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## Professional buyers and the value proposition

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## **Professional Buyers and the Value Proposition**

### **Abstract**

Lusch (2011) considers Service-Dominant Logic (S-DL) to be an appropriate lens through which to view supply chain research, and suggests it be used to better understand value. The authors, accepting a founding premise of S-DL that value is phenomenologically determined by the recipient, adopt a qualitative methodology to penetrate the inherent complexity and commercial confidentiality of the buyer-seller relationship. In particular the authors make a comparative evaluation as to how the wider, psychological needs of the buyer interact with the effects of the organisational goals of their businesses. The study uses a longitudinal research design, involving web-based diaries and follow-up interviews to develop the empirical understanding of the dominant patterns of buyer value perception that, within the context of the investigation, both challenge extant thinking and informs the debate regarding the approaches to combining value creation and value capture (Skilton, 2014). The explanations offered suggest that exchange value achieves a greater buyer focus than utility value, and acknowledges the relative importance of buyer value perceptions that are not directly aligned with organisational objectives. These findings, it is argued, may cause organisations to reflect on their procurement policies and procedures as they seek to engage with potential suppliers.

**Keywords:** Value, Procurement, Service-Dominant Logic, Business to Business Buyers

## **Introduction**

At the core of all business relationships is value co-creation (Vargo, 2009) and the maximisation of added value through purchased inputs is recognised as the principal role of the procurement professional (Sashi and Kupdi, 2001; Sánchez-Rodríguez, 2009). Buying decisions are based on expected value consequences (La Rocca and Snehota, 2014) and considerations of value and its appropriation are, therefore, seen to be among the key behavioural influencers of professional buyers (Cox, 2004a; Liu, Leach and Bernhardt, 2005; Vargo, Maglio and Akaka, 2008).

Nevertheless, the anatomy of specific value propositions remains unclear (Skålén, *et al.*, 2014). Value is recognised as being multi-faceted (Aarikka-Stenroos and Jaakkola, 2012) and socially constructed (Helkkula, Kelleher and Pihlström, 2012). Value is taken to extend beyond the simple rationalisation of utility (Sánchez-Fernández and Iniesta-Bonillo, 2007) and not all aspects of value are considered to be externally observable (Helkkula, Kelleher and Pihlström, 2012). However, Möller (1985) and Cronin (1994) note that not only are these interactions inherently complex but that they are also, due to both commercial and personal confidentiality, extremely difficult to penetrate. Harwood (2002) similarly observes that issues associated with commercial confidentiality frequently create barriers to research access.

Despite these difficulties, there are persistent calls for further exploration of the influence of value perception on actual buyer behaviour (Grönroos and Voima, 2013; Payne and Frow, 2014). Such demands originate from both marketers who want to understand how customers perceive value (Flint, 2006) and from buying organisations seeking to develop policies and procedures that maximise the capture of perceived value in a competitive environment (Trendel, Krause and Dooley, 2011). Among these calls, Baumann and Le Meunier-FitzHugh, (2015) suggest that research should use extant conceptualisations of value to explore practice rather than attempting to further deepen theoretical abstraction, and advocate

a shift towards more readily understood and useful notions of value perception.. The need for future, empirically based, research into customer value has also been highlighted by Paton and McLaughlin (2008), Squire, Cousins and Brown (2009), Johansson and Jonsson (2012) and Spina *et al.* (2013).

Consequently, the objectives of this paper are threefold. Firstly, to develop extant qualitative methodologies in a manner that is capable of penetrating the complex commercial interface between buyers and sellers. Secondly, to empirically identify, within the context of an exploratory case study, the dominant patterns of buyer value perception. Thirdly, to consider how the results of this exploratory study might impact on the direction of future research and managerial thinking. To achieve these objectives the paper initially provides a brief overview of the varying perspectives of buyer value perception. This is followed by a description of the research design, which includes details of participant recruitment, data collection, data analysis and the presentation of results. The paper concludes by reporting the research findings, discussing the research contribution and signposting potential directions for future research.

### **Scholarly Perspectives on Buyer Value**

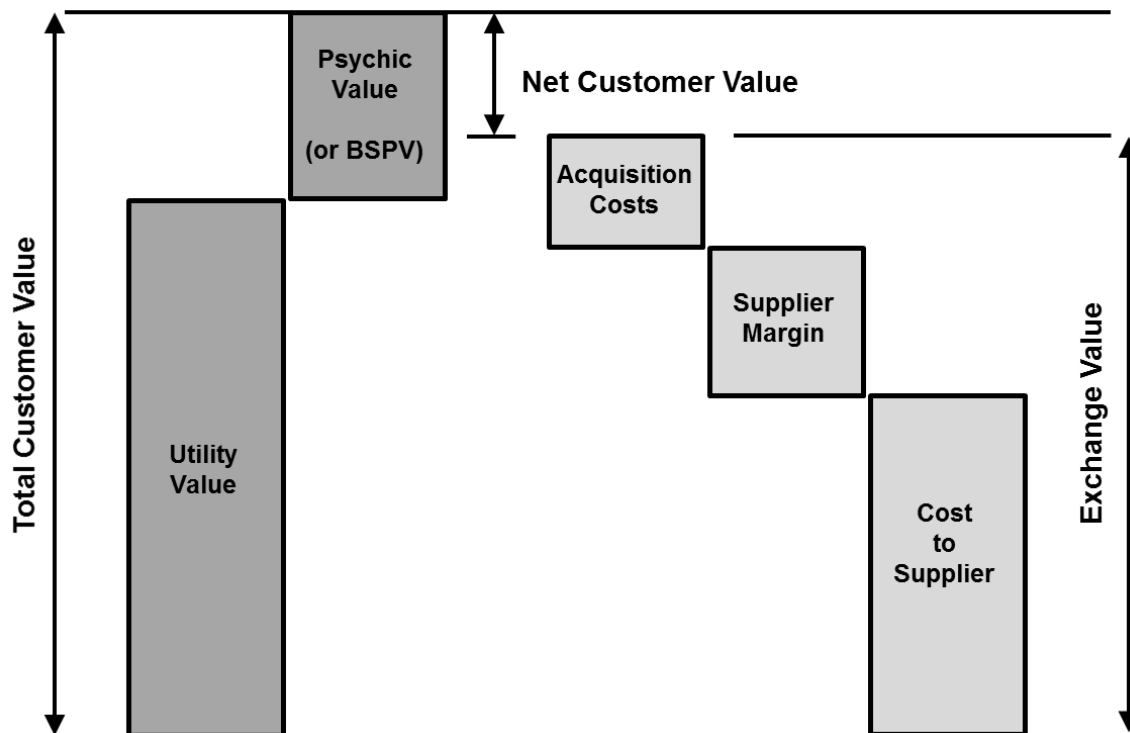
A review of extant literature shows that gaining universal understanding of the constituent elements of customer value perception remain elusive (Bowman and Ambrosini (2000); Anderson, Narus and van Rossum, 2006). Notwithstanding these concerns, it is nevertheless appropriate to review the prevalent themes in order to better inform the development of an appropriate research methodology.

Bowman and Ambrosini (2000), Lindgreen and Wynstra (2005) and Skilton (2014) differentiate between value-in-exchange and value-in-use. Value-in-use (utility) relates to the benefits consumers derive from a product, while exchange value relates to the amount paid.

Importantly, Carbonell, Rodríguez-Escudero and Pujari (2009) and Hilton and Hughes (2013) confirm a generally held view that the metrics by which value is frequently judged are not simply financial but include customer satisfaction and other forms of tangible accrued benefits.

Similarly the complexity of the value creation process is also generally acknowledged. Payne, Storbacka and Frow (2008) recognise that value creation results from dynamic, interactive, non-linear and often unconscious processes, which are also seen to be highly subjective and context-specific (Bauman and Le Meunier-FitzHugh, 2015). Edvardsson, Tronvoll and Gruber (2011), adopting a social constructionist perspective, consider that value is created within social systems which extend beyond the individual and subjective setting. Likewise, Hilton, Hughes and Chalcraft, (2012) suggest that the point of value creation may be remote (spatially or temporally) from the immediate primary setting and that the nature of the created value may well be unique to individual actors.

As a means of conceptualising this complexity Monroe (1990), Anderson and Narus (1998) and Lapierre (2000) represent customer value in the form of gain versus sacrifice models which share the common characteristic of attempting to represent the net benefit that accrues from a commercial interaction (Kieliszewski, Maglio and Cefkin, 2012). One such model proposed by Khalifa (2004) conceptualises customer value in exchange as is summarised in Figure 1.



(Source: adapted from Khalifa, 2004:656)

**FIGURE 1: Customer Value in Exchange**

Khalifa (2004) recognises that total customer cost (exchange value) comprises elements of supplier costs, supplier margins and customer search and acquisition costs. Total customer value, against which total customer costs are to be offset, include utility value and psychic value, the latter acknowledging the subjective and individualistic aspects of value perception. Psychic value differs from utility value in so far as it does not accrue directly from the use of goods or services, but is imbedded in human factors such as feelings, emotions and even buyer ego (Groth, 1994). To better reflect the range of factors that potentially influence an individual buyer's wider psychological needs the authors prefer the term Buyer Specific Perceptions of Value (BSPV) rather than use the term psychic value adopted by Khalifa. Such buyer specific perceptions of value have been previously recognised. Flint (2006) discusses the social, experiential and hedonic aspects of the buyer-seller interaction, while value perceptions intrinsic to empathetic, emotional, and memorable aspects are recognised

by Ballantyne and Varey (2008). Porter and Kramer (2011) conceptualise that value perception relates to not only economic but also to social factors. Wilson (2000:785) gives examples which include:

*'the influence of personal paradigms and perceptual distortion, risk tolerance, organisation and sub-groups culture, socio-political power relations, career aspirations, and a variety of cultural and intellectual prejudices (relating especially to gender, age and ethnicity)'*

The emergence of Service-Dominant Logic (Vargo and Lusch, 2004) has stimulated much interest and debate within both academic and practitioner communities. While the classic view of value creation considers that the significant episode occurs with the transfer of ownership, the basis of S-DL is that value is uniquely and phenomenologically determined by the beneficiary (Vargo and Lusch, 2004; Lusch, Vargo and Wessels. 2008 and Vargo, 2009). S-DL considers that exchange value, which it associates with Goods-Dominant Logic (G-DL), is based on an expectation of value whereas true value, value-in-use, accrues through the interaction between the exchange parties (Lusch, Vargo and Wessels. 2008). Although S-DL's principal focus is on the value users obtain from the experience of an offering, rather than on value accruing from the transaction itself (Lusch, 2011), it is important to recognise that S-DL does not ignore the importance of exchange value on a firm's prospects for survival and growth. Significantly, S-DL also recognises that the marketing exchange extends from pre-sale service interaction to the evaluation of post-sale value-in-use (Ballantyne and Varey, 2006).

Despite the undoubted popularity of S-DL for many academics, Lindberg and Nordin (2008) acknowledge that a more dynamic and subtle view may be required to adequately capture the perspectives of industrial buyers. Momme and Hvolby (2002) and Nordin (2006) recognise that buying decisions are frequently influenced by environmental aspects that impinge on any assumptions of a purely rational and linear approach to procurement. Kowalkowski (2011),

suggests that even if value-in-use takes a super-ordinate position to value-in-exchange within S-DL, there may be situations in which firms nevertheless choose to emphasise value-in-exchange. Significantly, for example, Anderson, Thomson and Wynstra (2000) found that purchasing managers consistently selected lower-valued, lower-priced products over higher-valued, higher-priced products.

Notwithstanding these reservations S-DL is recognised as having the potential to provide insight as to the nature and presence of value creating opportunities between buyers and sellers (Michel, Brown and Gallan, 2008; Kowalkowski, 2011; Frow and Payne, 2011). Significantly, Lusch (2011) recognises the need for further research into the co-creation of value within the supply chain and suggests that, because S-DL does not assume away the heterogeneity of the actors, S-DL is an ideal perspective from which to conduct such investigation. Edvardsson, Tronvoll and Grube (2011) also suggest that S-DL literature maybe further developed by paying explicit attention to the social structures, systems and social forces that have a major impact on value-in-use. The authors, accepting a founding premise of S-DL that value is phenomenologically determined by the recipient, seek to build a methodology by which to better understand the nature of the buyer value perception within the buyer-seller interaction.

## **Methodology**

Terpend, Kause and Dooley (2011) and Makkonen, Olkkonen and Halinen (2012) note that research conducted at the buyer-seller interface must overcome the realities of the empirical world, namely commercial and personal sensitivities. To overcome these barriers and also to gain a deeper and richer understanding, the authors considered the adoption of a qualitative approach to be critical. Whilst noting that previous researchers such Leonidou, Paliawadana, and Theodosiou (2006), Plank, Reid and Newell (2007) and Ryu, Park, and



Min (2007) have previously adopted a qualitative methodology to explore the buyer-seller interface, the authors suggest that such approaches have failed to penetrate the contextual complexity that is associated with the anatomy of value perception.

Yin (2013) offers the opinion that case studies are appropriate when contextual considerations are significant, especially when the boundaries of the phenomenon and the context are not clearly evident. The case selection for this research was informed by the work of Anderson, Chu and Weitz (1987) who observed that the purchasing process is less heavily influenced by the precise nature of the goods or services being purchased, than by the perceived importance and the perceived unfamiliarity of the purchase situation. Webster and Wind (1972) also considered that the precise nature of the purchase does not directly influence the buying process, but rather that there is some significance in the organisational purpose that is to be served. Anderson, Chu and Weitz (1987) observed that for new, strategically important, procurement the stakeholders are likely to be many, with a range and volume of social actors participating and a consequential difficulty in establishing social reality. While strategic procurement, by its nature, involves many players with senior managerial status, conversely where the task is seen as routine there may be little to study and observe. Anderson, Chu and Weitz (1987) further suggest that if a purchase involves a 'modified rebuy' then professional buyers are likely to be proactively engaged and also allowed the organisational freedom to perform a central role in the procurement process thus making them an ideal point of research focus. In this context modified rebuys involve the purchase of goods or services which represent an upgrade from an earlier purchase episode or involve the buyer in a repeat purchase which has yet to become routine.

The buyer-seller interaction has been analysed at many levels. Jap (1999) notes that studies have adopted various units of analysis, for example, the industry, firm or the trading dyad.

While there is strong support for the adoption of the relationship as the appropriate unit of analysis (Håkansson and Wootz , 1979; Cannon and Perreault, 1999; McCabe and Stern, 2009), researchers such as Williamson (1991), Hunter, Bunn, and Perreault (2006) and Baumann and Le Meunier-FitzHugh (2015) suggest that by conducting a micro analysis at the level of the transaction the more macro level assumptions of the key players in respect of the governance structure and the contracting strategy will also be revealed. They further recognise that the transaction may well encompass aspects of past business and anticipate future relationships while reflecting the influence of the wider organisational network. The authors consider that these arguments are convincing and have adopted the transaction as the appropriate unit of analysis.

Ha, Park and Cho (2011) emphasise the need to consider the influence of the power relationship between buyers and sellers and note the particular importance of considering situations in which there is power based interdependence between buyer and seller. These transactions are characterised by buyers having the incentive to be proactive in their choice of sourcing behaviours, but also by their recognition that they do not possess the power advantage that would allow them to simply dictate the terms of trade (Cox, Sanderson and Watson, 2000). The importance of interdependence is also recognised by Bonoma and Johnston (1978) who claim that by far the most commonly occurring interaction between professional buyers and sellers is one in which they share functional equivalence in terms of power. Despite this acknowledged importance Gundlach and Cadotte (1994), Squire, Cousins and Brown (2009) and Kähkönen and Virolainen (2011) suggest that there has been limited research into exchange interactions under these conditions.

In summary therefore, in order to explore customer value within a defined and meaningful context, the authors developed the important rebuy case (IRC) which is constructed from important, modified rebuys, occurring within conditions of power-based interdependence.

Harwood (2002) observes that not only is it inherently difficult to gain access to negotiating parties, but that this difficulty is exacerbated by the presence of either commercial or personal sensitivity associated with negotiations. She therefore suggests, recognising the need to reflect the potential impact, adopting purposeful sampling through the identification of research friendly participants. Following Harwood's lead, IRC recruitment was undertaken on a non-probability basis (Bryman and Bell, 2003) in which senior members of large commercial organisations, who were known to the authors, were directly approached. The modified rebuy transactions that formed the basis of the IRC related to highly complex and protracted contractual situations, linked for example to military spend, as well as more mundane situations such as the purchase of commodities. The industries studied spanned the divide from health care services to construction, and from pharmaceuticals to fast moving consumer goods.

A snowball sampling method was adopted (Frankwick *et al.*, 1994; Jankowicz, 1995; Bryman and Bell, 2003) in order to identify buyers with relevant responsibility for a transaction that fulfilled the criteria for inclusion in the IRC and who were willing to participate. As recognised, from the longitudinal studies of buyer-seller interaction conducted by Jap (1999), Narayandas and Ranagan (2004) and Ryu, Park and Min (2007), buyer attitudes to a particular procurement situation will change over time, and that pre- and post-purchase notions of value may differ (Gardial *et al.*, 1994). It was therefore important to ensure that respondents were in a position to provide contemporaneous accounts of the transaction as it developed. It should also be noted that during the recruitment process details of the research ethics were explained and informed consent was obtained from all interviewees.

IRC data collection employed a contemporary web-based interpretation of the 'Diary - Diary Interview Method' (Zimmerman and Wieder, 1977) the basis of which required respondents to complete a web-based diary to record key aspects of a developing presale interaction. On

concluding the transaction a follow up interview was conducted using the diary input as a basis for the discussion. During the initial diary phase it was possible to both monitor that diary entries were being made and if necessary to expedite diary completion. Interaction between diarist and researcher during the diary phase also served to build a rapport and through this relationship the respondents gained confidence and thereby were potentially more willing to supply sensitive information.

The initial web based diary screens reiterated the research objectives, provided instruction and also collected data to ensure the transaction fulfilled the IRC criteria for inclusion. Subsequent screens requested that the buyer explain their personal and organisational procurement approach and also give their perceptions of the seller's objectives. Screen prompts were provided to encourage the buyer to provide details of tactics, rationale and background.

Post diary completion, semi-structured interviews were conducted to explore themes and issues raised by the diary entries. Rubin and Rubin (2004) suggest that interviewers should seek to identify what took place and then, based on these accounts, determine why these things happened. Interviewees were therefore encouraged to focus on their concrete experiences of the presales interaction, rather than discussing abstract concepts of value perception. Typically, interviews sought clarification regarding the degree and nature of supplier presales engagement and the nature of any post offer negotiation and discussions.

Ultimately 21 of the 54 buyers accessed through the snowball sampling approach completed the diary phase of the process and were subsequently interviewed. Details of the 16 organisations represented by the 21 interviewees are summarised in Table 1. There were several reasons why 33 of the buyers did not complete the Diary - Diary Interview Process.

| Interviewee Reference | Organisation Reference | Interviewee's Organisational Details |   |
|-----------------------|------------------------|--------------------------------------|---|
|                       |                        | SIC 2007                             | United Kingdom Standard Industrial Classification of Economic Activities          |
| #3                    | Org. #01               | 28990                                | Manufacture of other special-purpose machinery not elsewhere classified           |
| #4                    | Org. #02               | 21100                                | Manufacture of basic pharmaceutical products                                      |
| #5                    | Org. #02               | 21100                                | Manufacture of basic pharmaceutical products                                      |
| #10                   | Org. #03               | 36000                                | Water collection, treatment and supply  |
| #15                   | Org. #04               | 85421/22                             | First-degree / post graduate level higher education                               |
| #23                   | Org. #05               | 25990                                | Manufacture of other fabricated metal products not elsewhere classified           |
| #25                   | Org. #06               | 33160                                | Repair and maintenance of aircraft and spacecraft                                 |
| #28                   | Org. #07               | 85421/22                             | First-degree / post graduate level higher education                               |
| #29                   | Org. #08               | 85600                                | Educational support services  |
| #30                   | Org. #09               | 35100                                | Electric power generation, transmission and distribution                          |
| #31                   | Org. #09               | 35100                                | Electric power generation, transmission and distribution                          |
| #35                   | Org. #10               | 35210                                | Manufacture of gas  |
| #37                   | Org. #09               | 35100                                | Electric power generation, transmission and distribution                          |
| #38                   | Org. #11               | 62030                                | Computer facilities management activities   |
| #39                   | Org. #12               | 11070                                | Manufacture of soft drinks; production of mineral waters and other bottled waters |
| #41                   | Org. #11               | 62030                                | Computer facilities management activities   |
| #42                   | Org. #11               | 62030                                | Computer facilities management activities   |
| #48                   | Org. #13               | 87300                                | Residential care activities for the elderly and disabled                          |
| #49                   | Org. #14               | 43990                                | Other specialised construction activities not elsewhere classified                |
| #55                   | Org. #15               | 33160                                | Repair and maintenance of aircraft and spacecraft                                 |
| #57                   | Org. #16               | 36000                                | Water collection, treatment and supply  |

**TABLE 1: Industry Classifications of Organisations Represented in the IRC**

Ten of the buyers proposed transactions that did not fulfil the criteria for inclusion in the IRC and were therefore excluded from the study by the authors, seven buyers started the process but failed to maintain the diary and sixteen of the buyers felt unable to contribute for either organisational or personal reasons. The durations of the interviews ranged from approximately thirty minutes to two hours, with the average being one hour. The interview data were transcribed verbatim and managed within NVivo, alongside field notes, diary entries and other relevant documents.

The interview transcripts were analysed employing qualitative content analysis (QCA) which affords the opportunity to make both replicable and valid inferences from qualitative data (Jankowicz, 1995 and Bryman and Bell, 2003). QCA examines textual data in an attempt to identify recurrent themes, which it then systematically groups with the intention of developing a deeper and more complete textual understanding.

While QCA does not follow a specific set of predetermined rules (Hsieh and Shannon, 2005; Elo and Kyngäs, 2008), QCA is underpinned by several important concepts. Firstly, while there is a general acceptance that the frequency with which an idea occurs is an indication of its relative importance, QCA also requires researchers to distinguish the nature of the contribution (Easterby-Smith, Thorpe and Lowe, 1991; Bryman and Bell, 2003; Krippendorf, 2004; Rubin and Rubin, 2005). In this regard it is important to reiterate that respondents were encouraged to reflect on what had transpired, leaving it to the analysis process to interpret the contribution.

Secondly, QCA draws on established theories to link data. The analysis of the IRC used, as a source of initial coding, contributions from Sheth (1973), Zaltman and Bonoma (1977), Rojot (1991) Gundlach and Cadotte (1994) which provided examples of empirically derived value perceptions of professional buyers. These lists of value perceptions served as discussion documents for focus groups involving both experienced academics and practitioners. The purpose of the focus groups was to gain consensus as to what constituted high, medium and low weightings for each of utility value, exchange value and BSPV. A period of reflection and discussion followed which included the second author, who had not been involved in the focus group discussions, and as such was able to provide perspective. This process culminated in the creation of agreed weightings for each of the coded value perceptions.

The third accepted QCA principle (Hsieh and Shannon, 2005; Elo and Kyngäs, 2008) is that established themes can be further refined during analysis. The interview transcripts were

read, on multiple occasions, and independently coded by the lead author and an independent professional adviser. This coding process was followed by further reflection and discussion to develop agreed occurrence frequencies for the identified values within each transaction. The results, forming a ratio scale, were tabulated using NVivo, as is illustrated in Table 2 in respect of a typical transaction.

| NVivo Node Reference                 | NVivo Node Title                       | NVivo Node Frequency |
|--------------------------------------|--|----------------------|
| V03                                  | Objectification of Services            | 1                    |
| V04                                  | Taking Advantage of Market Competition | 1                    |
| V09                                  | Better products                        | 3                    |
| V12                                  | Value in Exchange                      | 4                    |
| V13                                  | Value in Use                           | 2                    |
| V14                                  | Value for Use                          | 1                    |
| V15                                  | Net Customer Value                     | 1                    |
| Cumulative Frequency for Transaction |  | 13                   |

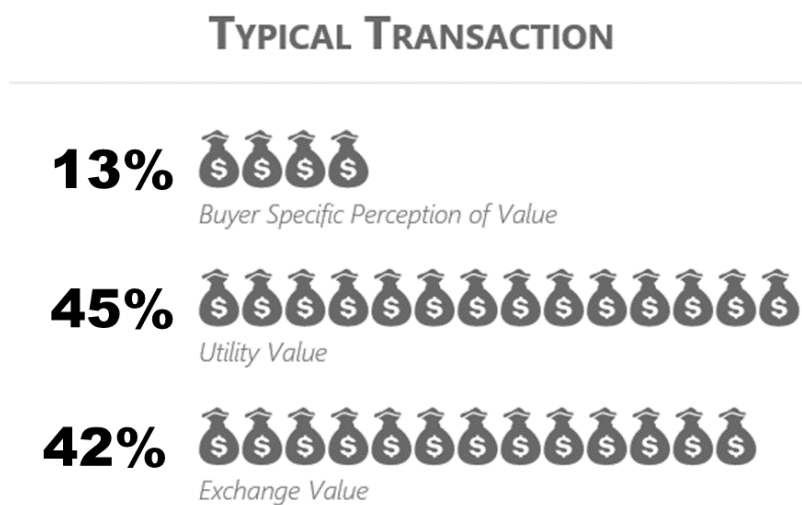
**TABLE 2: QCA Node Frequencies for Typical Transaction**

The next step in the analysis process was to establish the weighted frequency with which each of the three principal buyer value perceptions (Exchange, Utility and BSPV) occurred. To illustrate the technique used, the previous typical transaction is extended to develop a Weighted Value Frequency Table (Table 3).

| Buyer Value Perception               | Alignment Strength (Weighting) | NVivo Node Frequency | Weighted Frequency of Value Perception |
|--------------------------------------|--------------------------------|----------------------|--|
| BSPV                                 | High (3)                       |                      | 4<br>(13%)                             |
|                                      | Medium (2)                     | 2                    |  |
|                                      | Low (1)                        |                      |  |
| Utility Value                        | High (3)                       | 2                    | 14<br>(45%)                            |
|                                      | Medium (2)                     | 4                    |  |
|                                      | Low (1)                        |                      |  |
| Exchange Value                       | High(3)                        | 4                    | 13<br>(42%)                            |
|                                      | Medium (2)                     |                      |  |
|                                      | Low (1)                        | 1                    |  |
| Cumulative Frequency for Transaction |                                | 13                   |  |

**TABLE 3: Weighted Value Frequency for Typical Transaction**

Jankowicz (1995) and Krippendorff (2004) note the importance of presenting outcomes in a manner that eases understanding and enables patterns and relationships to be established, while Easterby-Smith, Thorpe and Lowe (1991) observe that a graphical form enhances the understanding of numerical information. The expression of the results in the form of a bar-chart is therefore final analytical step, as demonstrated for the typical transaction in Figure 2.



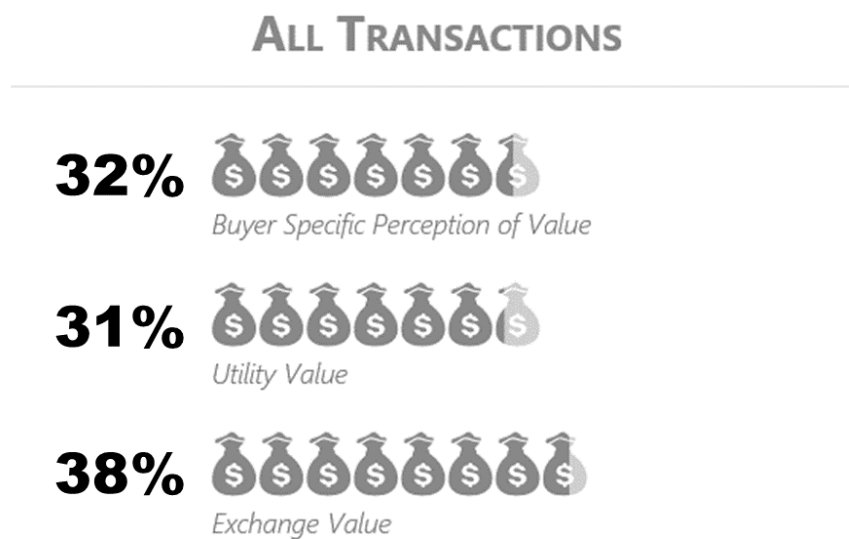
**FIGURE 2: QCA – Typical Transaction**



## Results

When viewed at the level of the individual transaction, the value perceptions of professional buyers were found to vary widely. Overall, exchange value was the most commonly occurring and it was found to be dominant in eleven of the twenty-one transactions. Utility value, although present in all but two of the transactions was dominant in only four, while BSPV was dominant in six transactions and in only one transaction was the buyer's value perception uninfluenced by BSPV.

By calculating mean frequencies across all transactions it is possible to develop bar charts which summarise these value perceptions in percentage terms. Figure 3 is the composite QCA results for all transactions within the IRC which demonstrates that the buyers' strongest focus was on exchange value, with utility value and BSPV also present but to a lesser extent.



**FIGURE 3: QCA – All Transactions**

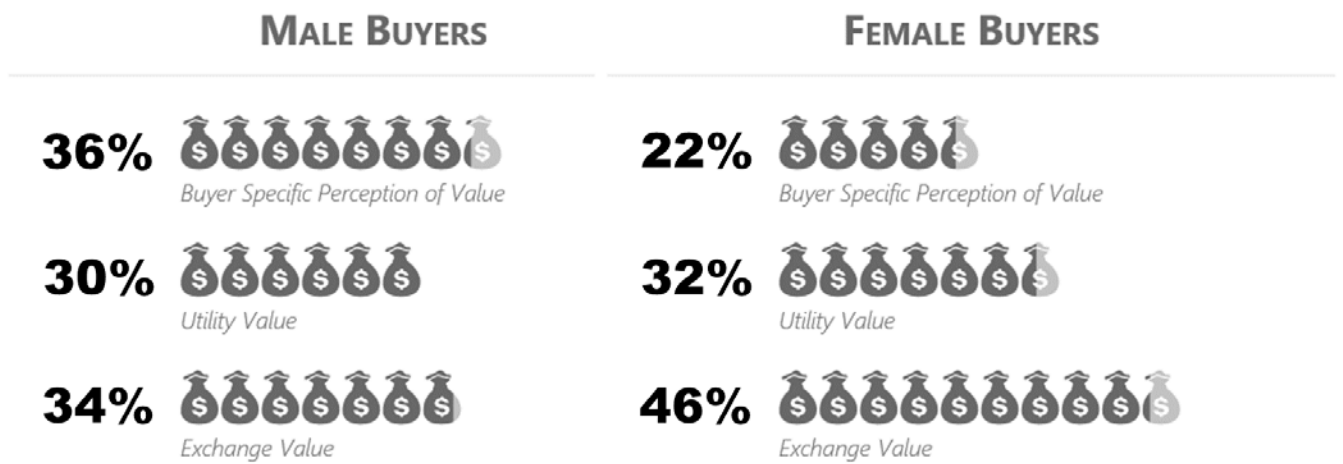
To demonstrate both the richness of the data, to give insight as to the nature of the value perceptions expressed and to exemplify the highly weighted examples of each value, brief excerpts from individual interview transcripts are shown in Table 4.

| Value (Weighting)                            | Illustrative Examples taken from Interview Transcript Excerpts  |
|--|---|
| Exchange Value<br>(High)                     | <p><i>'The main focus is always to look at price and payment terms'</i></p> <p><i>'...ultimately we are savings driven. There is a priority that we pay less than we did last year. And that we do that over the next 4 years.'</i></p> <p><i>'We need to discuss payment terms. We need to discuss the amount of money that is being spent here. For that amount of money we are expecting some sort of discount!'</i></p>   |
| Utility Value<br>(High)                      | <p><i>'If you can give me a product at £10 and deliver it on time, then that is better than a product that costs £6 which is late.'</i></p> <p><i>'We were not just buying equipment we were also buying the vendors competency to make sure that it was installed and commissioned correctly.'</i></p> <p><i>'However, in things like IT services it is important that the service actually works. There are obvious down sides if you have failures of your IT systems which potentially impact on aspects of billing systems and other key aspects of the business.'</i></p> |
| Buyer Specific Perception of Value<br>(High) | <p><i>'Probably only a desire to reduce my workload! That was one of the advantages of using .....</i></p> <p><i>'Mostly we will choose to use frameworks. Sometimes we will go outside [a framework] because it doesn't meet a particular need. Sometimes the reason for going outside might be less worthy than that!</i></p> <p><i>It can be difficult to make changes .... Even an old hand like me still sees that as a challenge! If the outcome is seen as a bit of a success it is always encouraging when you have been closely involved.</i></p>                      |

**TABLE 4: Interview Examples of Value Perception**

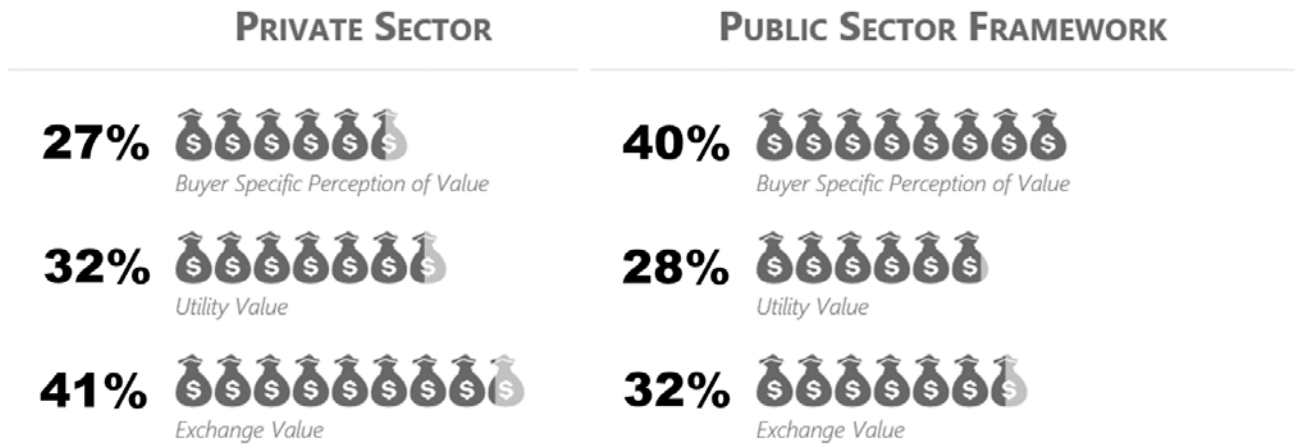
While it is recognised that the research design favours a relatively small sample, it is nevertheless possible to calculate mean frequencies for selected groups that share common characteristics. Smith (2012) and Roman (2015) seek to identify and understand behavioural differences between procurement professionals based on factors such as gender or market sector. To help inform such discussion it is possible to aggregate the results across sub-groups who share common characteristics in order to provide a comparison of phenomenologically determined value perceptions between the sub-groups. For example,

composite QCA results for male buyers and for female buyers are shown in Figure 4. This demonstrates that while males demonstrated a value perception profile that was relatively equally weighted across all three categories, exchange value perception was stronger for female buyers than was BSPV.



**FIGURE 4: QCA – Transactions Involving Male Buyers vs Female Buyers**

Similarly, examining QCA results for IRC transactions undertaken utilising the procurement frameworks applicable in the relevant area of the public sector to those in the private sector gives rise to Figure 5. While BSPV was strongest in public sector transactions, a focus on exchange value was most prominent in the private sector.



**FIGURE 5: QCA – Transactions in Private Sector vs Public Sector Framework**

### Discussion

The IRC findings profile a professional buyer in whom value perception emerges as being influenced by a complex combination of personal and organisational factors. Importantly, the presence of buyer specific perceptions of value (BSPV) was established in all but one of the twenty-one individual transactions that comprised the IRC. While the authors recognise that that Cox, (2004b); Payne, Storbacka and Frow, (2008) and Bauman and Le Meunier-FitzHugh, (2015) have previously documented that buyer behaviour is driven by factors that are unique to the individual buyer, the IRC provides a means by which these factors can be understood. The authors suggest that by utilising the lens of buyer value perception it is possible to penetrate the complexity and to make a comparative evaluation as to how the wider, psychological needs of the buyer interact with the effects of the organisational roles and goals of the businesses they represent.

Skilton’s (2014) resource based view suggests that organisations develop procurement strategies which seek to recognise the dyadic power balance and which cultivate notions of value creation and value capture. The IRC, assists such strategy development by providing a means to develop a deeper, more nuanced, understanding of the perceptions of value held by

buyers. While the IRC concentrates on conditions of power based interdependence, the methodology offers the potential to enhance strategy development in situations where there is power asymmetry across the dyad.

A founding premise of S-DL is that value is always uniquely and phenomenologically determined by the beneficiary (Lusch, 2011). The frequency with which BSPV occurs within the IRC, and the influence it has on buyer behaviour, suggests that tangible value is being created (at least for the buyer) during the pre-sales interaction: prior to any agreement between the parties to work together. While Ballantyne and Varey (2006) recognise that within S-DL the quality of service offering associated with previous interactions may influence buyer value perception, it is generally accepted that S-DL value is only created during 'in-use' experience (Frow and Payne, 2011). The IRC also recognises that the influence of BSPV, which is not specifically considered within S-DL, is also considerable. Lusch (2011) argues that S-DL is an appropriate theoretical lens through which to view supply chain research, and poses the question 'How does one deal with conflicting value propositions?' (Lusch, 2011:16). The authors suggest that the IRC, in providing a more informed understanding of buyer value perception, is a significant first step on the road to meeting this challenge. It is, however, acknowledged that there remains a gap between developing this understanding and fully answering the question posed by Lusch.

Tandelis (2012) examines the pursuit of value within public sector procurement systems and, in asking how private sector practices may help inform policy, notes a lack of serious exploration of value constructs within the extant literature. The IRC comparison of transactional value perception within the private sector against that associated with public sector procurement frameworks demonstrates that the value perception of buyers within both sub-groups are influenced by BSPV, exchange value and utility value. There is, however, a relatively higher incidence of BSPV and a lower incidence of exchange value within the

public sector. Such findings begin to address the Tandelis (2012) concerns, and introduce questions as to whether a more dominant profit motive exists within the private sector, while buyer desire for organisational position is more influential in the public sector.

The comparison between the value perceptions of male buyers against those of female buyers shows that, within the IRC, female buyers place a greater emphasis on exchange value and less on BSPV than did their male counterparts. Such findings appear to support the work of Kray and Haselhuhn (2012) who suggest that male buyers exhibit a level of 'ethical pragmatism' that allows considerations of self-interest to give licence to their motivational bias. Kray and Haselhuhn call for future research to understand the boundary conditions applicable to gender specific motivational drivers; linking this to a need for ethical standards in business to business negotiation. The methods utilised in the IRC offer the means to answer such a call.

## **Conclusions**

Three main objectives were associated with this study. Firstly, to develop extant qualitative methodologies in a manner capable of penetrating the complexities of value perception at the commercial interface between buyers and sellers. The authors suggest that the methods adopted in the IRC significantly add to the research toolbox available to further the understanding of the anatomy of buyer value perception. Secondly, the authors sought to empirically identify, within the context of an exploratory case study, the dominant patterns of buyer value perception that occur. The suggestion that buyers are, in general more influenced by exchange value than by utility value provide both managers and academics with an insight as to how utility value, exchange value and BSPV are likely to influence buyer behaviour. Organisations may well reflect on such insight as they attempt to align procurement policies and procedures with organisational goals and objectives.

Thirdly, that authors wished to consider how the results of this exploratory study might impact on the direction of future research and managerial thinking. Significantly, the IRC examines an existing phenomenon through a new lens which the authors consider shapes new lines of enquiry.

It is, however, recognised that the research design favours the drawing of empirical evidence from a relatively small sample and therefore no attempt is made to claim generalisability beyond the boundaries of the case. A clear potential direction for future research effort would be to extend the study to expand the number of respondents. Noting that Yin (2013) cautions against failing to recognise that the objective of subsequent cases is 'replication' and not a misplaced application of a 'sampling logic', nevertheless, it would be appropriate to generate data across a wider population, potentially exploring different contexts and power structures. Critically, the authors believe that if normative theories concerning buyer value perception are to become more robust, maintaining a qualitative focus should remain a key aspect of any further research.

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