

UNDERSTANDING THE ROLE OF SERVICE AND VALUE CO-CREATION IN SALES FUNCTIONS

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DOI# 10.23862/kiit-parikalpana/2017/v13/i2/164520

ABSTRACT

In today's market a customer buys a product not just for transactional value but for a value in use. Companies tend to look at the customer as a co-creator of value by engaging with the customers through learning, dialogue, mailers, and social media thereby following a collaborative approach for customized products and services. Accordingly, companies have moved from a post sales reactive strategy, to a presales proactive engagement with the customer leading to reduced dissonance and increased collaborative value creation. This paper critically analyses the essence of collaborative value creation and discusses the critical role of customers, intermediaries, and communication in current business scenario.

Keywords: Cocreation of value, communication, collaborative value creation

INTRODUCTION

Sales today is primarily a function of value that the consumer perceives in the product features, attributes, and the entire value chain. Today it is important to ensure a holistic approach to marketing that aligns and integrates all stake holders including the channels, the sales personnel, the product, the pricing and the promotional aspects towards the company philosophy so that the product/service stands out as distinct in the minds of the consumers. It is also important is to understand the internal customers - both the intermediaries and the company sales personnel. The focus

today is to look beyond Segmentation, Targeting and Positioning and focus on value or the utility that the product/service has to offer so that the customer will be able to make a purchase decision after clear evaluation of information available to him/her and the alternatives available thereby.

Today there is a paradigm shift from customers being just offered a product or service, to engaging the customer in creating a value for the object or service. Engagement in creation of value makes the customer a co-creator of value and is being referred to as "Prosumer". To be

competitive, today companies, have to move from mass customization to a process of collaborative product development, customer innovation, customer empowerment, and customer involvement in order to have a competitive advantage over the competitors. Today engaging with the customer pre purchase and post sales plays an important role in creating a win-win situation for both the company and the customers.

Pierks et al. (2012) and Hienwarth et al. (2014) focus on the ecosystem, wherein both business and customers interact and innovate involving end consumers, distributors, suppliers and the company sales force, as an important thrust area in creating value. The Ecosystem plays a vital role in the process of co-creation of value. Hence, the focus of most marketers today is to engage with customers from pre sales to post sales and use various tools like Customer Relation Management, online feedback and social media in order to reach out to customers and make them aware of various products and services along with responding to their queries. Accordingly, companies focus in the process of creating special task forces to work upon co creation of value through collating data and studying the changing preferences of customers and competitor moves in the market, analyzing customer feedback, implementing best practices and reducing customer dissonance. Listening to customers helps companies to engage effectively with the customers and help increase the process of affiliation

between the product and the customer. Consumers collaborate with companies or with other consumers to produce things of value. As a result the gap between producers and consumers is blurring (Tapscott and Williams, 2006) and a person can seamlessly shift from consumer to contributor and creator of product, services, and its value. As a result, it is observed that a lot of focus has been there on the word ‘prosumer’ which was first coined by Alvin Toffler in 1980, to emphasize the novelty of asking individuals to simultaneously play the role of consumer and producer (Kotler, 1986; Tapscott and Williams, 2006). Value is always co-created with the customer (Vargo and Lusch, 2008). The concept of value co-creation proposes a value system where producer and customer in a relational system create value through the integration of their resource (Lusch, 2011) and value is realized and determined by the customer (Ramirez 1999; Grönroos 2004; Payne et al., 2008; Vargo and Lusch, 2008). Customers do not make purchases for the sake of making a purchase; rather they seek a “value” through the service.

Studies have argued that customers possess unique knowledge about their preferences (Prahalad and Ramaswamy 2004) and so their involvement increases success in terms of product –customer need fit (Alam, 2002), profit and market share (Joshi and Sharma, 2004). Through a process of co creation, firms and customers exchange their ideas, obtain

solutions (Kristensson et al, 2002) resulting in product innovation and better customer adoption. The process of co creation is dependent on meaningful and mutual *engagement* (Prahalad and Ramaswamy, 2004) between the firm and the customer where both stand to benefit.

Frank and Piller (2004) also found that consumers are willing to pay a considerable price for self designed products. The companies by involving the customer in the innovation process also gets to know more on their needs and thereby the likelihood of success of the products increases so as also the firm's reputation (Kaplan, 2006, Fuchs, 2011). Customer participation is activated by communication at the firm-customer interface and through iterative customer-company interaction; both sides can combine their knowledge, enhance shared understanding and learn about the other's needs (Sawhney et al, 2005). Satisfied customers shall talk positively about the new product (Hoyer et al, 2010). Secondly, even if the product doesn't match with needs, the firm shall benefit from learning during the product's development, learning from innovation experience and improving the firm's organizational capabilities thereby ensuring long term innovation having a positive impact on the firm's performance . Ramirez (1999) says customers create value, co create and coinvent it. By engaging the customers as active participants, these companies create customized products for the customer to see value in it.

Tapscott and Williams (2006) talked about Flevog shoes where customers are asked to submit online designs for consideration by the company to produce. Similarly, Virgin Mobiles asked a select group of customers for ideas on how to better market the company's products and services and also implemented the suggestions of the customers in improving service levels (Chesborough et al., 2006). Weiner (1992) suggested that in the process of co creation the consumer remains attached with the co created product. Similarly, Norton and Ariely (2007) also had similar views on customer playing the role of the producer today.

Companies have realized that the customer plays an important role not just in the buying process but beyond. In the Value Chain starting from the product conceptualization/design to the functional attributes of the product and services the customer plays an important role as a Co Creator of the value proposition creating a win-win situation for both the company and himself/herself. The company tends to benefit by engaging with the customer in understanding the shifts in preferences of customers and adapting itself to better technology and customization in products and services to create a competitive edge. Companies today need to gear up to not just the transactional experience but the pre and post transactional experience, and accordingly thereby the segmentation, targeting and positioning strategy can be worked out . Starting with Product awareness and subsequent positioning to

the after sales servicing and the positioning thereof. These shall focus around not just Value Positioning but Value in Use Positioning too. Product variants such as kitchen gels, liquid hand washes, pre and post purchase consultancy in case of paints and electronic goods indicate that companies tend to innovate today by creating a need /latent need in the minds of the customer. At the same time companies tend to innovate/improvise their products by learning from customers too. Asian paints has come up with many new product variants from customer feedbacks

Often customer relationship can be best managed by intermediaries who act as an interface between the customer and the producer by understanding them appropriately. The intermediaries interact with the customers more often and at times create attachment with the customer, thereby understanding the role of service in influencing consumer buying behavior. The role of the firm's sales force becomes extremely critical as they are the people who frontend with the customer on a regular basis. They cut across the organization's functional areas (Davis, Brady, and Hobday, 2007) and ensure that the ecosystem also supports the process of co-creation. Apart from *Internal resources* like its own sales force, the firm also engages with *external resources* like channel partners/members, consultants in trying to work out a Value Proposition. Customer engagement in product/service innovation today has been made possible through the internet, which now allows

companies to build strong online communities through which they can listen to and integrate thousands of customers from all over the world (Dahan and Hauser, 2002). The success stories of open source software projects such as Linux and Apache suggest that customer empowerment also makes sense economically (Pitt et al., 2006). Companies have been engaging with customers through social media and the feedback received from customers is analysed and monitored by companies (many companies have a special task force to collect, analyse and integrate the data) and is used as a tool for strategy. Companies such as Adidas, BMW, Ducati, Procter & Gamble, and 3M have created online platforms that aim to integrate their customers' innovative new product ideas into processes more actively, more directly, and more systematically (Ogawa and Piller, 2006; Pitt et al., 2006; Sawhney et al., 2005).

It is evident that an area where companies need to focus is people where both the company personnel and channel members play an important role as they need to believe in the Value Proposition of the company so that they disseminate information in a manner where the customer sees value and engage with the customer in the process of Co Creating value.

Understanding the process of Data Analysis, and Integration to create a competitive edge

Data analysis as a tool becomes all the more useful today for understanding customer preferences, creating a value proposition, and thereby a differentiation by engaging with the customer. What is of importance to companies is to understand the ways and means of capturing data, careful introspection/analysis of data and integrating the data in strategy formulation. Leveraging market, customer and internal knowledge is a key function of any sales function. Both the sales person and customer tend to identify preferences of customers, perceived benefits, identification of needs, both stated and unstated, making the way for understanding the value that the customer is looking at and identifying areas where the customer can be involved in the process of creating value. Similarly, the entire value delivery chain needs to be integrated towards creating the value in the service offerings of the product that shall be a determining factor in the entire segmentation, targeting and positioning process. Different levels of customization can then be made to suit the customer and the seller and more towards customer bonding.

Understanding the level of involvement and the role of the customer in the process of co-creation:

It is increasingly important to bridge the gap between the customer's perception of value and the actual benefits, and the seller needs to continuously strive to ensure that the value proposition created through the service offerings needs to be properly

understood. The customer's perception of value may be influenced by the firm's activities and the sale personnel who communicate value to the buyer. In this context, it is important that the firm and its sales personnel are able to manage the expectations of the customer with respect to the tangible and intangible benefits that the product/service offers. Hence the seller /sales personnel needs to be highly skilled to ensure desirable satisfaction from the customer, as also to harp upon the customer that there needs to be a shift from just functional attributes of the product to the service that the product offers to satiate the needs and wants of the customer.

Business entities such as Titan, Sony and McDonald have started asking consumers for detailed inputs. Crowd sourcing is another means of getting ideas and feedback to inform customers on product design and service delivery. Many T shirt companies these days allow customers to design their own products. IKEA sells unassembled furniture that the consumers put together. In this process IKEA lowers its operational cost and passes the benefits to consumers in the form of lower prices. Products like KurKure in India ask the consumer for recipes and the same is incorporated with the customers' family picture on the packet thereby recognizing the customer's involvement for his collaborative innovation. Procter and Gamble's "Vocalpoint" program is an online community of product enthusiasts who are rewarded with coupons and samples in

return for talking to others about the products. Companies in India have also started to use social media as a means to reach out to customers. Facebook and Twitter are used as an interactive medium to reach out to and engage with the customer and apprise him of product features, new product launches and feedback.

Leveraging market, customer and internal knowledge for profit maximization and increase in sales:

Leveraging market, customer and internal knowledge is a key function of any sales function. Both the sales person and customer tend to identify preferences of customers, perceived benefits, identification of needs, both stated and unstated, thereby helping in deciding strategies both at the macro and micro level decision making, thus helping the marketer to redesign his sales strategy. Perceptions of customers with respect to the product attributes may vary, but the relevance of service that the product would offer would more or less be the same. The process would also help understand the role of experiential learning, memory in the decision making process.

Moving away from functionalities to the service that the product offers becomes relevant for both the buyer and the seller so that the customer perceives and understands the value in the product. The entire value delivery chain needs to be integrated towards creating the value in the service offerings of the product that shall be a determining factor in the entire

segmentation, targeting and positioning process. Different levels of customization can then be made to suit the customer and the seller and more towards customer bonding and thereby profit maximization. Exploratory research can help here in identifying the preferences of the customer and thereby the customization strategy of the seller.

Conveying Value Proposition to the customer:

It is increasingly important to bridge the gap between the customer's perception of value and the actual benefits, and the seller shall continuously strive to ensure that the value proposition created through the service offerings needs to be properly understood. Towards this, the customer's perception of value may be influenced by the firm's activities and the sales personnel who communicate value to the buyer. It is important that the firm and its sales personnel are able to manage the expectations of the customer with respect to the tangible and intangible benefits that the product/service offers. Hence the seller/sales personnel needs to be highly skilled to ensure desirable satisfaction from the customer, as also to harp upon the customer that there needs to be a shift from just functional attributes of the product to the service that the product offers to satiate the needs and wants of the customer.

The entire communication process needs to be customized and at the same time the value offered in terms of the services offered by the product needs to

understood well by the customer. Hence, the channel members and intermediaries along with the sales personnel need to understand the consumer's values, attitudes and lifestyle and accordingly present to and make the consumer to see the benefits / services that the product/services offers. Exploratory research would help in understanding their perceived benefits in order of their relevance to the customer in order of priority after which a descriptive research can be done on the same.

Co-creation of value and solutions:

In the concept of understanding sales and distribution logic, what is important is that there has to be a process of meaningful and mutual engagement. Sales personnel need to understand that the actual value is determined by customer and hence try to put themselves in the shoes of the customer and identify the needs, preferences and identify more value added customized propositions. They should be able to integrate the organization activities and processes with respect to the marketing decisions taken by customer. In this process, while the customer gets to know about the services that the product offers, the seller in the process of understanding the customer also gets to know about certain unstated or latent needs which if incorporated in the product/services could actually result in creating value which can create a competitive edge and cocreate solutions for both the buyer and seller. In this process of cocreating solutions, it can lead to a satisfied customer, thereby resulting in a positive word of mouth, repeat

purchase and addition of new customers. Involving customers in the value creation process can decrease a company's cost of production which may in turn influence the price that the company charges. In this process of creating least or no customer dissonance, utmost care is to be taken in ensuring that more value propositions are created through dialogue and conversations with the consumer/buyer and the seller.

Conversation, Dialogue and Learning:

Most customers have unclear needs and that is where the sales person has to have the ability to quickly elicit customer priorities. The seller has to be more interactive with the customer and engage him/her into a conversation, dialogue and thereby learns from the customer the value perception and should be able to convey to the customer in clear terms about the benefits of the services that the product offers. The process of conversation will help in understanding the unmet needs of the customer and can be used to explore latent needs thus help in creating value through customized solutions and thereby resulting in increased sales and a competitive advantage. Often while responding to queries posed by the consumer, the seller gets to understand the relevance of the services offered through various product attributes and offerings and in the process the seller gets to explore the unstated and latent needs, and plans accordingly to create value to act as a differentiator in the marketing and selling process.

Building Trust and Long Lasting Relationship:

A sales and distribution logic is inherently formed in customer orientation and the customer loyalty depends on the service that the customer receives from the seller. The qualities of customer relationship are dependent on how well it is managed and if not managed properly can be detrimental. The co-creation of value through the process of dialogue, conversation and learning should not be just a short term process but should be a continuous and ongoing process for sustainable competitive advantage through co-creation of unique value propositions. This would ultimately reduce customer dissonance, increase customer base, repeat purchase of same/modified product, and foster brand loyalty.

A positive Word of Mouth will ensure that it is a loyal customer gained who can be influential in getting more customers to buy the product, reference groups can be formed, a competitive advantage can be gained and through new product innovations and strategies. It has to be a sustainable strategy and the Product Life Cycle (PLC) needs to be carefully understood and at each stage create benefits/services that shall hold the customer on through the Product Life Cycle.

Service Dominant Logic in Sales functions:

Today service can be defined as the intangible element that is exchanged

between the buyer and the seller with the goods/services being purchased. Whether in the Fast Moving Consumer Goods sector or the Consumer Durables sector, there is a shift today from the traditional selling process and, the focus has shifted to a consultative process where problem recognition, presentation of solution by understanding the customer's perspective, his expectation, his met and unmet needs, through a process of interactive personal selling by understanding the services that the product offers. Whether in Consumer Durables, FMCGs, or typical service industry it is the level of customization that ultimately creates a bonding between the customer and the seller which is built on trust and fosters brand/product loyalty.

The paradigm shift will be towards a solution based approach towards marketing rather than an attribute based approach in order to understand a customer's needs so that a more customized service offering of the product/services can be made, create a stronger Customer Relationship and thereby a coherent competitive advantage. Today the emergence of the service dominant logic in sales has made marketers to rethink their branding strategies and focus on the functional attributes of the product in how to create value for the product and thereby create a bonding.

These can be substantiated from the case studies on select brands as follows:

L'Oreal

The tagline "Because you are worth it" talks

about the values the company stands for. Innovation and flexibility are the indicators of the relevance of Co-creation and value in use concept, and a source of Responsibility towards the customer. L'Oreal focused heavily on educating and training the customer on better quality products, and yet being affordable to middle economic class people. 50 academic institutions train 1.5 lakh hairdressers annually. Apart from this, they engage with customers on social media, focuses on raw materials that are biodegradable and believe in better distribution channel and strong retail relationship.

Indigo Airlines

It has a Unique Selling Proposition of "On Time performance", low price, and connectivity targeting the cost conscious processing and portions itself as "Low cost No frills" and focus on "Single Class" which is primarily "Economy class". Continuous innovation to improve on non price factors such as ease of ticketing, check in etc has helped the carrier. Tie-up with hotels creating on holistic package for the customers (the tie up with Sarovar Hotels) is another example of value addition. Faster turnaround time of less than 30 min reinforces the Just In Time concept along with empathy resulting in positive "Word of Mouth" coming from highly satisfied customers works for it.

Maruti Suzuki

The differentiating factors for itself are Reliability and Responsiveness as rated by

customers (Topped the JD power 2015 Costumer Service Index shady as best after sales service for the 16th year in a row), and Assurance (Costumer Service Index of 906/1000 point scale with a industry average of 866, a measure of Customer Service Index). Other factors include Empathy, Economy with Technology and Large distribution network.

Ginger Hotels

It focuses on catering to huge middle class segment on affordability yet quality hotels. This chain of hotels is present across 29 locations in India. Brand image of Tata group along with no hidden costs & transparent booking process coupled with empathy results in a strong brand equity.

Dove

Unilever's biggest personal care brand in four primary groups such as body wash, deodorants skincare lotions and hair care and more than 100 different lines including facial wipes, lotions, shampoos, anti aging cleanses, skin nourishing treatment, deodorants, etc. New innovations like Dove firming (to reduce the appearance of cellulite), Dove silk (a moisturizing range), Done fresh touch, Dove pro-age (for mature skin and hair), Dove Summer Glow (with self tanning agers) have helped its cause.

Whirlpool A/C

It has realignment of its team on *Relationship oriented sales driven approach*. Internal focused strategy on

planning & prioritizing, persuasive communication, people management, Innovation & quality is focused. In store promotion, Innovation like power saving mode, climate control mode, Inverter technology with 40% energy saving act as value addition for the customer. Values of the company focuses on respect (through great results built on trust), team work (collaboration of ideas), diversity and inclusion (making every individual to excel), integrity (maintaining highest possible standards of personal, professional and legal), and high customer investment through blogs, opinions, reviews, online feedback form, and 24X7 customer care.

Conclusion

All these point to the fact that companies these days are focusing on creating value for the customer and the service concept of the product is being given a lot of focus so that they create a product/service in which the customer sees Value (both Value in Use and transactional Value).

Most importantly in today's scenario where the customer is more Value conscious, the entire Value Delivery Chain adopted by the Company tries to engage with the customer in a spirit of collaboration where the customer plays an important role in the process of Value Creation whether transactional or value in use.

Hence companies have been trying to engage with customers and the data collected through listening, conversation

and dialogue with customers through various forums including social media and face to face interviews is integrated effectively to create a competitive edge.

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