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## **CUSTOMER NEEDING: A CHALLENGE FOR THE SELLER OFFERING**

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## Abstract

**Purpose:** The present increasingly tough economic climate has uncovered the need to go beyond the prevailing seller-oriented models and company practices in order to capture the factors that essentially drive buyer companies. What is needed is a genuinely customer-side concept that corresponds to offering. This study develops a new concept labeled *customer needing* which emerged from the material collected in an industrial service setting.

**Design/methodology/approach:** The paper reports a case study of a typical high-technology industrial service with a strong outsourcing trend. The empirical data consist of interviews with eight representatives from the seller company and sixteen interviews from different customer companies.

**Findings:** A *needing* is based on the customers' mental models of their business and business strategies that affect their priorities, decisions, and actions. It is itself a mental model of how the customer conceives the fulfillment of a specific task. In this paper the *needing* is operationalized as a profile of three dimensions containing six functions that represent desired value in use for the customer: The *doing* dimension comprises a *relieving* and an *enabling* function; the *experiencing* dimension has an *energizing* and a *sheltering* function, and the *scheduling* dimension contains a *time-framing* and a *timing* function. Empirical data are presented to illustrate the new concept.

**Research limitations/implications (if applicable):** This is a case study but the ensuing concept provides a framework for further research on value in use and mental models in an industrial service setting. The studied offering was a complex business service representing an outsourced function and the buyers were functional experts and higher-level executives; all of them experts in the service in question.

**Practical implications:** The concept of customer needing extends knowledge of value in use and consequently represents an important tool in developing successful seller offerings. The shift of focus from offering to needing can explain why some sales attempts fail and can thus reveal new business opportunities.

**Originality/value (mandatory).** In addition to highlighting the mental models driving companies'

priorities and behavior, the study offers insights into value in use in an industrial service setting. The concept customer needing helps to analyze and describe value in use and provides a new buyer-side concept corresponding to the offering concept.

Classification: Research paper

Key words: Customer needing; Mental model; Needing dimension; Needing function; Offering; Buying; Value in use

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## 1 INTRODUCTION

An offering in an industrial setting has been defined as follows:

“The offering of a supplier combines products, services, advice, adaptations and logistics as well as involved costs (Ford, Berthon, Brown, Gadde, Håkansson and Naudé, 2002). It is the translation of a supplier’s problem solving competencies into a package that is offered to a customer in search of solutions.” (Hedaa and Ritter, 2005, p. 716):

The offering is, however, considered by the supplier typically only in terms of its exchange value (c.f. Bagozzi, 1975; Anderson and Narus, 1998), i.e. through different activities a supplier develops an offering expected to have value for the customer. The scope of value for many industrial companies today is gradually shifting from components to combinations of products and services and further to entire systems. For the seller, this implies a different and substantially broader offering to deal with, especially since it tends to be combined with a partial loss of control. The seller is no longer in main charge of the value for the customer but faces a situation where the seller and buyer co-control value for the customer in terms of what and how value is created. This paper argues that a next step is needed, which is to consider *the customer as the company* in control of value. This argument corresponds to the shift from the supplier’s exchange value to the customer’s value in use where offerings are considered in terms of how customers experience them in their business (Flint, Woodruff and Gardial, 1997; Vargo, 2009).

We argue that concepts such as offering (Normann and Ramirez, 1994; Anderson and Narus, 1998), solution (e.g. Tuli, Kohli and Bharadwaj, 2007) and value proposition (Vargo and Lusch, 2004; Anderson, Thomson and Wynstra, 2000), despite being seemingly customer oriented, take the seller’s perspective and refer to developing and making adjustments to offerings which the seller controls. Supplier management literature similarly treats the offering as the core of interest since it concentrates on how the buyer can make sure that the optimal value is transferred from the supplier (e.g. Anderson et al, 2000) or the buyer should select the optimal offering or supplier alternative (e.g. Jain, Benyoucef and Deshmukh, 2009).

The argument that customers and their view of value should instead be the starting-point for how value is defined was early introduced by Grönroos (2000; 2008) and Normann (2001) as well as by Normann and Ramirez (1994) in their idea of value constellations in networks. In the debate on marketing logics the idea of co-creation of value is central. Proponents of the service-dominant logic (for example, Vargo and Lusch, 2004; Vargo, 2009) define service as: “the application of specialized competences (knowledge and skills) through deeds, processes, and performances for the benefit of another entity or the entity itself” (Vargo and Lusch, 2004, p. 2). Even if they take the position that service is ultimately experienced by the customer, it is still implied that the service offering, solution or value proposition is in focus and the supplier is in control of the co-creation. Grönroos (2008) and Heinonen, Strandvik, Mickelsson, Edvardsson, Sundström, and Andersson, (2010) represent exceptions, when they take the position that it is the customer that is the value creator and the service provider supports that value creation.

While interviewing customers in industrial settings it became clear to us that, contrary to what is assumed and emphasized, customers’ primary goal vis-à-vis suppliers was to become or stay independent. This means that they wanted to stay as uncontrolled by suppliers as they can. In addition to this, they did *not* see themselves as co-creators of value but rather the customers’ outlook was: How can suppliers contribute to our business and our activities and thereby realize value for us so that in the end we reach our set goals? The buyer wished to employ suppliers for its own purposes and was interested in being in control of the operations and having the freedom to act and change them in line with their priorities of how to best develop their business. Thus, in order to understand what value is for the *customers*, their mental models of interacting with suppliers needed to be revealed.

We believe that new concepts are needed in order to understand value in use from the customer’s perspective. Value in use as a notion not only opens up the possibility that different users can experience value from using a specific offering in different ways but emphasizes the fact that this is very likely. This is not only a question of how the supplier performs but rather a question of how the offering fits into and becomes

embedded in the customer's activities and tasks and fulfills goals as experienced by the customer. It therefore becomes essential to explore what value in use is and how it differs between companies. The present study suggests that recognizing companies' mental models is useful in this endeavor.

Thus, the aim of this paper is to develop a new conceptual framework that analytically captures the customer's view of what the customer buys when the supplier sells their offering. The major new concept, customer needing, represents a buyer concept corresponding to the seller offering concept. If an offering represents a mental model of what the supplier intends to provide and achieve, the customer needing concept is correspondingly a mental model of what the customer intends to achieve and to acquire. In this paper, the term offering is used as a generic label including for example product, service, promise, solution, total business solution, and value proposition. It will be argued that, similarly to means-end chains, customer needing can be structured and described on different levels of abstraction.

To recognize mental models is in line with ideas presented recently in the interaction and network approach literature where Welch and Wilkinson (2002) have proposed that in business relationships and networks there is a need not only to consider the activities, resources, and actors (the traditional ARA-model) but also "ideas" which are the mental models and frameworks that are present in companies, relationships and networks. Welch and Wilkinson (2002) called for more research to identify and measure key dimensions of the mental maps used by firms to understand their relations and networks. The current study is such an attempt since it captures what companies value and identifies the content of this mental model.

The remainder of the paper is structured as follows. First, the paper describes the methodology and the research strategy of the study. The new concept is then developed and empirical illustrations of it are presented. Finally, the paper discusses the contribution, limitations, and implications of the study, together with suggestions for further research.

## 2 METHODOLOGY

The study has been conducted in an abductive manner (c.f. Dubois and Gadde, 2002) which means that previous industrial service studies and their definitions and models together with our own insights from different industrial companies have been conjoined. Data from a case study in a high-technology industrial service setting conducted in Finland first called our attention to the need to develop a new concept. The strong outsourcing trend is a key driving factor in the studied industrial repair and maintenance market, but there are substantial differences in how buyer companies think and behave vis-à-vis suppliers. There are a few strong key suppliers and many different alternatives to these. The situation is typical of many industrial settings, and our findings should therefore be applicable to many other settings.

The data consist of interviews conducted with eight representatives from the seller company and sixteen of its different customer companies. The study thus relies on insights from both parties' business relationship perspectives. From the customer companies, key buying decision makers such as managing directors, purchasing directors, plant directors, and maintenance directors participated, and they were all able and willing to reveal strategic and operational aspects related to the study's topic. The customers were selected by the selling company so as to represent different lines of business, purchasing history and current status, and location. The buyer-side material primarily consisted of transcribed text from seventeen hours of interviews, and the seller-side equivalent material was seven hours.

The studied customers' buying profiles range from ordering individual products, services or projects to signing short-term, time-framed contracts and to conducting business on a long-term basis with regular checks and contract renewals. For confidentiality reasons the identities of the companies or informants are not revealed. The broad interview topics were sent beforehand to the informants. The seller company also provided background information on each customer. Of the interviews, a few were conducted over the telephone but primarily they were conducted face to



face, in two cases with two company informants present. The interviews lasted for half an hour to two hours; they were recorded and transcribed afterwards. This facilitated the data collection and analysis and also enabled us to compare first-hand impressions and interpretations. To complement the insights, other data sources were used, such as first-hand impression from company visits, news articles about the business, and the companies' websites and reports.

During the data analysis, which was based on a 'constant comparative analysis' (Dubois and Gadde, 2002) of our material to thematize it (Miles and Huberman, 1984), emerged the need to create the new concept labeled as *customer needing*. The analysis consisted of going back and forth in the material comparing the interviews in order to reveal patterns of what is important to buyers, when elaborating on suppliers and outsourcing. What became apparent for example was that the buyers methodically referred to their strategic considerations and goals, had rather good insights into what suppliers do and offer and how other buying companies behave and why, and that they were rather critical of how suppliers currently behave. These observations called for the need to develop a new concept.

Abductive research can be evaluated using criteria such as: credibility; transferability; and dependability (Lincoln and Guba, 1985, Wallendorf and Belk, 1989). Credibility refers to adequate and believable representations of the constructions of reality studied. Prolonged engagement during more than one year in the case company and its business, regular on-site team interaction also outside the interviews, triangulation across sources and methods, negative case analysis, and feedback on tentative results and findings from company representatives and peer researchers were used to ensure this. Transferability refers to the findings' generalizability. The case in itself is of secondary interest; it is typical and instead theoretically representative.. The possibility to generalize is based on being capable of revealing general mechanisms that are expected to exist also in other situations. Dependability represents suitable and consistent research procedures and was addressed by using an interview guide, recording and transcribing the interviews, and updating an informant database. In the data analysis the aim became to distinguish

different value-in-use situations for the customer, to identify more specific customer goals within these, and to compare the buyers' views with the seller's. What both parties primarily value was analyzed, and subsequently three main value dimensions were distinguished. Each dimension was in turn grounded with empirical findings and portrayed with functions which are more concrete features of the dimensions. A still more detailed distinction of these could be labeled *value requirements*, which are on the same level of detail compared with value propositions as used in the value literature (e.g., benefits, favorable points of reference, and resonating focus suggested by Anderson and Narus, 1998) referring to promises the sellers make to the buyers with the offerings. The labels for the dimensions and functions were partly taken directly from the material and partly from abstracting findings in order to become coherent. The outcome of the analysis, i.e. customer needing together with its dimensions and functions, represents a conceptually compact tool for structuring value in use.

### **3 THE NEW CONCEPT CUSTOMER NEEDING**

During the interviews it became evident that there was a mismatch between the seller and their customers in terms of what they sell and buy, respectively. Table 1 summarizes these differences between the seller and the buyer.

-- Table 1. Summary of mismatches in the selling-buying interaction and the mental model on the seller side and the buyer side --

Fundamental differences seemed to exist between how the seller viewed the selling-buying interaction compared to what the buyers reported. Additional significant differences were found for how the two counterparts viewed what drives buying. One general impression was that customers do not assess individual sellers and products separately but instead consider how well they fit with other current or planned sellers and products, and what the matching implies for the customer themselves. This finding supports the notion of value-in-use. Another finding was that the customers said that they were quite willing to reveal their business goal and strategies, if it was

expected to promote their own business and the sellers showed genuine interest in learning about them.

Generally the buying companies were surprisingly alike in stressing that their own business strategies and goals drive their business and that sellers are too preoccupied with their own products and tend not to make sufficient effort to learn about individual customers and how they think. The conclusions from these findings are, firstly, that mental models drive the companies' logic for doing business and, secondly, that the seller's mental models differ from the buyers' mental models. The priorities in mental models may differ in terms of content as well as in terms of priorities.

Through the interviews it became apparent that companies may be aware of their own underlying mental models, they seem to have noticed that there is a difference as well as mismatches between suppliers' offerings and what their interests are, and there are examples of changes in needings. In the following these observations are exemplified.

Companies may themselves be aware that their needings differs from those of other similar companies and attribute this to differing mental models:

I know that other companies in our business buy where they can get the lowest prices, but that it not important for us. We have other priorities, and all key persons in our companies agree; we work with selected long-term partners. We are aware of risks that others stress as reasons for their decisions, but we see it as dangerous and completely unnecessary to stress the risks. We work daily to improve co-operation with our suppliers, why should we think about what happens when we have failed and need to start from scratch?

The seller is considered to be too pre-occupied with their own offerings instead of understanding the buyer's situation:

The sellers usually should do more than they do; to put themselves so to speak in the customer's shoes...the supplier needs to really dig into our problems and situation, to understand this. Oftentimes the real value for us is when suppliers work together in a project even if it is difficult because the companies may be competitors. Far too often it is up to us to fix the problems that have emerged in these projects.

There were many examples of buyer-seller mismatches. The buyer can be the driving force in a new needing situation but is faced with suppliers that are unable to create offerings to meet the new needing:

We would like the service providers in general to support us and other companies in our business in this new situation where cost efficiency means something different from what it meant five years ago ... But, the service providers haven't yet reacted on this fact; they have not yet developed the cost efficient service that we need.

We want to work with suppliers and select the best in each area and work with those as partners. We need them to be able to fulfill our long-term goals, which extend 30 years forward.... We are very demanding as a customer and we won't accept sellers if they cannot provide us with the latest innovations, the most professional people, and the right partnership attitude where both parties' interests are equally important. Some suppliers are not used to this situation and they try to get away with what they are used to with other buyers. We want much more than the standard.

A typical example of how companies' needing in the industrial market is changing as more and more companies outsource:

In the future we will continue to discuss what our own core business is and what additional processes could be outsourced. The situation is changing, and we discuss what we cannot outsource, and if there is anything that cannot be outsourced. There are conflicting opinions on what the minimum requirement would be for our company to continue – at the moment we have specified a few key areas, but these will most likely change in the future.

At the same time there are examples of how companies withdraw from outsourcing and start performing the tasks themselves:

We used to buy this service but then we made a change in our strategic plans, in how we defined core processes. Because of this we decided that we need to keep the know-how in-house and stopped buying the service. We don't see it as going one step back; it is merely a consequence of changing strategic priorities.

On a general level it became evident that the seller, a successful global player and industry leader, despite aiming for service and customer-orientation considered its

sales challenges primarily to be how to design more attractive offerings and how to plan persuasive sales arguments to convince buyers to buy their offerings.

*Customer needing* is defined as *the customer's mental model of desired value in use concerning a specific task in their business*. A needing is operationalized as a profile of three dimensions containing six functions that represent desired value in use for the customer. The functions may be related to value requirements on a more concrete level similar to attributes in an offering or value proposition.

Three needing dimensions emerged in the abductive process: *doing, experiencing, and scheduling*. The doing dimension of needing refers to the resources and activities that buying decisions normally concern and have traditionally been included in the industrial marketing and selling and buying literature. The experiencing dimension on the other hand is not as commonly used in these studies, but was added because the buyer interviews revealed that cognitive and emotional aspects were an inherent part of value in use. The third feature of needing refers to time-related aspects which are grouped under the third scheduling dimension. All three dimensions are needed in order to capture value in use for customers in a broad sense. The concepts capture core and fundamental issues of value in use and can be adjusted for specific customer situations. The division made for analytical purposes is based on similar distinctions in companies.

The first dimension, i.e. *doing* which refers to activities and resources, consists of two functions: relieving and enabling. The function labels have been adopted from Normann and Ramirez (1994) who suggest that in value creation companies can enable customers to improve their performance themselves or relieves them of an activity which the supplier undertakes in their stead. Blois and Ramirez (2006) recently distinguish further between internally and externally directed relieving and enabling capabilities. The terms relieving and enabling capture two fundamentally different reasons for buying, and thereby two types of value for the customer.

The second dimension, *experiencing*, refers to cognitions and emotions, and it consists of two functions: energizing and sheltering. This dimension complements the doing dimension and includes aspects such as trust, commitment, brands, bonds, and image. These aspects have previously been dealt with separately as influencing factors and researched in different theoretical disciplines, but have not been highlighted as an element of what the customer buys. This dimension emerged from our data, which suggested that such cognitive aspects are a significant part of industrial companies' mental models and buying behavior. The doing dimension alone does not capture all value for a customer; another dimension is needed to capture mental aspects. In general this experiencing dimension can be seen to be more complex than the doing dimension, because cognitions can be more difficult to articulate, are less easy to measure, and are more individual, but experiencing can however be a significant part of customer needing.

A third dimension that can be useful to describe companies' mental models, goals and activities, and consequently how companies view value in use is *scheduling*. Scheduling was therefore added as a separate dimension in customer needing. The more concrete functions are time framing, which can be either short-term or long-term aspects of needing, and timing in terms of individual incidents affecting the needing and its change over time. Time span has also been suggested by Normann and Ramirez (1994) as one dimension of their offering concept, but here we link it explicitly to the needing concept.

The dimensions and functions are labeled with verbs and active verb forms in order to emphasize that they reflect a process and active value in use. Table 2 presents definitions of the needing functions which have been developed from the data and which refer to different values for the customers.

– Table 2. Needing dimensions and definitions of needing functions –

We suggest that functions can be described on a more concrete, value requirement level, but in this introductory paper we do not develop that level.

## **4 EMPIRICAL ILLUSTRATIONS OF NEEDINGS**

The illustrations are not direct quotations from the interviews, but compiled summaries of customer situations. Before going into more detailed illustrations of customer needings, we wish to highlight two examples of customer needing that illustrate how fundamentally different they can be. One typical customer company is strongly cost-driven, in particular when it comes to potential outsourcing. For this customer, it is a matter of finding and sustaining the most efficient way of handling tasks together with minute follow-up of costs often on a short-term basis. Clear goals are set and are fairly easy to follow-up. Suppliers are chosen based on ability to fulfill the contract, and several of them are used for security reasons but are kept at arms-length distance. Another buyer situation is when the company has decided to select so-called strategic partners with whom it does business for the next 10+ years. The starting-point in this situation is completely different, and the company compares the situation to entering a marriage. The company is prepared to make investments and adjustments, and is interested in learning about the preparedness and intentions of the sellers. In this situation the spectrum of considered aspects is much broader, and the company aims to assess fit between companies. The company's strategic goals decide in both examples, and they guide the company towards very different actions and priorities. In the following these and the other studied customer situations are used to illustrate customer needing .

### **4.1 Relieving**

In the data from this particular setting relieving was the easiest to find since more or less all companies spontaneously discussed it. The seller's offering was relieving-dominated in the sense that it was sold with sales arguments showing what tasks it would take over from the buyer and the effects from this. This is the typical situation in the outsourcing business, but what was interesting and what the seller had not noticed was that there was among the buyers a great deal of difference in how they interpreted and valued the offering and what it meant to them. All companies did not appreciate it; indeed some saw outsourcing as a necessary evil and did not value the

consequences. It all came down to their preferences and strategic goals. Yet, some companies had a needing which unequivocally referred to getting rid of a certain function:

I would like the current or another supplier to expand their guarantee and business with us even further and take over the whole thing from us – after that we could buy undisrupted service from them or any company, merely inform someone what we need next month, and then we would focus on what we are really expected to do.

The companies' views on whether they were willing to select a supplier in this situation depended on how many alternative suppliers they saw on the market, and whether they were willing to trust them in the long run, and if needed later on they would be able to switch suppliers. Yet the situation seems to be typical when a company has determined what its core competences are and has decided to concentrate on its core business.

Another situation for many industrial companies, and the background for actively exploring outsourcing opportunities, can be illustrated in the following way:

The tradition and attitude used to be that we would be self-sufficient and do everything ourselves... But then things changed, management started to expect higher efficiency and profitability. We began to discuss what our core competences are and should be in the future, and we found that outsiders could do what we did much more efficiently. We have therefore outsourced many processes...

This is also an example of a needing dominated by the relieving function where the aim is to increase profitability. It is basically about how the company can do more with less. The particular business shown above has changed dramatically due to many different reasons and events, but there are substantial differences in how the individual companies have responded to these.

## **4.2 Enabling**

Enabling as a needing can dominate the mental model in companies that are primarily interested in improving their ability in order to expand or strengthen their business,



current or new. These companies already may have outsourced a great deal or have other strategic priorities. An example of having a need that involves enabling new business is the following:

We write and agree on a joint vision with the suppliers, and we want the suppliers to have a vision for the future – very clear for the next year, fairly clear for the next five years, and some kind of vision for the next thirty years. Our business is very dynamic and our suppliers have to have the desire to develop our business together with us. We become strategic partners and the aim is to have a win-win situation...trust is extremely important, the corner stone in our business.

Some companies rely on suppliers for support and ideas on both strategic and operational levels. These may include in their strategic goals to work with selected vendors, or merely no longer have their own resources or personnel as they used to, and therefore value new ideas, technological innovations and measurement tools that sellers offer which make it possible to explore new business.

### **4.3 Sheltering**

A different feature of a need is when the company emphasizes peace of mind:

We aim for smoothness and safety, we want to get competence so that we don't need to think about where we can buy what and at what price or how we are able to constantly upgrade and develop the operations. If the installed base is from a certain supplier, then you can count on that company to know the most about the products and to be able to give predictive information on how to maintain them and avoid problems.

In this situation trust is a key issue. The company aims to avoid uncertainty and simultaneously values feeling secure about the choices made.

### **4.4 Energizing**

Some companies' buying is driven by a need to get stimulus and motivation from outside companies. An example where buying companies value mental aspects:

What we look for is inspiration, know-how input, an active discussion partner in strategic planning. In addition to that they should function as a trigger and help us to change things. Outsiders have more authority and they are more convincing when they speak with our people and justify the need to change.

Energizing is close to enabling and may be a natural side-effect of enabling but it is different as it is more about generating the enthusiasm and mobilizing people and giving them a direction.

#### **4.5 Time framing**

The seller may have an offering that as such is good and leads to business but does not fully cover what is important to the buyer. The next example shows that the buyer has a different and longer time perspective than the seller:

The suppliers should see beyond their own project and what happens after they have finished it and the ultimate outcome of it. Sellers tend to act so that the project as such is successful, but they leave as soon as smoke starts to come out of the chimney – that is not what we want, the supplier needs to understand what the long-term goal is to us.

The companies linked the decision in such a situation to time, typically the fiscal year or project-based, along with long-term goals and priorities. It typically depends on the specific business line and availability and know-how of their own personnel, how sensitive the company is to disruptions and delays which would be part of the time-framing function.

#### **4.6 Timing**

Personnel changes and new regulations activate discussions and new strategic priorities and actions vis-à-vis suppliers. These can be single incidents or a sequence of incidents that change company practices:

About the same time as I came to this company we got a new CEO and we have actively worked on finding and working with partners on a long term basis. Some other key persons retired at the same time, and some people have been reassigned inside the company.

The needing is dependent on the particular point in time, and it may become relevant or stop being relevant over time.

## **5 DISCUSSION AND IMPLICATIONS**

The seller's value proposition does not always seem to correspond to the customer's value requirement. For companies with a truly strong customer-oriented way of operating, this mismatch between offering and needing would not occur or at least not persist. It must on the other hand also be pointed out that such a discrepancy may trigger development and can be considered as a positive situation. What the current study brings to light is that, first, the mental model of value in use lies behind what customers procure, and second, they do not necessarily buy what sellers sell. Based on this insight, the present study suggests the concept customer needing as a tool to achieve true customer orientation. That there are mismatches between sellers' and buyers' goals is not a novel observation nor is the implication that both sides should aim to understand and attend to them. For example, Tuli, Kohli and Bharadwaj (2007) report mismatches between suppliers and buyers regarding what they sell and buy respectively, and they find that customers tend to view what they buy more broadly than what sellers consider that they sell. In a historical analysis of business marketing, Hedaa and Ritter (2005, p. 714) similarly conclude that: "the supplier orientation must match the buyer orientation in order to allow smooth interactions." In purchasing and supply management similarly, purchasing portfolio models based on Kraljic's seminal paper (1983) are reported to have been widely used by purchasing professionals. Such purchasing strategies are based on differences in needings. Gadde and Snehota (2000) find that companies increasingly become aware of different roles that suppliers can play in company strategies, and they propose that a richer analytical framework is needed when the aim is to shift from purchasing to making the most of suppliers in order to deal with the complexity of a new task. Helander and Möller (2008) similarly distinguish between different roles that buyers are assigning to suppliers. These studies indicate a need to better understand customers' needings.

### **5.1 Needing and other concepts**

Needing has some similarities with Wynstra, Axelsson and van der Valk's (2006) categorization for classifying buyer-seller interaction in business service. Even though their categorization has an activity focus and needing emphasizes mental models, the fundamental idea is the same: understanding individual buyers and

adjusting to differences between them are the starting-points. Another link that the needing concept has is with Håkansson's (1982) problem solution and problem transfer, as both cover what buyers look for in a business relationship.

A needing differs from buying specifications and supplier selection criteria lists in that it represents the mental model behind these. A needing is furthermore different from a need in that a needing reflects the buyer's negotiated dominating idea (Normann, 1977) of how to implement their business strategies in business tasks whereas needs often refer to more general and often implicit or potential drivers of actions. A negotiated dominating idea refers to the outcome of the collective sense-making process in the organization influenced by the formal and informal power structure.

## **5.2 Theoretical contribution**

This study makes several theoretical contributions. The new concept is the outcome of insights in the specific context of the industrial manufacturing industry. First, the customer needing concept contributes to the rather limited knowledge about core drivers of company behavior by drawing attention to mental models in an industrial setting, where typically only resources and activities have been recognized.

Dominating ideas in a company guide the behavior and represent the values of a company. They become particularly visible when strategic options are examined and business goals set, in times of outsourcing decisions when comparing and selecting suppliers, or when changes in the market place occur which fundamentally or potentially alter the way a company behaves and prioritizes. What makes needing additionally significant is that it links strategy with behavior, which few concepts in marketing currently do. It goes beyond studying needs and wants as such and instead reveals the customer's logic.

Secondly, the study makes a significant contribution to the even more limited amount of research knowledge regarding value in use in an industrial setting. Many studies especially in service-dominant logic propose that value-in-use is a fundamental aspect

of marketing, selling, and in business in general today. Indeed, most studies and companies state that value-in-use is the key to sustainable competitive advantage and thus to business success, but very few studies have conceptually developed value in use. The findings of the present study have not only established that value in use is a core business driver but has also identified and illustrated several specific dimensions and functions associated with value in use.

Thirdly, the study adds to the body of research on buyer companies in an industrial setting, where there is an ongoing trend to outsource, and where services and customer-orientation are widely recognized and used. Although service transition in a manufacturing setting is a growing area, the literature and the number of studies on this subject are less extensive than on services in general.

Fourth, in the literature concerning market orientation and customer orientation the customer has had the role of an object, even if there has been an interest in customers' wants and needs both actual and latent. One issue has been whether companies should be customer-led or market-oriented, contrasting short term views with long term views (Slater and Narver, 1998). We believe that such a polarization is unnecessary; the key point is not to underestimate the customer. It is not a question of only listening to the customer's voice; it is a question of understanding the customer's logic to succeed in their business. Blocker, Flint, Myers and Slater (2010) support this in a recent article that develops the notion of proactive customer orientation after having found that customer oriented companies seem to underestimate, misunderstand, or overlook customer expectations. They find that customer orientation defined as being responsive to customer requests, i.e. being customer oriented, is not enough and that companies need to attend to buyers' latent and future needs. Customer orientation typically emphasizes generating and sharing intelligence about customers' customers and taking coordinated action to satisfy those needs (Kohli and Jaworski, 1990; Narver and Slater, 1990) whereas needing takes the opposite stance and starts from the buyer and refers to how strategies and visions give rise to different buying prerequisites. This insight can then be used by the supplier to

improve, adapt and innovate their offerings and business processes. The implications from this are beyond the focus of our paper but could be the starting point for customer oriented firms. From a seller implication perspective, needing can in other words be seen as the precondition for customer orientation based on buyer mental models instead of information about the buyer. Although customer orientation can be defined in many ways, needing is rather to be seen as a contrast to offering than to customer orientation. We therefore do not position our study primarily in the market orientation literature but in the growing research about marketing logics where focus is shifting from goods-dominant logic to service-dominant/service logic and customer-dominant logic (for example, Vargo and Lusch, 2004, Vargo, 2009; Grönroos, 2008, Heinonen, et al. 2010) and where focus in particular is on who and what create value for the customer.

### **5.3 Limitations**

Although a single case setting was used, the abductive research approach assimilates the body of earlier research, which means that the outcome of the process extends over the specific empirical context. In addition, a great deal of different buyer companies were examined in detail, and this has provided rich data. Further studies are being made in order to refine the concept and add detail. Examining different types of companies and different situations would be a viable strategy for furthering knowledge about customer needings.

This paper focuses on the business-to-business setting consisting of industrial manufacturing companies that provide services in addition to equipment and supplies and which strive to become customer-oriented industrial service providers. However, there are notable differences between what and why customers buy and what the sellers offer. Companies worldwide in this kind of industry are currently in a transition towards a service and solution business paradigm, and this means that the importance of understanding customers and what they value increases. Therefore the findings may have implications for business-to-business companies in a range of industries—such as professional business-to-business, IT and software, and

management consulting. Needing is especially likely to be relevant to business-to-business settings that are characterized by: (i) some degree of market dynamism; (ii) potential for change in corporate strategies and goals; and (iii) non-routine purchasing.

The buyers in this study were well aware of their needings because the offered service represented an important function in their business. In other situations the buyer might have a less developed needing, for example, smaller companies without experts outsourcing a certain function for the first time. Exploring such situations would represent a fruitful area for further research.

#### **5.4 Managerial implications**

A number of managerial implications can be drawn from the new needing concept. Needings are significant because they represent what the buyer is prepared to pay for. Companies can be said to have needings regardless of whether there are real or potential offerings available. At present, sellers do not typically aim to unveil needings or respond to them but are focused on selling their offerings and on persuading potential customers. This paper suggests that sellers instead could benefit by adopting the needing conceptualization, i.e. by first discovering and understanding needings and then responding to them depending on the profile of functions that a particular customer needing is based on. A shift from offering to needing will, for example, reveal new business opportunities and point to one reason why many sales attempts fail.

As a consequence of the shift in focus in favor of the customer and the considering value as emerging in using the offering, it becomes apparent that there is no real need to distinguish between companies selling products and companies selling services or combinations of products and services (Grönroos, 2008; Vargo, 2009; Heinonen, et al, 2010). In all cases the key issue is that the customer has a needing and the seller provides an offering which should create value when used..

Managers can have practical suggestions for the analyzing of how deeply customer oriented they are by considering their vocabulary. When a needings instead of an offering are at the center the vocabulary changes; instead of customer involvement, and customer participation other terms such as seller adjustment, seller involvement, and seller participation can be used to reflect the switch in focus. Instead of understanding and improving how the seller can make offering adjustments in line with customer's needs and recognize customers as part and input in their offerings and processes, a needings focus pinpoints that sellers need to understand and improve how they can fit customer needings and thus support the customers' value creation.

Needings precede offerings – they already exist there when sellers enter the picture. It implies that needings are not usually created by the seller. The seller can indeed influence the needings but the customer's business is the foundation of the needings. For the seller the main challenges would be, first, to reveal the mental model of the buyer in order to form a preliminary picture of their needings, and then to translate and transform the needings into an offering that truly matches the needings. To be organization-wide systematically sensitive to buyers and their needings is important. What furthermore is highlighted is that companies should much more than now pay attention to not only buyer's current activities and processes but also to their strategies, aspirations, and visions. Predicting changes in buyer companies and developing measures for acting in them would represent valuable opportunities for the seller. Another opportunity would be finding clusters of needings, distinguishing companies with a primarily relieving, enabling or energizing needings.

There are also implications from the needings concept for the buyer who needs to translate their strategic goals into what they are interested in buying. As a result, they have used the seller's concepts such as offerings or solutions, which has not always mirrored their goals and priorities. This is illustrated with a quote from a buyer found in a recent study "You say that you have total solutions, but I am afraid that we don't have any total problem." (Nordin and Kowalkowski, 2010, p. 444) Needings addresses this buyer-seller gap and, when presented to managers, it appeals to many who recognize the situation as typical to business life.



### **5.5 Further research**

The proposed model and definitions clearly represent only a starting-point for discovering how customers experience their situation when seeking suitable suppliers. What is needed is more empirical evidence concerning the needing functions and how they influence supplier choice. Further, the scope of the needing represents an interesting issue for further studies. Thus a matching and comparison of needings with offerings would open up opportunities for research in studies on selling and buying as well as relationship management. These areas generally tend to focus on one perspective or the other, even though they by definition include two counterparts. Consequently a dyadic approach would be more useful. Further ideas for the empirical validation in order to uncover differences/similarities in seller views are to extend the sample of seller companies or offering types. Adding customer companies and buyer representatives for each company are also suggested as next steps.

Another type of research opportunity arises from examining dynamic aspects. For example, the impact of the current challenging state of the economic business would be an important area to explore further, using the customer needing notion as the starting-point. This is in fact already being done to some extent, but more research on dynamic factors is needed. One approach would be to study the influence of company norms and values, the company history, and significant actors' personal development and experiences, which according to Normann (1977) form the basis for schemas or mental models and change these models over time.

A third research area would be to develop and test tools which are essential both for academic research and for companies interested in studying customer needings. Not only would the study be useful in order to adjust current sales techniques but also in order to develop with new methods that can be used to diagnose mental models in a company setting, to identify key decision makers, to utilize customer information for offering design and sales, and to forecast the development of mental models.

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SELLER VIEWS	CUSTOMER VIEWS
<b>Selling-buying interaction</b>	
<ul style="list-style-type: none"> <li>- Successful sales are first of all about offering convincing arguments for example in terms of measurable benefits from using the product.</li> <li>- The other key success factor is having a superior product.</li> <li>- Additional benefits and sales arguments are associated with a product when it is viewed over time, i.e. product lifecycle.</li> <li>- The sales team should consist of several persons supplementing each other's know-how of different aspects of the product.</li> <li>- Customer information is needed, primarily related to customer operations in order to develop sales arguments. This shows that the company is customer-oriented.</li> </ul>	<ul style="list-style-type: none"> <li>- Listening instead of persuading is the key to successful sales.</li> <li>- We are not interested in and do not buy a product as such but we assess what it can do for us.</li> <li>- Sellers and their products tend to be fairly similar. Instead we assess the seller's ability to fulfill a commitment to us and our business.</li> <li>- The seller's ability and explicit willingness to make not only technical but also for example customer-specific adaptations time-wise are important.</li> <li>- Some products seem to be beneficial but they may nevertheless not suit us.</li> <li>- The seller should want to understand our business and help us improve it; that is not only customer but also business orientation.</li> </ul>
<b>Mental model</b>	
<ul style="list-style-type: none"> <li>- At least customers within one industry are basically alike.</li> <li>- Prices and financial aspects drive customers and are the main reasons why customers do not buy or stop buying.</li> <li>- Customers' true strategic business priorities are difficult to reveal as are the reasons for many decisions they make.</li> <li>- All companies are not 'mature enough' to buy a certain product.</li> </ul>	<ul style="list-style-type: none"> <li>- Each customer is unique even within the same industry.</li> <li>- The main reason for not buying or for changing buying policy or supplier comes from strategic priorities and goals and changes in these.</li> <li>- Being in line with strategic priorities and facilitating their achievement decide the extent to which suppliers are used and in what way this happens.</li> <li>- Customers and their strategies and goals, not sellers and their products and sales, are the primary drivers of business, buying, and market shaping.</li> <li>- Different time aspects resulting from business plans and goals are taken into consideration; matching of offerings is needed to avoid sub-optimization.</li> </ul>

Table 1. Summary of mismatches in the selling-buying interaction and the mental model on the seller side and the buyer side

<b>Needing dimension</b>	<b>Needing function</b>	<i>Function definition</i>
<b>Doing</b>  A resource and activity oriented dimension	<b>Relieving</b>	Value in use realized by being relieved of performing tasks or carrying liabilities in current or future business activities.
	<b>Enabling</b>	Value in use realized by getting additional resources, competence or capabilities that enhances the buyer's performance and activities within their current business or enables them to create new business.
<b>Experiencing</b>  A cognitive and emotional dimension	<b>Sheltering</b>	Value in use realized by being able to control risks and unwanted fluctuations in current or future business.
	<b>Energizing</b>	Value in use realized by getting inspiration and motivation to perform activities in current and future business.
<b>Scheduling</b>  Time-based dimension	<b>Time framing</b>	Value in use realized by adaption to expected time frame and pattern of development of current and future business.
	<b>Timing</b>	Value in use realized by suitable timing of activities in current and future business.

Table 2. Needing dimensions and definitions of needing functions