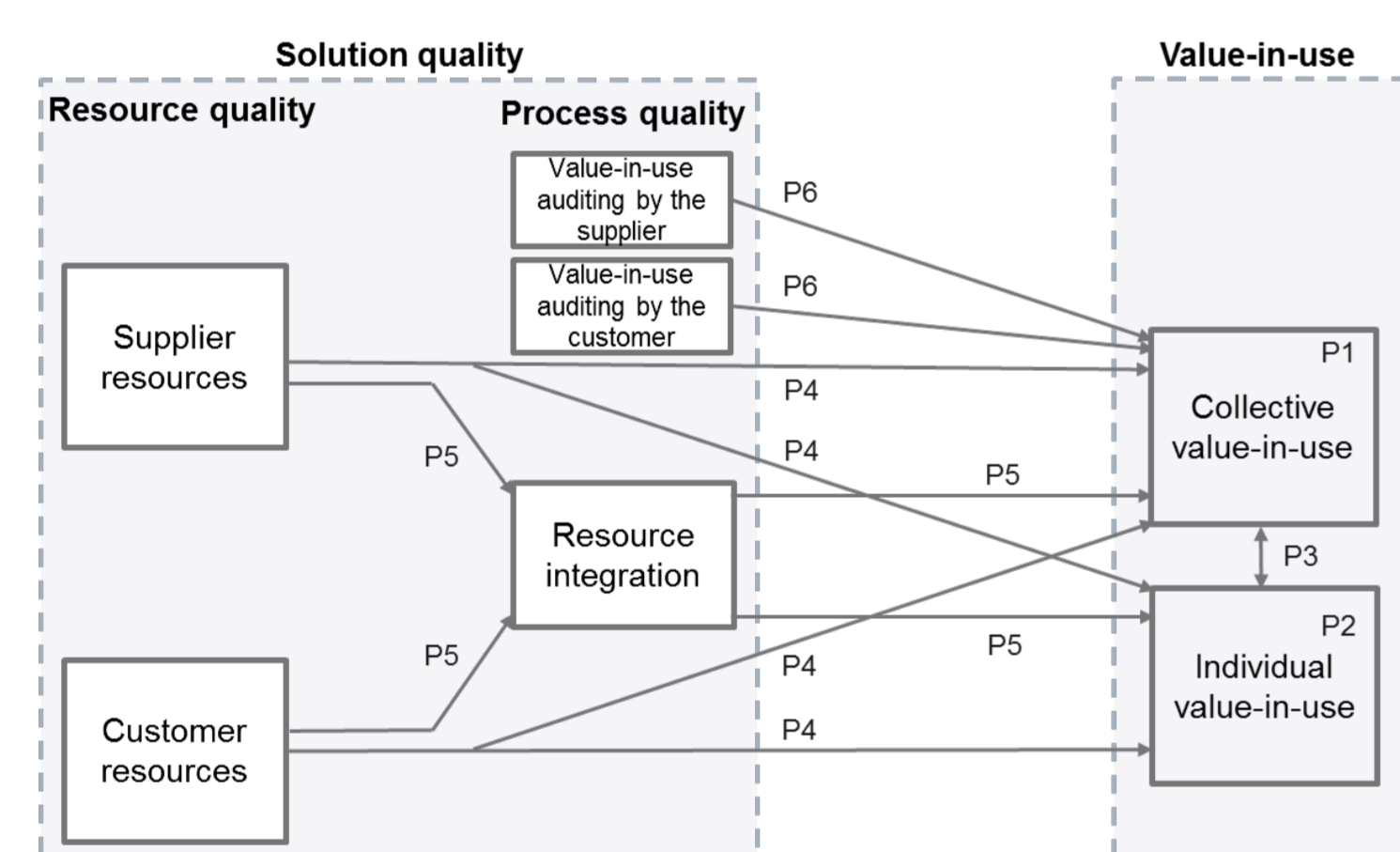
Implications matrix including all implications between quality and value constructs

- 1629 implications
- hierarchical value map summarizing constructs and their relationships

Findings

Framework

Figure 1A: Quality-Value Relationship



Propositions 1-6:

1. Collective value-in-use includes emergent dimensions which may go beyond those anticipated at the time of exchange.
2. The value-in-use from solutions is judged relative to the individual goals of usage center members (individual value-in-use) and not just organizational goals (collective value-in-use).
3. Individual value-in-use and collective value-in-use interact, as the achievement of individual goals can support collective goals and vice versa.

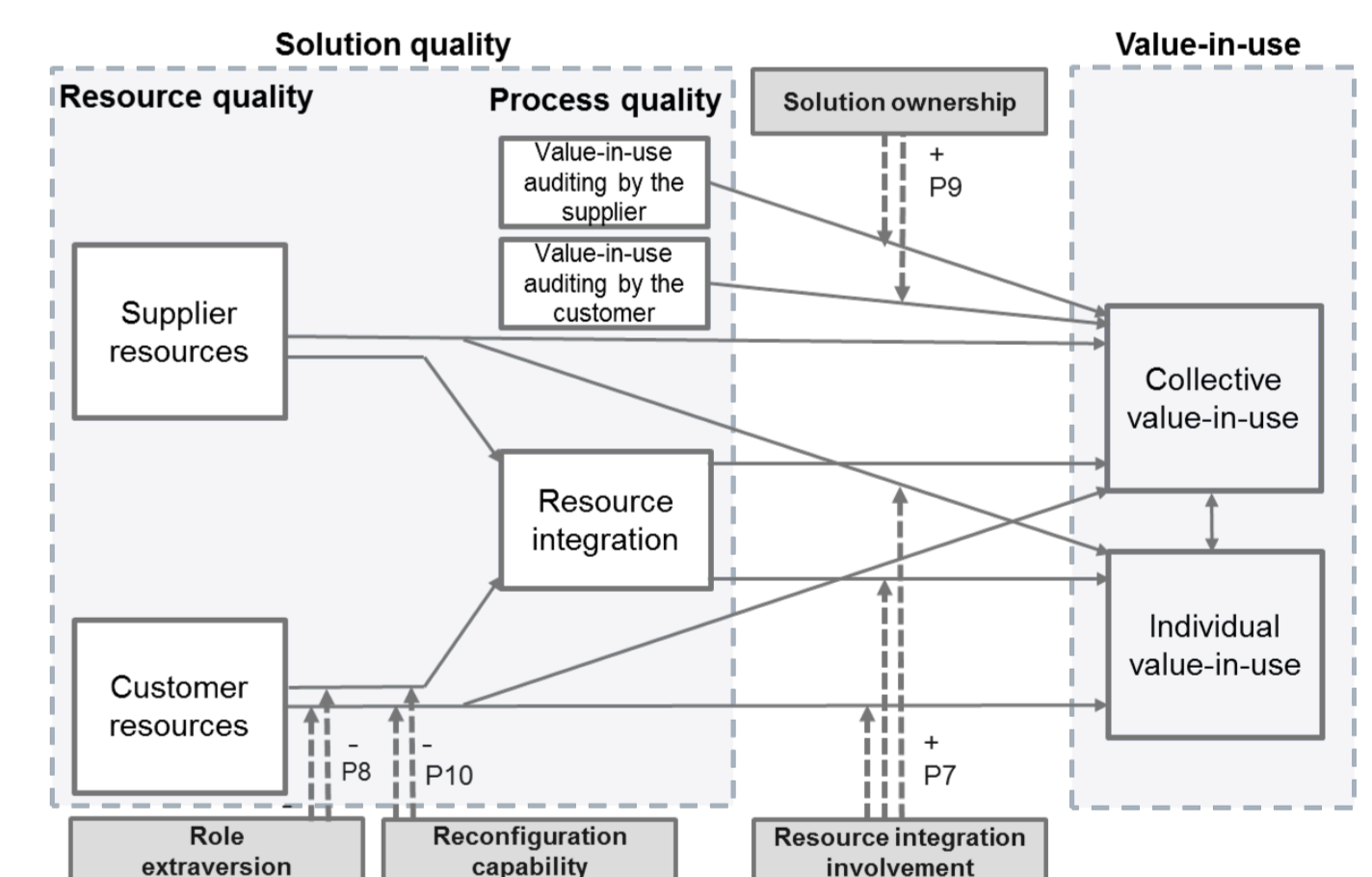
4. In addition to supplier resource quality, customer resource quality is instrumental in contributing to value-in-use.
5. In assessing the value-in-use of solutions, customers assess the quality of the joint resource integration process, which in turn draws on customer and supplier resource quality.
6. The quality of value-in-use auditing processes by the supplier and the customer impacts collective value-in-use.

There are four moderators influencing how solutions are assessed.

Propositions 7-10:

7. Resource integration involvement positively moderates (enhances) the relationship between solution quality and individual value-in-use.
8. Role extraversion negatively moderates (reduces) the relationship between customer resource quality and a) resource integration process quality; b) value-in-use.
9. Solution ownership positively moderates the relationship between value-in-use auditing quality (by both the supplier and the customer) and collective value-in-use.
10. A customer firm’s reconfiguration capability negatively moderates the relationship between customer resource quality and a) resource integration process quality; b) value-in-use.

Figure 1B: Moderators of the Quality-Value Relationship



Results

- Solution quality resides at customer interface, in customer’s own resources and processes, and in supplier-customer relationship through quality assessment of the resource integration process.
- Value auditing processes optimize value-in-use.
- Business solutions are judged relative to the individual goals of usage center members.
- There is heterogeneity in how solutions are judged

Business Solutions:

This paper redefines business solutions as:

“The combining of supplier and customer processes and resources through a joint resource integration process to create collective and individual value in use, which is monitored and optimized through value auditing processes.”

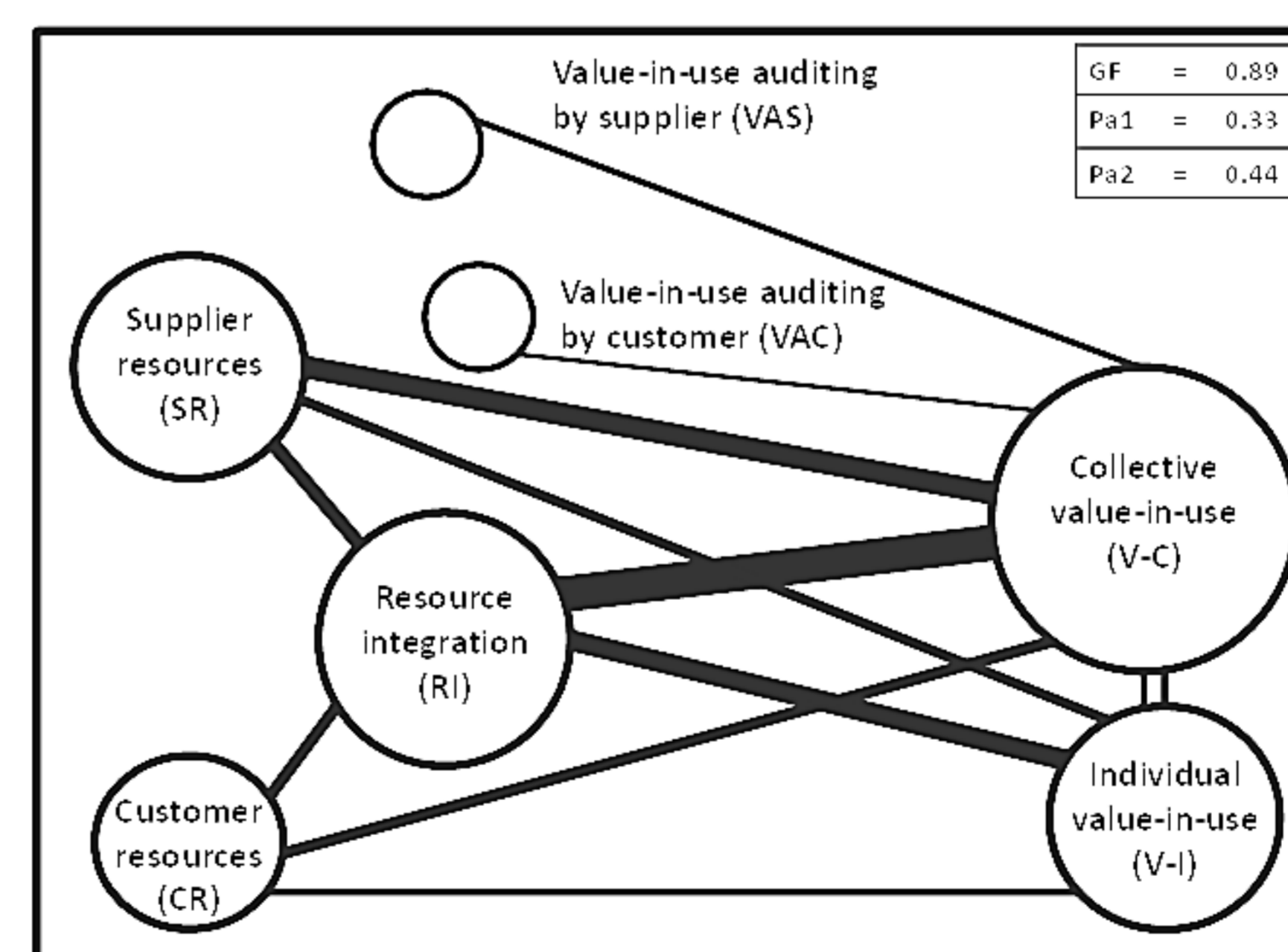


Figure 2: Hierarchical Value Map (Total Sample)

- GF = goodness-of-fit (% of all implications); Pa1 = Parsimony1 (% of all squares in the matrix); Pa2 = Parsimony2 (% of all nonzero squares in the matrix).
- Horizontal axis: construct’s abstractness (0: concrete – 1: abstract)
- Circle area: proportional to construct centrality (how often construct appears in a ladder).
- Line thickness: proportional to no. of implications between two constructs.
- Number of implications represented = 1,021.

Implications

- Redefining the boundary between supplier & customer firm.
- Achieving high coordination effectiveness, e.g. through joint teams.
- Improving the customer’s processes (i.e. redesigning not only the supplier’s own offerings).
- Jointly designing adequate change management strategies at an early stage to overcome resistances within customer firm.
- Jointly engaging in quality control and value-in-use auditing (including focusing on emergent benefits).

- Changing role and tasks of key account managers (providing integrated communication activities toward the customer to increase quality perceptions as well as value-in-use assessments).
- Expanding scope of customer insight to uncover customer’s perceptions of solution quality and value-in-use including their own efforts.
- Gaining more detailed insights into preferences of different members of the usage center.