International sales representatives perspectives on value co-creation

Kathleen Hughes, Dublin Institute of Technology
Aoife Kent

Available at: https://works.bepress.com/kathleen_hughes/5/
INTERNATIONAL SALES REPRESENTATIVES PERSPECTIVES ON VALUE CO-CREATION

COMPETITIVE PAPER

Author: Kathleen Hughes, Aoife Kent

Dublin Institute of Technology
Aungier St.
Dublin 2,
Ireland
T: +1402 3281
E: Kathleen.Hughes@dit.ie

Track: Marketing and Services Management
ABSTRACT:

Managing the buyer seller relationship has never been more challenging. Irish Sales Representatives and Business to Business Marketers attempting to succeed in both Irish and international markets have found themselves facing buyers with a level of professionalism and expertise higher than ever before. This puts pressure on the Sales Representative to harness the capabilities of their organisation, and then communicate this value creation opportunity in their sales presentations to buyers. This study aims to contribute to the field of buyer seller value co-creation in the international selling and business to business marketing environment.

A survey was conducted with Irish companies involved in the Enterprise Ireland / DIT International Selling Programme, which has the objective of fast-tracking export-led growth. All sales representatives had three or more years experience in their current role. An interpretive study was conducted with a number of themes: trends in procurement, the sales persons role in creating the value component of the companies offering, and how this is communicated to the customer. The value component of the offering was found to be challenging, and in some cases the representatives have had to learn a new way of presenting their offering, emphasising longer-term company benefits rather than focusing only on pricing. The findings broadly support the theoretical standpoint, particularly with regard to value creation and co-creation.

Keywords: Customer value, value co-creation, buyer-seller relationships, personal selling.
INTRODUCTION:

In recent years, customer value, how it can be created, delivered and demonstrated, has been an important focus for researchers. As understanding of this complex field grew, the role of the sales force was identified as not only critical to the co-creation of value, but also a largely neglected field (Blocker, Cannon, Panagopoulos, and Sager, 2012). It is recognised that the sales person plays an essential role in the implementation of the company’s marketing strategy. Unless the sales person has a clear grasp of their firms value proposition, and can then not only communicate it to customers, but also target their sales presentation to the customer’s needs, then the benefits cannot be leveraged by the firm (Terho, Haas, Eggert, and Ulaga, 2012). The aim of this paper is to contribute to the growing body of research on the role of the sales person in the co-creation of value, in the context of Irish firms.

LITERATURE REVIEW:

Managing the buyer seller relationship in the current climate has never been more challenging. Irish Sales Representatives and Business to Business Marketers attempting to succeed in international markets have found themselves facing buyers with a level of professionalism and expertise higher than ever before. As globalisation grows, companies face increased pressure from rising materials costs and customer resistance to price increases. The influence of the purchasing function on corporate strategy continues to grow, as business owners recognise the role of procurement in harnessing value from suppliers, through improving the total offering, in terms of quality and service, and through cost savings from rationalised supply chains (Hardt, Reineke and Spiller, 2007).
Procurement Managers are increasingly placing emphasis on supplier’s capabilities, such as identifying opportunities where value can be added to the firms’ offerings (Piercy, Cravens and Lane, 2010). This then puts pressure on the Sales Representative to harness the capabilities of their organisation, and then communicate this value creation opportunity in their presentations to buyers.

The creation of value for customers has been identified as an important route to customer satisfaction and loyalty (Anderson, Narus, and Narayandas, 2009). This hinges on gaining a deep understanding of the customers environment, market, and their current issues in order to provide solutions, which may often need to be customised for each individual customer. It is fundamentally the role of the sales force to use their sales techniques to adapt the value proposition and presentation style to individual prospective customers’ needs and inclinations (Blocker, Cannon, Pangopoulos and Sager, 2012). While it has been recognised that the role of the sales function in value creation activities is pivotal, it has not yet been extensively studied in the literature (Haas, Snehorta and Corsaro, 2012; Blocker et al., 2012; Terho et al., 2012). The challenge, therefore, is to link the process of creating value in the relationship to the substance of the sales function.

Central to the success of the buyer/seller relationship is customer satisfaction and trust. Trust is defined as “the confidence that the customer has in the integrity and reliability of the sales representative” (Jap, 2001: 96). The customer must trust the sales person (and the company), and the relationship should be transparent, according to Liu and Leach (2001). Trust is developed when the buyer and seller interact. It is important that the sales person portrays honest and reliable qualities and believes in the relationship. They need to be interested in fulfilling the long term needs of the buyer and must portray this in dealings with them to establish this trust. Blocker et al. (2012) claim that salespeople that build trust create a climate that fosters the sharing of information and knowledge, and that this then should lead
to improved value creation and delivery. Liu and Leach (2001) claim that trust in relationships can lead to greater customer satisfaction, commitment and loyalty. Jap (2001) argue that trust is linked to customer satisfaction, which he recognises as becoming an increasingly important measurement tool within the business environment. It is an intrinsic measure in its own right and one that can successfully provide information to the company about the customer as well as assessing overall satisfaction with the company. The onus is on each individual sales representative to play a part in building customer satisfaction. Baumgarth & Binckbanck (2011) describe how the sales force needs to gather feedback to make improvements, to further establish the relationship, to build trust, to gain customer satisfaction and eventually co-create value.

Customer loyalty is linked to retention, which reflects the customers buying patterns: repeat buying, contract renewal, growing share of purchases for example. Customer loyalty has been defined as an emotional commitment to the supplier (Jones and Sasser, 1995) - an attitudinal construct. In contrast, it has also been defined as a behavioural intention to repurchase, or continue the relationship (Blocker et al, 2012). Both of these constructs are relevant, and can be utilised together.

It has been shown that loyal customers contribute positively to business in a number of ways (Anderson et al, 2009), including: a greater propensity to repurchase, increased likelihood of engaging in positive word of mouth, resistance to competitors incentives (to switch), a willingness to pay a premium for greater value, prepared to provide feedback or collaborate, and lastly loyal customers are prepared to invest in the relationship. Blocker et al (2012) refines those indicators of loyalty to: word of mouth, repeat purchasing, and share of spending.
There have been few studies on the precise role of the sales person in fostering customer satisfaction and loyalty, however those suggest a prominent role (Jap, 2001) for the sales force, as mentioned previously. Recent research has also indicated that the customers’ notion of loyalty is towards the salesperson, in contrast to the selling firm (Palmatier, Scheer and Steenkamp, 2007). It seems that the relationships are more successful when focused on individuals, rather than the company. There is thus a need to deepen our understanding of the role of the sales force in creating and sustaining customer satisfaction and retention.

Customer value is a relatively new phenomenon, it can be viewed as similar to customer satisfaction and loyalty, and can be defined as the customer’s “perceived tradeoffs between benefits (what you get) and sacrifices (what you give) in market place relationships” (Blocker et al, 2012: 18). The concept of value creation originated from value proposition, and then the role of customer was recognised as a co-creator (Wikstrom, 1996). Building a relationship where consumers create and gain value and the company gains knowledge and competitive advantage is a highly attractive proposal. Le Meunier-Fitzhugh, Baumann, Palmer and Wilson (2011) describe how it is the interaction between the salesperson specifically and the customer that gives rise to the customer’s desired value and the “potential for co-creation of value”.

A number of theories are relevant here, of which the service-dominant logic construct (Vargo and Lusch, 2004, 2008, Vargo, 2011) will be analysed. Services dominant logic is a paradigm that distinguishes between value in use and value in exchange (Gronroos and Ravald, 2010). Value in exchange relates to the traditional paradigm: goods dominant logic, that is, the value for customers lies in the product itself. This focused on tangible products, and a transactional emphasis. This has now been superseded by services dominant logic, with its focus on value
in use, and a relational emphasis. Value in use implies that value is created ‘during the use of resources’ (Gronroos and Ravald, 2010). The company creates the value from the offering, and therefore they play the role of ‘value facilitator’. Services dominant logic has been refined by Lusch and Vargo (2006) to focus on service, rather than goods; solutions rather than attributes; co-creation of value, rather than value added; and value proposition rather than price.

There has been recognition of the need for further study of the value creation process (Blocker et al., 2012; Terho et al., 2012). They identify unclear processes such as the salespeople’s routes to developing customer value knowledge, and how they (co-) create and sustain customer value, as needing further research. Blocker et al. proposed a framework to describe how the sales force ‘creates, sustains and appropriates’ value. Value creation can be described as the formation of value for the customer, through an in-depth understanding and knowledge of the customers’ value requirements. Value co-creation, then, is the creation of value jointly by the customer and the sales person through dialogue, relational processes and inter-organisational ties. Value can be appropriated for the seller through customer loyalty and retention, and improved firm performance in the form of market share and sales growth, for example. Esper, Ellinger, Stank, Flint and Moon (2010) also examined the relative importance of value creation and achieving it through knowledge, learning and interaction with the customer.

Vargo and Lusch (2004, 2008) argue that the view of value as always being ‘co-created’ indicates that value therefore is intrinsically interactional, that is, the value does not come from the offer, product or service itself, but instead it is derived by customers in their ‘use-situations’. Payne, Storbacka and Frow (2008) believe that value co-creation stems from buyer seller interfaces as they develop opportunities to create value together. Sales people achieve this by working in partnership with the various functions to harness their firms’
capabilities and strategies (Esper et al., 2010). However this is a challenging activity and it is recognised that prospective value co-creation opportunities often go unexplored, often due to the complexity of the firms’ processes.

Sustaining value requires the sales people to adapt to dynamic customer needs, and thus implies the need to monitor those changing needs, and then communicate those internally within the firm (Blocker et al., 2012). This is a challenging and time-consuming activity, and one that may be viewed as at variance with the sales persons more short term goal oriented objectives and targets.

Vargo and Lusch (2004) describe how value is created through the process as opposed to from the product. Again, the sales force generally assists customers with questions and queries and utilizes customer experience as best they can. In this way, they are contributing in a real way to value co-creation. Value co-creation and service dominant logic is a newer logic in the literature but the founding concepts have always existed. It is only now with the rapid increase in consumer knowledge and the reliance on trust and customer satisfaction that it has come to the forefront. The sales force should also be considered as an input into strategy formulation. This links to the co-creation idea whereby the sales force are the ones who can utilize the information to allow for better results for both customer and company.

So the sales person’s role has progressed from selling products, to managing relationships, to co-creating value. At the same time interaction and the realisation that service dominant logic has an ever-increasing prominence across marketing and value creation is growing. Haas, Snehota & Corsaro (2012) extend the literature on the sales person role in value creation. They describe how the sales person plays four roles in value creating terms that link up to different aspects of value creation: the production role, sales role, and marketing role and partnership role. At each stage there is a different focus and interaction. They acknowledge that although service dominance and building relationships is vital to value co-creation – not
all customers are looking for a long-term association. In this way, the partnership role is the one most relevant to value co-creation where the process goes from short to long term based and there is focus on information sharing and building trust. They highlight also how through all four stages, sales planning is hugely important to ensure they are extracting the right customer needs to produce the right resolution relevant to value co-creation.

**METHODOLOGY:**

This research has attempted to discover the salespersons understanding of their role in value co-creation and whether or not through their relationships they can co create value with the customer. Based on this, the research objective is to investigate the role of the sales force in positively influencing value co-creation. It is planned to further the understanding of the role of the sales force in creating value, in communicating value, and in value co-creation.

This study was conducted in two stages. The first stage consisted of two in-depth interviews. The purpose of this survey was to investigate sales people’s views of the part that they play in value co-creation. They were asked whether they believe that they create value for their customers, how they communicate this value, their collaboration with other departments in their firm to create value, and the challenges that they face in building relationships with buyers. A topic guide was created to guide the researcher through questions. This ensured interview questions related to the research question, solidifying coherence across the study. The questions within the guide were open-ended concurrent with the exploratory nature of the study, and investigated the creation of value in more detail. These are named Respondent A and B below.

Following this, stage two consisted of widening this exploration of the topic to include a group of international respondents who were unavailable for face to face interviews, due to
their travelling schedule. This was an interpretive study to gather their insights into the challenges of value co-creation in the international environment. These information-rich participants are past graduates of the International Sales Programme run jointly by the Enterprise Ireland and Dublin Institute of Technology. Their insights were gathered as part of the programme evaluation process, based on the themes that had emerged from the interviews. Due to travelling and time zones, these insights were gathering electronically, again using the themes identified for the stage one participants.

The data collected above was then analysed through a process of sorting, searching, and categorising (Cresswell, 2007). This was then interpreted and compared internally to generate evidence, and reveal key themes. The themes were then reviewed in the light of the research question and the literature. The findings from these are discussed below.

**FINDINGS:**

When asked about emerging trends in procurement, sales people reported a tough negotiating environment, with more competitive bidding and auction situations, increased focus on price, less loyalty and some reported a move away from relationships. These issues are discussed further below.

The feedback from most of the respondents is that relationships are still the key to success in building loyal customers: ‘everything is still around the relationship’, ‘You need to develop strong relationships with key client[s] to develop repeat business’, ‘relationship and reputation [are] key to keeping business’. Respondent A through the relationships is looking to ‘create strategies that will last over a long period of time’ and will also distinguish them from their competitors in a very tight category. In this way, the reliance on the relationship
aspect is very important. He also discusses how it is up to each individual sales representative ‘to execute their own strategy’ and take ownership of the role. The sales person is ‘representing the brand’ and its values and deliver on it. There is huge reliance here on the salesperson to deliver both financially short term and deliver mutual gains from the relationship long term retrospectively.

A number of respondents emphasised the ‘personal touch’, ‘humans hire other humans, not their machines’. This highlights the importance of the relationship aspect well. The sales representative is dealing with people. It is a human relationship based on the traits of conversation and interaction from one to the other. The sales person needs to be personable, he needs to care. When responding to how value is communicated, a number emphasised the role of ‘face to face meetings’ and communication through strong relationships.

The founding aspects of any working relationship are trust and customer satisfaction between seller and buyer. The two elements are interlinked and rely on each other. Respondent A mentioned trust as a founding element in his relationships- ‘if you solve the problems, trust goes up and it leads to long term results’. The advent of trust is particularly crucial in building strategic relationships. The salesperson needs to take the long-term account into view and this cannot be done without trust and a working relationship. Respondent B explains how old perceptions of sales people have had negative connotations attached to the role. He also believes that ‘honesty and integrity’ are a huge part of the role. The advent of repeat sales depends on the honesty of the sales person. A number of participants concurred with this view, recommendations for sales people are to: ‘build trust at every point. Stop overselling what you have and selling what you don’t have and cut the sales patter [expletive removed]’, ‘customers want to be reassured’. This emphasis on relationships and trust can be also linked to reputation: ‘while our product is not unique, we offer a service and the cost of change for them [the customers] is a risk so reputation is important to retain business’.

Page | 11
A few respondents commented on a trend in buyers’ preference for a transactional approach: ‘Companies are trying to reduce the level of personal relationships in influencing purchasing decisions. Focus on devaluing your additional services’, ‘Procurement is becoming far more difficult to develop personal relationships and leveraging same’. This challenging environment, partly due to the recession, throws up some obstacles for the sales – buyer negotiation, which for which respondents were keen to offer solutions: ‘need to be more receptive to changing ways of doing business, look for ways of adding value to our product range & take the pressure solely off retail price, move away from the commodity into something more specialised, that the consumer is willing to pay a premium for’. This comment indicates strategic thinking on the part of the sales person, seeing the long term future of the firm as something they can influence. Another respondent also mentioned relationships as negative: ‘[we need to be] more professional and less reliant on relationships’, this comment implies that the relationship is at the expense of professionalism.

Although the adaptation of information received from the customer is seen as important, respondents deemed salesperson knowledge outside of the relationship to be essential. This was evident across a number of different spectrums accounting for salesperson and consumer knowledge. Respondent A describes how knowledge ‘allows you to engage with the customer and develop sales strategy’ at their level. They will give you the information if they think you can add value which again links to value proposition. Without knowledge ‘they will soon get rid of you’. Respondent B also recognises the importance of knowledge in approaching and dealing with customers – ‘it gives the buyer confidence that you know what’s going on’. Other respondents concurred with this view, claiming that sales people need to ‘be informed on their own and competitor products / services’, ‘understand what the customers business is and what issues they are trying to address’, they ‘need to really know their target customer market and the latest trends / developments in their sector’. This last comment highlights the
importance of market information and research also. Two final comments sum up the role of knowledge and information in adding value: ‘become an expert in your customers business to consistently add value’. ‘The information gathering stage of the sales cycle is where deals are won and lost.

The value proposition allows the customer to perceive value and is therefore extremely important in relation to value co-creation. It is a direct promise to the customer. Respondent A delivers his value proposition through ‘profit stories’ applying them to each individual pitch – highlighting the benefits of his brand and his story. Respondent A uses testimonials in his value proposition due to the limited resources. This connects with the consumer on their level by adapting to their needs ‘If your tag line is we have seen 300% increase somewhere similar, very few people are going to say no’. Sales people ‘need to quantify business benefits and use value calculator models’, ‘we aim to meet articulated (and sometimes unidentified) customer or consumer needs by innovating or tailoring our products to meet those needs and by doing so outflank our competition’. A value proposition as Respondent A describes it ‘is an opportunity to give them the information on why they should look at you above a competitor and again create the most profit’. It is this consideration that customer’s weigh up and assess within the relationship. In light of the literature assessment based on Anderson et al. (2006) value proposition types, there is evidence of resonating focus value propositions. A number of the respondents describe tailoring their value proposition to each individual account. They believe that this is what is most worthwhile about their offering, and distinguishes them from the next best alternatives. Throughout the interviews and the insights gathered online, value propositions with resonating focus can be seen.

Customers seek value from suppliers, often in the form of more-for-less: ‘more accountability [is required] in terms of value for spend’, ‘measurable business outcomes based on relevant proven customer case studies will replace RFI and RFP’s as a method of
procurement’. As one respondent phrased it, there is a trend towards ‘request[s] for quantified value proposition’. ‘Customers need to see real value in the offering – no fluff’, ‘in the backdrop of a recession, the quest for ‘value for money’ is to the forefront of every consumers mind nowadays’.

Price is mentioned by a number of respondents as a limiting factor: ‘[we]need to look at ways of cutting cost out of the production or selling process via adopting a Lean attitude to everything we do, eliminate waste, become more efficient in everything we do so we can pass on these savings to our consumers’. Some respondents believed that buyers aim is to ‘commoditise the offer and strip added / differentiated value’. In response to this, they feel that sales people need to ‘be very price and cost savvy’ in order to counter this price focus from buyers. Others mentioned their customers focus on economic value in this context: ‘we produce measured value and support’, and ‘can save the customer money’.

Customer value has its foundations in communication and collaboration. The interaction is seen as the most fundamental part of value creation – giving the sales person the initial opportunity to engage and build. Wikstrom (1996) was an original advocate for customer value creation and sees interaction as fundamental, and it appears his beliefs hold true in the light of the analysis.

Service, reputation and brand were all mentioned as important contributors to the overall co-creation of value: ‘customers are looking for customised solutions rather than off the shelf services’, sales people need to ‘be creative in providing solutions that bring benefits to both seller and buyer’. Another respondent claimed that ‘we offer solutions to problems (price, margin, participations and market share). We offer technical support, innovation, marketing input right down to skills training for individuals’.
It is clear that the customer is involved in the value creating process at various stages, through customised products, joint new product development, and promotion or marketing activities. The respondents appeared to be consciously aware of value creation in their everyday role, in line with Esper et al’s (2010) discussion of the importance of value creation and their recommendations of achieving it through knowledge learning and interacting with the customer.

Slaters (1997) Customer Value Theory suggest that value needs to be central to everyday workings while also taking into account the external environment. This view was clear in Respondent A’s strategy; he reveals that his company and customer collaborate over joint business plans – an explicit initiative to allow both company and customer to create value within the sale. This process involves ‘reviewing the year gone by, take complaints, measure satisfaction, get any additional sales data and create a plan for the year’. This is an attempt to improve their strategy from a category management point of view. It also helps the sales person in his/her role by setting the ground for long-term collaboration and expectations.

Communication of value was emphasised as a critical component of the selling activity, the means through which this is done includes: ‘business case studies’, ‘business outcomes and data’, ‘value calculator + clear report on the expected value, customised for each CXO’. This emphasis on translating the value into economic benefits mirrors the literature (Terho, 2012).

**CONCLUSIONS:**

The need for a strategic take on the sales role was evident, however it appears the role itself is still tactically focused, this was apparent in the focus on price and the product offering.
Nonetheless there were strategic elements of the role that were highlighted with a very clear focus on building relationships for the long term. Trust and customer satisfaction were two relational elements that were deemed essential within the relationship by many of the respondents, thus mirroring the literature. Relationships must be built around these qualities with a customer centric view. Knowledge, customer information and feedback were considerations across the literature and were also evident through the insights. Value propositions with “resonating focus” were evident which directly links to Anderson Narus and Rossum (2006) whereby the sales representatives were found to tailor the offering towards its appropriateness for each consumer.

In contrast the price element came into play with respondents considering price in relation to the value offering. It was almost presumed that price was the main factor in determining the value in the offering. This is in contrast to authors in the literature who assessed the value proposition based on the total offering with price slowly losing relevance. Views on customer expectations and perceptions were in agreement between the literature and the respondents. In particular the importance of the salesperson in the light of brand and company perceptions was noted. The salesperson is the face of the company and all sales representatives were aware of the importance of this.

The respondents argued that the value remains in the good but also acknowledged the advent of a more service-focused approach. Overall it can be said that the salesperson has a role to play in marketing of the product and examples were given in relation to this. In direct relation to value co-creation and relationship dynamics it appears there is the strategic role of the sales force is providing them with an opportunity to co-create.
LIMITATIONS:

Some limitations of this study should be acknowledged. The international sales people proved difficult to access in person, and in the end the open questions were sent by email and replies returned. While good depth was achieved, the questions couldn’t be rephrased for those who didn’t quite understand, and it was not possible to probe more deeply. Consequently, a small number of replies had misinterpreted the questions asked. In addition, the varying industries meant that some replies were very specific to certain contexts, public procurement policy regulation, for example, which only applies to those selling to governments and their agencies.

ACKNOWLEDGEMENTS:

We wish to acknowledge the assistance of the Programme Managers of the International Sales Programme, which is run by Dublin Institute of Technology and Enterprise Ireland, in allowing access to participants.

REFERENCES:


