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Understanding Value-based Pricing: Conceptualising Customer Value in a B2B Industrial Context

by

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“The single most important decision in evaluating a business is pricing power. If you’ve got the power to raise prices without losing business to a competitor, you’ve got a very good business. And if you have to have a prayer session before raising the price by ten percent, then you’ve got a terrible business.”

- **Warren Buffett, CEO of Berkshire Hathaway Inc.**

Abstract

The aim of this study is to define and conceptualise the dimensions of customer value for value-based pricing strategies within a B2B industrial context. Furthermore, this study advances theory and knowledge in research about pricing and B2B relationships between customers and sellers. Prior research findings were incorporated in order to develop a multidimensional and multifaceted framework showing how customer value for value-based pricing is constructed. The empirical part of the study was conducted using a case study along with guided semi-structured interviews. The sample was selected from employees of the case company ASSA ABLOY. Nine managers with touchpoints to pricing, strategy, service or sales were selected as our participants. The conducted interviews investigated how companies conceptualise value for their customers when implementing a value-based pricing strategy. The analysis of the empirical data was managed using our developed customer value framework that was derived from the literature review. The results support previous findings stating that customer value is a multidimensional and multifaceted construct consisting of five value dimensions; operational, proficiency, strategic, symbolic and social value and according facets. On the basis of our research, we suggest adding the new value dimension of environmental value as well as newly discovered facets to the conceptualisation of customer value in a B2B industrial context.

Keywords: Value-based pricing, customer value, pricing strategy, B2B relationships

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Abbreviations

Abbreviation

Meaning

B2B

Business-to-business

B2C

Business-to-consumer

HPDS

High Performance Door Systems (division of ASSA ABLOY Entrance Systems)

IDDS

Industrial Doors and Docking Systems (division of ASSA ABLOY Entrance Systems)

PDS

Pedestrian Door Systems (division of ASSA ABLOY Entrance Systems)

IoT

Internet of Things

1 Introduction

Pricing is an integral component of marketing, famously regarded as one of the key elements of the marketing mix (McCarthy, Shapiro & Stanley, 1960) and the only one that actively creates revenue (LaPlaca, 1997; Shipley & Jobber, 2001). The impact of pricing as a business management mechanism can be considered very powerful. The effect of a small change in price increases profitability significantly more in comparison to other levers of operational management. Practitioners state that effective pricing tactics and strategies can deliver a two to seven percent increase in return on sales (McKinsey, 2015). Furthermore, within theory Hinterhuber (2004) examined this effect on a sample of Fortune 500 companies. The author found that a five percent increase in selling price increased operating profit by an average of 22 percent. This is the most beneficial way to increase profit compared to other tools of operational management.

Given the high impact of pricing on profitability, it is implied that understanding pricing strategy is a crucial competency within a business. There are three main types of pricing methods, namely; cost-based, competition-based and value-based pricing strategies (Hinterhuber, 2008a). In industrial business-to-business (B2B) markets companies face high competition and find difficulty in composing unique value propositions (Töytäri, Alejandro, Parvinen, Ollila & Rosendahl, 2011). To overcome this challenge companies are urged to differentiate themselves from the competition. One way of standing out is to successfully implement and practice value-based pricing within business operations. It is difficult for B2B industrial companies to manage value-based pricing as they find it difficult to conceptualise and evidently do not know what values to offer to customers. Within a B2B context the relationship between the buyer and seller is very important as customer value is the eventual long-term product of the relationship. On the contrary, it is a very different conceptualisation process from business-to-consumer (B2C) where customer values are set and communicated by the seller. Nevertheless, when executed proficiently, value-based pricing aligns with customer value and company interests appropriately. Whilst each of the previously mentioned pricing strategies has its merits and limitations, value-based pricing is proposed by academics (e.g. Docters, Reopel, Sun & Tanny, 2004) as well as practitioners (e.g. Dolan & Simon, 1996) as the most beneficial. However, in a recent article of Harvard Business Review an author states “I have found value-based pricing [...] to be the most commonly discussed concept that is also the most misunderstood one. It creates more confusion amongst marketers, and even many pricing experts, than any other pricing concept” (Dholakia, 2016, p.1). This implies and suggests there is a need to understand value-based pricing in more detail. One important aspect

of understanding value-based pricing is to recognize which dimensions create value for the customer, in order to price products and services equitably.

1.1 Background

Pricing strategy holds great importance in organisations. However, pricing strategy is seemingly a crucial marketing element that does not receive sufficient attention by academics. The topic is represented, as an estimate, in less than two percent of published papers from leading journals within the field of marketing (Liozu & Hinterhuber, 2012; De Toni, Milan, Saciloto & Larentis, 2017). Kienzler and Kowalkowski (2017) systematically reviewed 22 years of marketing research articles with pricing strategy in context. The key takeaways from the extensive review accentuated the need to explore areas of pricing in greater detail. Of particular interest was the fact that future research should address pricing, particularly in a B2B pricing strategy setting, as current research is fairly scarce in comparison to B2C pricing strategy research (Kienzler & Kowalkowski, 2017). Hence, there supposedly is a need to enrich the research field of pricing.

Pricing strategy research remains dominated by articles focused on B2C. Two-thirds of pricing articles within the last 22 years focused specifically on this setting, whilst only one-sixth of articles specifically addressed a solely B2B context (Kienzler & Kowalkowski, 2017). A plausible explanation is offered by Kienzler and Kowalkowski (2017) who acknowledge that a B2C context offers favourable conditions for research, largely due to the comparably high complexity in B2B research (i.e. difficulty in attaining sample size, costlier data sources, etc.). However, when taking the economy of the United States of America as an example, B2B transactions account for the same dollar value as B2C transactions (Grewal & Lilien, 2012). There currently is also an imbalance between qualitative and quantitative research designs in pricing research. As outlined by Kienzler and Kowalkowski (2017) quantitative designs dominate this field of study, with 86 percent of past studies following a quantitative approach. A suggestion from their research was that qualitative research designs would allow for deeper understanding of pricing strategy. This highlights a knowledge gap and a corresponding need to provide distinctive insights gained through qualitative B2B studies.

Value-based pricing is a well-recognised concept within marketing and pricing. Liozu, Boland, Hinterhuber & Perelli (2011) propose that further understanding of value-based pricing across industries would contribute to literature and practical knowledge. The authors state that value-based pricing requires further exploration as many executives do not fully understand the concept. Practitioners fail to distinguish this concept from total cost of ownership, low prices and competitive advantage (Liozu et al., 2011). Current value-based pricing literature in an industrial B2B context is in disagreement with some authors holding the widely accepted

assumption that value-based pricing can be unassumingly adopted or embraced (Ingenbleek, 2007; Hinterhuber, 2008b; Cressman, 2012). However, we argue that certain challenges to implementation exist and that further understanding is needed, specifically around the understanding of value conceptualisation for value-based pricing. Authors such as Töytäri, Rajala and Alejandro (2015) agree that further knowledge is needed about value quantification and value conceptualisation. Consequently, theorists in pricing research urge that additional empirical research is required to be able to accurately quantify intangible value dimensions for value-based pricing.

Customer value in industrial markets is constructed by several value dimensions. Authors suggest that additional research should concentrate on making customer value frameworks more comprehensive, generalizable and most importantly operational (Töytäri et al., 2011). This is also in line with earlier propositions by Ulaga and Chacour (2001) who stated that value-based pricing research should review the conceptualisation of customer-perceived value as the basis of value-based pricing. Dimensions and according facets of customer value in B2B markets are considered to be at an early stage of study (Ulaga & Eggert, 2006). Similarly, Hinterhuber (2008b) suggests that further exploration and validation of customer value conceptualisation are the next critical empirical steps. Hence, these arguments suggest that specific customer value dimensions should be explored in order to conceptualise customer value within B2B industrial markets.

1.2 Research Aim & Objective

Our aim is to examine the dimensions and facets of customer value that are used as a basis for formulating a value-based pricing strategy. We agree that value is a multidimensional and multifaceted construct and therefore, based on the identified research gap, we propose the following research question:

- How can we define and conceptualise the dimensions and associated facets of customer value for value-based pricing?

Previous findings (Anderson, Jain & Chintagunta, 1993; Flint & Woodruff, 2001; Flint, Woodruff & Gardial, 2002; Hinterhuber, 2008b; Jackson, Neidell, & Lunsford, 1995; Kowalkowski, 2011; Lindgreen & Wynstra, 2005; Liozu, 2016; Ritter & Walter, 2012; Töytäri, Rajala & Alejandro, 2015; Ulaga, 2003; Ulaga & Eggert, 2005; Ulaga & Eggert, 2006; Vargo & Lusch, 2004; Walter, Ritter & Gemünden, 2001) are incorporated as the foundation of research for customer value conceptualisation which we strive to validate, enrich and complement if suggested by our results. In order to answer the research question this study uses a case method. Our research will draw on various theoretical models in relation to customer

value conceptualisation. This will be a qualitative study consisting of guided semi-structured interviews and will be analysed through a content analysis. Findings from this study will contribute to a better understanding of the theoretical underpinnings when exploring the topic of customer value conceptualisation. This study will add theory and knowledge to research about value-based pricing as well as B2B relationships in general. A further contribution will be made from a practical sense where managers will be able to identify strategies needed to provide excellent customer value and gain a reasonable share of this value by formulating an adequate pricing strategy.

1.3 Delimitations

This study examines pricing strategy and customer value conceptualisation. Other business strategic business mechanisms will not be delved into. ASSA ABLOY has a wide range of products and services. However, this study is unable to encompass the entire breadth of offerings and only focuses on Entrance System products and services (ASSA ABLOY Group, 2018).

1.4 Thesis Outline

Chapter two provides an overview of previous research of pricing in an industrial B2B context, pricing strategies incorporated by industrial companies as well as the introduction of the concept of value-based pricing. This chapter outlines characteristics of companies that succeeded in value-based pricing strategy implementation, quantification and communication. This is then followed by a description of the implementation barriers of value-based pricing strategy. Subsequently, customer value is defined and the different facets of customer value are presented to deepen the current understanding of the constituents of customer-perceived value as the basis for value-based pricing. Chapter three is the methodology section which describes the research process and our methods used in order to gather the empirical data. The empirical analysis in chapter four follows the research method of content analysis by presenting the findings with links to the relevant literature. Chapter five states our discussion based on our empirical findings. Our conclusion in Chapter six summarizes and discusses these findings and presents our contributions to the pricing literature. This final section also deals with implications for theory and practice. In addition, we discuss the limitations of the study and suggest some opportunities for future research.

2 Literature Review

2.1 B2B and Industrial Marketing

Suppliers or sellers in B2B markets have to pay thorough attention to the relationship with their customers as it is found to be a driver for business success. As identified by Ford (1980) the interdependence between the buyer and seller in a B2B context is a crucial characteristic in industrial marketing. Relationships have been studied as an important phenomenon in the business landscape and have to be recognised and carefully handled by management as they are central to decision making processes in B2B contexts (Håkansson & Snehota, 2002). Both sides of the market enter a relationship and bring resources to this relationship for their own ends and seek to achieve them through the interplay between both parties (Ford, 2002). It was observed that business relationships between two companies tend to be close, complex and frequently long-term while extensive contact patterns between individuals from each company exist (Ford, 1980; Ford, 2002; Håkansson & Wootz, 1979; Turnbull, Ford & Cunningham, 1996). In business markets it is found to be a critical task for the business marketer and purchaser to develop and manage a relationship (Ford, 2002). This accentuates the need to understand the drivers behind successful relationship building.

Relationships in B2B markets between different suppliers and customers share common characteristics. Seller and customer relationships of companies often show a long-lasting continuity and a relative stability (Snehota & Håkansson, 1995). Mutual adaptations are generally the result of these long-lasting relationships and stem from the need to coordinate the activities of the individuals and companies involved (Hallen, Johanson & Seyed-Mohamed, 1991; Snehota & Håkansson, 1995). Additionally, complexity is counted among the characteristics of business relationships. Due to the fact that the seller and buyer in a B2B context can be individually identified by the opposite partner (Håkansson & Wootz, 1979) it makes the relationship between the parties more personal but also more complicated. Several individuals are involved in the relationship on both sides which therefore leads to complex contact patterns (Snehota & Håkansson, 1995). Although business relationships are essentially about business transactions, the personal bonds between business partners play an important role in the formation of a relationship (Snehota & Håkansson, 1995). The relationships are built up very much as a social exchange process in which the individuals involved become committed weave a web of personal relationship (Snehota & Håkansson, 1995). As a consequence, trust emerges as one of the factors determining the success of forming relationships with other companies (Dowell, Heffernan & Morrison, 2013). Previous researchers identified trust as

central to prosperous relationship outcomes (Ahmed, Patterson & Styles, 1999; Morgan & Hunt, 1994; Palmatier, Scheer, Evans & Arnold, 2008). Furthermore, it was found to be among the key constructs in industrial marketing (Cowles, 1997), supplier relationships (Smith & Barclay, 1997) and customer relationships (Jap, 2001). It is crucial to consider these characteristics in order to form prosperous relationships and be successful in B2B markets.

Practitioners in industrial markets face market-specific challenges and particularities in industry markets which differ significantly from challenges in consumer good markets (Hinterhuber, 2008b). Firstly, the industrial market has a distinct customer basis, such as governments, producers and resellers which are often profit and budget constrained (Hinterhuber, 2008b). Secondly, there is typically a greater variety of stakeholders in customer organisations involved in industrial marketing, purchasing and selling processes (Corey, Cespedes & Rangan 1989). Several organisations have their own buying centre or professional purchasing organisations whereas members of these buying centres tend to have differing needs that require to be addressed (Hinterhuber, 2008b). In addition to this, industrial customers and their buying centres often set rules, norms and administrative requirements that sellers have to comply with (Corey, Cespedes & Rangan, 1989). Industrial customers are also typically more experienced and knowledgeable about the purchased products than customers in B2C contexts (Barback, 1979; Forman & Lancioni, 2002). With relationships being such a critical part of transactions in industry markets, the necessity arises to fully understand on what basis these relationships are formed on. It is essential to take the relationship specifics of an industrial B2B context into account when formulating business strategies.

2.2 Pricing Strategies

2.2.1 Pricing Orientations in Industrial Markets

Pricing decisions are considered extremely important for management teams. They affect company profitability and thus their market competitiveness (Monroe, 2003). Strategic pricing requires prices to be set proactively, or by reaction to market conditions, with the purpose to generate value for customers and exert profit for the company, without the need to increase sales volume (Nagle & Holden, 2002). Development of appropriate pricing strategy can be considered challenging as the managers involved in these processes need to consider the company's market position and overall corporate strategy and objectives, and even more so, be able to understand how customers perceive value (Hinterhuber & Liozu, 2014; Monroe, 2003). Therefore, finding and defining the most appropriate pricing strategy has to be acknowledged as an important and demanding task.

There is general consensus between researchers that pricing strategies can be categorised into three groups: competition-based pricing, cost-based pricing and value-based pricing (Nagle & Holden, 2002). Cost-based pricing takes production costs into account and adds a profit surplus whereas the sum of both represents the final price (Hinterhuber, 2008a). Competition-based pricing on the other hand anticipates price levels of competitors as the primary source for the product price (Hinterhuber, 2008a). Lastly, the value-based pricing approach uses the value delivered by a product or service as the key influencer of price (Hinterhuber, 2008a). These mentioned pricing approaches are also represented in industrial markets (e.g. Shapiro & Jackson, 1978). Hinterhuber (2008b) conducted a meta-analysis that revealed the adoption rates of these pricing approaches showing that the competition-based approach dominates pricing strategy in an industrial context. According to the author, another common statement among industrial practitioners is that prices are dictated by the market which leads to a singular focus on costs and volumes. The author also claims that executives prefer to downsize products and to cut budgets rather than to implement price increases. This shows that the three pricing strategies are not used to the same extent.

Value-based pricing is a frequently discussed concept in the literature. This approach still plays a minor role with a surprisingly low adoption rate of 17 percent in industrial markets as shown by Hinterhuber (2008b). In contrast to this low number, marketing scholars (Anderson & Narus, 1998; Anderson, Narus, & Rossum, 2006; Cressman, 1999; Ingenbleek, Debruyne, Frambach & Verhallen, 2003; Hinterhuber 2004; Nagle & Holden, 2002) as well as pricing practitioners (Dolan & Simon, 1996; Forbis & Mehta, 1981; Fox & Gregory, 2004; Nagle & Holden, 2002; Simon, Butscher & Sebastian, 2003) commonly consider this approach as superior to competition-based and cost-based. The latter strategy has already been found to have flaws more than 60 years ago by Backman (1953, p. 148) who states that “the graveyard of business is filled with the skeletons that attempt to base their prices solely on costs.” Moreover, more recent research was able to show that cost-basing approaches do lead to substandard or lower than average profitability (Myers, Cavusgil & Diamantopoulos, 2002; Simon, Butscher & Sebastian, 2003). In practitioners’ preoccupation with costs they often tend to ignore an equally or more powerful way of achieving a strategic advantage; by offering better value to the customer while simultaneously charging a higher price (Forbis & Mehta, 1981). A value-based pricing strategy is found to be superior to other strategies, which can also be highlighted by a study conducted by De Toni et al. (2017). Interestingly, these authors showed that adopting a value-based pricing strategy had a direct and positive impact on profit margin. This is further supported by Monroe (2003) who eluded that having a value-oriented pricing strategy has far greater profit potential than other pricing approaches. Docters et al. (2004) are in agreement with this as they refer to value-based pricing as one of the most beneficial pricing methods. Similarly, Cannon and Morgan (1990) state that if profit maximisation is the key objective of a firm then value-based pricing is recommended. All in all, the value-based pricing strategy is

considered a modern and advanced pricing approach (Monroe, 2003; Nagle & Holden, 2002; Hinterhuber, 2004; Ingenbleek, 2007; Hinterhuber, 2008b; Cressman, 2012) which justifies the need to explore this pricing strategy.

2.2.2 Value-based Pricing Strategy

The value-based selling approach has emerged as both as an effective pricing strategy for companies in competitive markets and as a separate field of research (Rackham & DeVincents, 1999). From a customer's perspective the superior value proposal portrays increased value better in comparison to competitors (Payne & Frow, 2014). By definition, value-based pricing is a pricing strategy that allows managers to devise prices based on the customer's perception of benefits of a product or service (Liozu et al., 2011). The strategy takes into consideration how these benefits are perceived and weighted by the customer, in comparison to the price they are willing to pay (Ingenbleek, Frambach & Verhallen, 2010). The customers' willingness-to-pay is limited by benefits perceived by the customer (Töytäri, Rajala & Alejandro, 2015). As defined by Töytäri, Rajala and Alejandro (2015) the customer value for a product that a customer wants to purchase is the difference between the actual price paid and the net benefits the customer perceives to receive. The supplier value in turn is the difference between the production costs and the price charged (Töytäri, Rajala & Alejandro, 2015). Therefore, the price decides how value is shared among the customer and the seller. In accordance to this principle, a value-based pricing strategy is mainly based on the values a product or service delivers to the customers (Töytäri, Rajala & Alejandro, 2015). Therefore, the delivered and perceived value ultimately determines the price set for the customer.

2.3 Value-based Pricing Implementation, Quantification and Communication

There are common characteristics shared amongst firms which successfully implement, quantify and communicate value for value-based pricing strategies. Studying these characteristics is valuable for our research as it enables us to derive what companies particularly emphasise when implementing a value-based pricing strategy. Whilst organisational champions and buy-in to the implementation process are considered important, specialised pricing teams who understand and can quantify added-value through pricing are ultimately vital to success.

Organizational excellence and championing is a common company trait of companies who implement value-based pricing. Successful value-based pricing strategy implementation requires deep organisational change which ultimately transforms the firm's identity (Liozu et al., 2011). This is supported by an emphasis on additional formalised staff training for both

current and incoming employees to further strengthen any incremental changes and develop internal capabilities (Liozu et al., 2011). Furthermore, engagement by top level executives who are actively involved in championing the value-based pricing implementation are also considered important to ensuring success (Liozu, Hinterhuber, Perelli & Boland, 2012). Leaders, or champions, can act in a way which reinforces collective efficacy and increases effort-accomplishment expectancies (Shamir, House & Arthur, 1993). Thus, operational excellence and championing is important for value-based pricing implementation.

Internal confidence and buy-in is another characteristic which can be decisive for successful implementation. Employee confidence can promote value-based pricing implementation, which is shared through companies' employees' genuine beliefs about the products, services, technologies, brands and values, as it ultimately creates employee buy-in towards the implementation process (Liozu et al., 2012). Firms using value-based pricing can also communicate market challenges and internal wins to accelerate buy-in within an organisation, as pricing success stories can increase overall business confidence and energise internal teams (Thompson, 2009; Liozu et al., 2012). Bandura (1997) also supports this reasoning, as it is argued that an important aspect of operative culture is the organisation's own beliefs about its efficacy to produce results. Hence, internal confidence and buy-in can be considered meaningful for successful value-based pricing strategy implementation.

Having *specialised pricing teams* is a further shared characteristic and an important constituent for successful customer value quantification and communication. It improves the process of pricing and ensures integrity and consistency across the organisation as a dedicated pricing team can maximise knowledge sharing and capabilities to create business success (Liozu et al., 2012). In parallel to this, findings by Liozu et al. (2011) also supported this as they found that centre-led pricing teams were considered critical to test, support and validate any pricing decisions within a firm. The authors further argue that formal market research or scientific pricing methods reduce the level of uncertainty and increase the overall rationality of a pricing decision. Specialised pricing teams can understand and quantify value-based pricing and therefore determine how value is communicated to the customer.

2.4 Barriers to Value-based Pricing Strategy Implementation

Previous research also found prevalent organisational barriers among firms in implementing a value-based pricing strategy. We incorporate this literature stream as studying these barriers identifies strategic areas of interest for customer value conceptualisation. Studying the barriers highlights the importance and the need to be able to understand and define customer value in

order to truly understand the constructs, and subsequent practical application, of value-based pricing as a concept. Terho, Haas, Eggert and Ulaga (2012) stress the importance that the quantification of value plays. The authors state that the value proposition must be priced and communicated through quantified measures of how the offering can contribute to the customer's business. Interestingly, the barriers to value-based pricing strategy implementation have been explored in detail and highlight that difficulty in value quantification and communication act as a significant barrier. This shows the necessity to quantify and conceptualise customer value for value-based pricing. The barriers to implementing this pricing strategy are presented in the following.

Lack of market understanding and ability to influence customers is one of the mentioned barriers. A strong cost-plus mentality within industrial companies has evidently led to an aggressive buying culture with a strong focus on the initial transaction price, which is then used as a benchmark for future transactions (Töytäri, Rajala & Alejandro, 2015). Whilst supplier relationship management and partnering approaches may mitigate failure (Kraljic, 1983), Töytäri, Rajala and Alejandro (2015) found that buyers tend to choose alternatives based on the initial purchase price. This can also be exemplified by Monroe (2003) who argues that customers place a greater value on any reduction in sacrifices when compared to an increase in benefits. Anderson and Wynstra (2010) further argue that demand-side purchasing managers have been accustomed to price rather than to value which over time has led to comparative ignorance of value. These findings emphasise the existence of a lack of marketing understanding and ability to influence customers as a common barrier.

Internal governance and adopted best-practice also hinders implementing a value-based pricing strategy. An underlying obstacle is that value leakage can often occur at different levels of the sales team especially when volume targets are placed as a priority over profit margins (Hinterhuber, 2008a). Hinterhuber (2008a) goes on further to explain that support, or buy-in, from senior management may be difficult to obtain. Furthermore, contradiction in management may be present which can be exemplified through a senior manager wanting profitability and price premiums, but then penalising staff for not meeting volume targets (Hinterhuber, 2008a). Organisational incentives within organisations can also ultimately create goal conflicts (Töytäri, Rajala & Alejandro, 2015). The procurement division, which is responsible for choosing appropriate suppliers based on merits and costs, may be incentivised for price savings which may in the long-term hurt overall business performance through an increased total cost of ownership (Töytäri, Rajala & Alejandro, 2015). These previous results from researchers portray that internal governance and adopted best-practice constitutes as a barrier for implementing value-based pricing strategies.

Difficulty in capturing the created value is a further established barrier. After value has been understood and operationalised a further barrier is determining how the value is shared between the supplier and customer. Töytäri, Rajala and Alejandro (2015) found that customers were often hesitant to deviate away from the institutionalised norm of cost-based pricing and that this method was often perceived as most ‘fair’. In addition, the perceived risk of value-based pricing implementation for both the supplier and customer can be considered high, which stems from supplier-side’s individual stakeholders, the associated personal risk of failure and the idea that overall business risk for the customer can be mitigated by reduced pricing (Töytäri, Rajala & Alejandro, 2015). Successful value-based pricing implementation requires a degree of bargaining power (Bowman & Ambrosini, 2000). This will ultimately determine the supplier’s ability to influence how the value is shared, regardless of how much value is actually contributed (Töytäri, Rajala & Alejandro, 2015). The ability to successfully negotiate by leveraging on added-value will be predominantly determined by the level of competition and competitive bidding within a market, transparency of supplier costs and the strength of the relationship between two parties (Töytäri, Rajala & Alejandro, 2015). These arguments showcase the nature of difficulty in capturing the created value as a barrier.

Difficulty in value quantification and communication is classified as another prevalent barrier to implementing value-based pricing strategies. Value quantification effectively justifies the selection of an appealing economic outcome with the overarching goal of reducing the total cost of ownership (Hinterhuber, 2008b). The key obstacle is the lack of knowledge about how much to charge customers for value which stems from how customer value can be conceptualised. This issue can be considered two-fold; firstly, the measurement of value is difficult in itself and secondly, the company or firm itself may be unaware of the true value of its own service or product for its customers (Hinterhuber, 2008b). Dimensions of value must be established and tracked over time to establish the performance of a product or service, which should be ultimately communicated to the customer (Anderson, Kumar & Narus, 2007). Insufficient or inappropriate communication is a shortfall in successful implementation, particularly in relation to customer communication (Hinterhuber, 2008a). Furthermore, it is an established idea that value quantification can be considered a challenge for industrial companies (Storbacka, 2011; Töytäri, Rajala & Alejandro, 2015). This issue can be caused by the initial lack of establishment of appropriate value dimensions, and in turn, a lack of data collection which is then unable to be passed on to customers to showcase any gains in value (Töytäri, Rajala & Alejandro, 2015). This can further lead to a lack of credibility or trust between the supplier and customer and an overall reluctance to quantify value (Töytäri, Rajala & Alejandro, 2015). In accordance to these previous results, we derive the existence of difficulty in value quantification and communication as a barrier for implementing value-based pricing strategies.

2.5 Customer Value

2.5.1 Defining Customer Value in a B2B context

Customer value in a B2B context has been defined by prior research. Theories about value are ingrained in literature regarding psychology, economics and business administration. In the latter, a large amount of marketing literature is closely associated to value concepts (Lindgreen & Wynstra, 2005; Payne & Holt, 2001). Three main perspectives on value can be derived from previous literature, namely the seller perspective, mutual perspective and the customer perspective. The seller perspective focuses on the value to the firm and on how firms can increase and capture value in order to increase the overall value of their business activities (Terho et al., 2012). This research stream revolves around creating value for the firm through internal business management, whether it involves research on the value chain (e.g. Porter, 1985), or by creating shareholder value (e.g. Cleland & Bruna, 1997). The mutual perspective, otherwise known as the dyadic perspective, integrates both the customer and seller perspectives and is based on value distribution between firms and their customers (Wagner, Eggert & Lindemann, 2010). This perspective has generally been associated with the wider concept of value-based selling (e.g. Terho et al., 2012). Finally, the customer perspective focuses on product related value (Parasuraman & Grewal, 2000) and customer perceived value (Zeithaml, 1988), which concentrates on the tangible and intangible characteristics and the consumption of products or services. This field of research stresses that value should be defined with the customer's point of view in mind (Terho et al., 2012). Our research positions itself in line with other pricing researchers (e.g. Anderson, Thomson, & Wynstra, 2000; Flint, Woodruff, & Gardial, 2002; Lindgreen & Wynstra, 2005; Ulaga & Eggert, 2006) and places value-based pricing in direct association to the customer perspective of value.

There are key characteristics which are inherent to the definition and meaning of customer value. Many scholars agree that value is difficult to measure and quantify (e.g. Hinterhuber, 2008b). These characteristics are commonly outlined as a trade-off between sacrifices and benefits, subjective, contextual, future orientated and relative to constraints, and, most important for this research, multidimensional and multifaceted (Hinterhuber, 2008b; Liozu, 2016; Töytäri et al., 2011; Flint & Woodruff, 2001). *A trade-off between sacrifices and benefits.* A well-established definition by Nagle and Holden (2002, p. 74) describes value to the customer as “a product's economic value is the price of the customer's best alternative reference value – plus the value of whatever differentiates the offering from the alternative – differentiation value”. This definition is built on the authors' previous premise that buyers become desensitised towards a product's price as they begin to value attributes more which ultimately differentiates the product from competitors' products (Nagle & Holden, 2002). *Subjectively*

evaluated. The value that customers receive may be perceived in different manners, relative to specific industries or markets (Vargo & Lusch, 2004). Value may also be evaluated and viewed in different means by various beneficiaries and stakeholders (Kahneman, Slovic, & Tversky, 1982; Ramirez, 1999). *Context specific.* Based on a customer's business situation the received value depends on a customer's own perception (Kowalkowski, 2011). *Dynamic - future orientated and relative to constraints.* Value is relative to time and the term of value may change over the course of business activities (Flint, Woodruff & Gardial, 2002) or due to specific institutional constraints (Zucker, 1987). Furthermore, the exchange between the buyer and supplier relies on future benefits received from the consumption of resources and the element of future orientation represents customer value as a range of expected values realised over a long period of time (Hinterhuber, 2008a; Hogan, 2001). These characteristics are fundamental constructs of the definition of customer value.

2.5.2 Customer Value is a multidimensional and multifaceted construct

Customer value has been defined as a multidimensional and multifaceted construct. Most researchers agree that value is conceptualised as a function of the benefits that a buyer receives, however there is disagreement on what dimensions to include in the benefits component of value (Liozu et al., 2011). Past literature emphasises the source of value to be the relationship between the buyer and seller, the product or service, or the existing network (Lindgreen & Wynstra, 2005), arguing that this is embedded in all attributes of value. The facet of the relationship between buyer and seller as a source of value is also emphasised by Walter, Ritter & Gemünden (2001). Some authors define the facets of value as know-how, time-to-market, social, product and service (Ulaga & Eggert, 2005), whilst there are researchers who have previously defined these facets as technical, service, social and economic value (Anderson, Jain & Chintagunta, 1993). Another emphasis of the facets of value has been previously placed on quality (Sivakumar & Raj, 1997), risk reduction (Jackson, Neidell, & Lunsford, 1995) and the sum of all benefits including social, service and other benefits (Anderson & Narus, 1998). It is commonly accepted that Ulaga's (2003) leading research on customer value in industrial markets initially conceptualised a number of key dimensions of customer value. These dimensions and facets were further researched and elaborated on by Hinterhuber (2008b) at a later time, which included additional dimensions. The different dimensions and facets of value are subject to customer perception and therefore play a crucial role in the implementation of value-based pricing (Liozu et al., 2011).

We grounded our justifications on the above definitions and reviewed past research about customer value conceptualisation for value-based pricing strategies. We looked for common and relevant characteristics within these findings. Accordingly, we identified value dimensions

and the associated facets that were developed and defined by researchers. Subsequently, we found additional facets that were present in relevant literature and categorised these in accordance to the identified value dimensions. This was done in order to develop our own framework consisting of value dimensions and respective facets for customer value conceptualisation. In conclusion, we synthesised past research and define customer value as a five-dimensional and multifaceted construct consisting of operational, proficiency, strategic, symbolic and social value and according facets.

2.5.3 Operational Value

Operational value relates to the operational performance of a supplier towards customers, resulting in higher output value, lower overall costs, or a combination of both (Töytäri, Rajala & Alejandro, 2015). This is extended to include resource efficiency related to contributions towards process and product development, cost mitigation and overall risk avoidance (Hunter, Kasouf, Celuch & Curry, 2004).

Product quality is a vital measure of operational value which outlines the product's performance, reliability and consistency (Ulaga, 2003). Quality itself has been previously defined as being fit for purpose (Juran, 1974) or by conforming to requirements (Crosby, 1979). This line of reasoning and definition holds true today and can be further broadened to include specification conformance, safety and durability (Hinterhuber, 2008b). Ulaga and Chacour (2001) found that purchasing managers focus on product performance and reliability during a transaction, which highlights the customer value present in business market relationships when choosing a supplier's offering. Therefore, in line with former research we also regard product quality as a facet of the operational value dimension.

In B2B markets, the service element of a transaction is weighted highly and can be of great importance. Many researchers have previously identified the service element in the conceptualisation of customer value (Ulaga & Eggert, 2005). Service components can play a crucial role in differentiating a specific supplier's offering, especially in highly competitive markets, and therefore carries a significant influence on customer value perception (Anderson & Narus, 1995). After-sales service support can also be considered a critical measure of customer value and consists of product related services, outsourcing of activities and the availability of customer information (Ulaga, 2003). Additionally, financial services, customisation, performance guarantees, warranties, installations and repair options are additional service features that are included in this facet (Hinterhuber, 2008b; Ravald & Grönroos, 1996). These market offerings fall along the continuum of tangibility (Levitt, 1981) and are part of the bundle of benefits that a customer pays for in return for an exchange for the

price paid for the market offering. Hence, the service element can be considered a facet of operational value.

Lowering the costs that customers endure throughout their business operations is an additional facet of operational value. Process costs are included in this value measure, consisting of order handling and processing, manufacturing benefits and efficient inventory management (Ulaga, 2003; Ulaga & Eggert, 2005). Direct costs are also added to this element, which relates to overall price and pricing optimisation (Ulaga, 2003). Past researchers have argued that overall operational improvements are a reason why firms collaborate in relationships with customers (Ulaga & Eggert, 2005). The ability to reduce these poses as a great opportunity for customer value-add from a supplier perspective. Suppliers may add customer value through pricing optimisation, for example by creating cost reduction programs in conjunction with a customer (Ulaga, 2003). Furthermore, suppliers may absorb internal or external expenses, such as taking on additional storage for the customer or by increased production costs, in order to provide operational value for the customer (Ulaga & Eggert, 2005). Therefore, reduction of process costs is considered to be a part of operational value.

2.5.4 Proficiency Value

The value which a customer places on a supplier's proficiency can be concentrated on the overall quality of relationship between supplier and buyer (Sivakumar & Raj, 1997). An important component of this is time to market which is the ability to deliver efficient product testing, validation and subsequent product delivery to the market, with supplier support provided where needed (Ulaga, 2003). Speed and time to market can be utilised as a strategic point of competitive advantage and a strategic relationship benefit, as companies may design their business models around efficient supply chains (Stalk & Hout, 1990; Wilson & Jantrania, 1994).

There are other vital characteristics within the proficiency value as defined by prior researchers. Delivery capabilities are imperative which are recognised as flexible, fast, on-time and accurate delivery (Hinterhuber, 2008b; Ulaga, 2003). Efficient delivery models allow for inventory needs to be replenished in a timely manner (Ulaga & Eggert, 2005). Researchers also acknowledge that ease of doing business is another competency that is included in this facet of customer value, which comprises of responsiveness, ease of handling, ability to accept customer orders, efficient order and subsequent complaint handling procedures (Hinterhuber, 2008b; Ritter & Walter, 2012). Furthermore, the overall supplier competency and the capability to offer a full solution are desirable traits that lead to greater proficiency value (Golfetto & Gibbert, 2006; Hinterhuber, 2008b; Penttinen & Palmer, 2007). Suppliers can provide value to customers if they constantly present themselves as a reliable and competent partner to their

customers. In addition, the overall ability to reduce lead time and resolve any issues creates superior customer value by allowing for more collaborative relationships and the potential to outperform competitors. These mentioned traits are counted among the facets of proficiency value.

2.5.5 Strategic Value

Strategic value acts as a critical driver of value in customers' businesses and can effectively act as a source of competitive advantage (Töytäri, Rajala & Alejandro, 2015). This dimension includes several facets. One of them relates to the development of new capabilities through supplier know-how and innovation (Ulaga & Eggert, 2005). Suppliers' innovation capabilities can serve as a valuable function for the customer. By leveraging on suppliers' resources customers may be able to access a range of increased technologies, allowing for long-term oriented projects (Ritter & Walter, 2012). This provides strategic value to the customer as it allows better development processes and can also lead to innovative ideation sessions with the capability to result in mutually beneficial collaborative products and processes (Ritter & Walter, 2012). Supplier knowledge includes the supplier's comprehension and understanding of current market conditions and the development and improvement of products (Ulaga, 2003). Therefore, developing capabilities through know-how and innovation is important for developing strategic value.

The relationship between the supplier and customer can be further improved in order to create strategic value. Having mutually beneficial goals is also a desirable facet in the dimension of strategic value (Ulaga, 2003). Customers may turn to suppliers to use them to achieve a higher position in the market, which in turn may result in greater volumes and profitability for the supplier; a win-win scenario for both (Ulaga & Eggert, 2005). The ability to utilise existing capabilities through inter-organisational learning also has potential long-term strategic benefits (Töytäri, Rajala & Alejandro, 2015). Relationships may allow access to suppliers' resources and skills which customers highly value (Kalwani & Narayandas, 1995; Töytäri, Rajala & Alejandro, 2015). Knowledge may be shared between the buyer and seller, again contributing to giving the customer a source of competitive advantage thus resulting in spill over benefits for the supplier. These activities improve the relationship and ultimately create strategic value.

Personal interaction is also important for both the seller and the customer which involves the supplier's communication ability to solve their customers' problems (Ulaga, 2003). Effective personal interaction has the potential to create outcomes beneficial for the customer, the seller and the overall business relationship. The seller may benefit from this through increased sales volume and a higher profit margin, whilst the customer may benefit through the attainment of their desired business goals and heightened security of market performance (Terho et al., 2012).

Personal interaction can advance relationship loyalty and can ultimately result in better customer satisfaction and reduced price sensitivity, which highlights the importance of this facet in relation to value-based pricing (Terho et al., 2012). Therefore, personal interaction acts as a facet of strategic value.

2.5.6 Social Value

Social value is another dimension of customer value. It can be considered both a social and structural bond (Wilson & Jantrania, 1994). This dimension is formed by the relationship between the buyer and seller and can be regarded as a source of value (Lindgreen & Wynstra, 2005; Walter, Ritter & Gemünden, 2001). One facet of social value relates to the bond and trust between the buyer and seller which may allow for deeper relationships and present opportunities for better interactions between buyer and seller (Young, 2006; Bachmann & Inkpen, 2011).

Social value can improve legitimacy through the use of wider networks, for example through community inclusion or strategic alliances (Töytäri, Rajala & Alejandro, 2015). Managing a beneficial network can bring significant opportunities for the customer (Töytäri, Rajala & Alejandro, 2015). Networks may provide reduced business risk and allow access to certain markets through the use of market actors, alliances and networks (Ritter & Walter, 2012). Suppliers may add value to the customer by actively working to establish contracts with exchange partners or influential people where feasible business opportunities present themselves (Ritter & Walter, 2012). Therefore, networks and a supplier's network create social value for the customer.

Providing information to customers is another facet of the social value dimension. From a customer's perspective social value can lead to supported learning through access to increased information which may be highly beneficial to the operations of a customer (Ritter & Walter, 2012). The authors argue that suppliers can usually pass on market-related information or industry specific knowledge to the customer, giving the customer value by allowing them to navigate the market efficiently. Furthermore, market know-how may allow access to critical information in a timely manner which reduces market research costs (Ritter & Walter, 2012). Hence, providing increased information to customers operates as a facet of social value.

2.5.7 Symbolic Value

Symbolic value can be defined as internal organisational pride, which results in increased overall work performance and productivity (Töytäri, Rajala & Alejandro, 2015; Ritter &

Walter, 2012). A supplier may provide symbolic value to a customer through increasing the customers' employees' efficiency. As some products or services can be considered to hold symbolic value it allows customers to signal social status and potential emotional value (Töytäri, Rajala & Alejandro, 2015). An example of this may be a customer working with a supplier that is renowned for its corporate success or social responsibility, which, as argued by Ritter & Walter (2012), can increase employee motivation as they gain respect amongst their colleagues. Furthermore, this has the potential to create an element of customer self-enhancement, which may be related to aspirational benefits, prestige and overall social status built through identity building and branding (Hinterhuber, 2008b). Therefore, increasing employee efficiency can be incorporated in order to create symbolic value for customers.

Additionally, the reduction of risk is also a facet of the symbolic value dimension. Conducting business with a reputable supplier may be of great value to the customer (Jackson, Neidell & Lunsford 1995; Hinterhuber, 2008b). In an industrial relationship the evaluation and perception of risk is intensified as consequences carry higher implications (Hinterhuber, 2008b). Therefore, suppliers can reduce this risk through product or service performance, thereby offering symbolic value for their customer (Hinterhuber, 2008b). The basis of this risk reduction is supplier reputation. This may be highlighted through the well-recognised anecdote showing that reputation holds symbolic value; "Nobody was ever fired for buying IBM." This axiom showcases that purchasing managers attach value to the overall reputation of IBM and the associated reduced risk of performance deficits (Hinterhuber, 2008b). This exemplifies the constitution of reduction of risk as a facet of symbolic value.

2.5.8 Conceptualisation of Customer Value

Summarising this past literature allowed for a deeper understanding and subsequent conceptualisation of customer value as the foundation for value-based pricing in a B2B industrial context. Theory is generally in agreement about five prominent dimensions of customer value, namely; operational, proficiency, strategic, social and symbolic value. Drawing on the literature above it is clear that each of these dimensions have different facets within them. Furthermore, past research agrees that customer value in a B2B context is dependent on certain characteristics. These characteristics include that customer value requires a trade-off between sacrifices and benefits, is subjective, contextual, future orientated and relative to constraints, and is multidimensional and multifaceted. Consequently, in order to encapsulate the main ideas within past theory the conceptualisation of customer value has been illustrated below (*see Figure 1*) as a multidimensional, multifaceted and higher-order construct. We developed this framework ourselves as a combination and extension of several reviewed models of past

researchers. These dimensions of value influence the value perceived by the end customer and therefore influence value-based pricing.

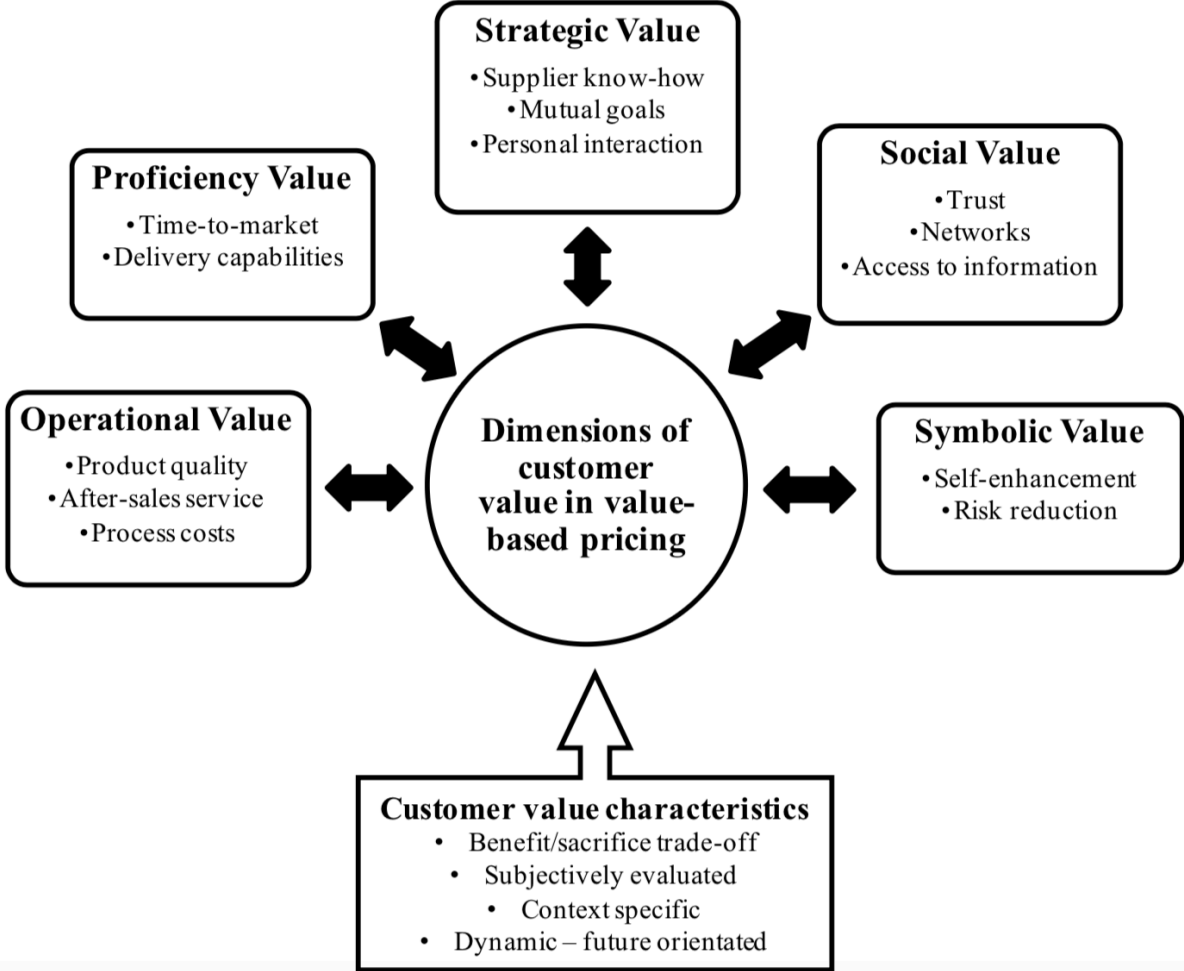


Figure 1: Framework for Customer Value in Value-based Pricing in a B2B industrial context

The model identifies customer value dimensions that are especially important for industrial B2B value-based pricing strategy. This is a preliminary model that will be applied and will be drawn on for the analysis and discussion of the results presented in the following chapters. The model may be enhanced and improved depending on the findings of our results.

3 Methodology

Throughout this chapter we will present, explain and justify the research conducted for the development of the findings of this research. The section includes an overview of our process of investigation, of data collection and of data analysis.

3.1 Research Approach

The ontological assumption is concerned with the researchers' basic assumption of reality and the existence of truths (Easterby-Smith, Thorpe & Jackson, 2015). Researchers can see the world as an objective or as a subjective (Saunders, Lewis & Thornhill, 2009). We believe that the world is perceived differently depending on who views it which made us follow a subjective perception. The value conceptualisation for value-based pricing strategies is an existing concept. Nonetheless, this value conceptualisation depends on the context, such as the company or the product it is incorporated for. The perception of the values might also vary among the observers. Therefore, we follow the ontological assumption of a relativist who believes that there are many truths which depend on the viewpoint of the observer (Easterby-Smith, Thorpe & Jackson, 2015; Saunders, Lewis & Thornhill, 2009). The truth depends on the observer and there is no such thing as a single truth (Easterby-Smith, Thorpe & Jackson, 2015).

The epistemology in turn answers the question of how researchers advance scientific knowledge with their contribution (Popper, 2002). In order to understand how value is conceptualised and communicated, we have to explore practitioners' actions and beliefs about customer value. Therefore, we believe that a positivistic approach, which examines external objects and measurable concepts (Easterby-Smith, Thorpe & Jackson, 2015), cannot capture this understanding. The values that managers and practitioners offer to their customers are rather socially constructed and hard to quantify as such. In line with these arguments, we follow the epistemology of a constructionist (Easterby-Smith, Thorpe & Jackson, 2015). Accordingly, we aim to generate theory and incorporate a case study to answer our research question (Easterby-Smith, Thorpe & Jackson, 2015).

3.2 Research Design: Qualitative, Abductive Research Strategy

As our identified field of research is yet scarcely explored, the nature of our research is exploratory and follows an abductive research strategy. Exploratory research is applicable when

a phenomenon has yet not been fully investigated and developed and lacks structure and specification (Saunders, Lewis & Thornhill, 2009). Moreover, Robson (2002) stated that exploratory research is suitable when a phenomenon needs a re-evaluation from a new perspective. The literature still has shortfalls in explanations of how the value for value-based pricing strategies is conceptualised. Nevertheless, the theories described in preceding section are used as a foundation for our research whereas they are enhanced and complemented by our findings if suggested

As we are well aware of the fact that it is unrealistic to start research without any existing theories (Eisenhardt, 1989) we used existing theory as the starting point of our work. Deduction and induction often require the other approach to a certain extent (Bryman & Bell, 2015). Therefore, our study adopts an abductive approach (Bryman & Bell, 2015). The abductive research involves using the data gathered in order to draw conclusions which contributes to theory while considering the existing theory in the researched field of the study (Bryman & Bell, 2015; Saunders, Lewis & Thornhill, 2009). The background of our study will be enriched by existing theory allowing to strengthen the validity, generalisability and reliability of the findings

Although quantitative deductive research is the most used method in marketing research (Bonoma, 1985), a qualitative research method is better suited in order to answer our research question. That is to say because the aim of our research is to build theory rather than to test it. In line with this argument and with common abductive research designs, qualitative data was collected in order to answer the research question (Bryman & Bell, 2015). Typical for qualitative approaches, our conducted research is “concerned with words rather than with numbers” (Bryman & Bell, 2015, p.13) as we explore value conceptualisation. As mentioned by Corbin and Strauss (2008), the reason for pursuing a qualitative study is to gain an understanding of a scarcely explored topic and its practical participants. Hence, a qualitative research approach was highly suitable for the purpose of this paper (Easterby-Smith, Thorpe & Jackson, 2015). In addition, the role of theory we defined for this research in regard to the ontological and epistemological stance endorsed our chosen qualitative study design (Bryman & Bell, 2015).

Common within a qualitative approach, our collection and analysis of empirical material continued until theoretical saturation was reached (Bryman & Bell, 2015). This specifically means that when the researchers reach a point where no new findings are crafted by asking the specified question there has been a saturation of empirics (Corbin & Strauss, 2008).

3.2.1 Case Study

As noted earlier, we studied previously elaborated constructs from literature to help us shape the initial design of theory building (Eisenhardt, 1989). Subsequently, a case study has been chosen for the research of this paper involving an analysis of a single case (Bryman & Bell, 2015) which is a common approach in business research (Eisenhardt & Graebner, 2007). Yin (2003) elaborated that a case method should be considered when ‘how’ or ‘why’ questions are being asked. Thus, case studies and qualitative studies often go well hand in hand (Bryman & Bell, 2015) and therefore suit our previous decision to use a qualitative design. Case study designs lie within the range of constructionists’ research designs as they are fluid and flexible in their approach (Mason, 2002). The case study looks at one organization over time (Easterby-Smith, Thorpe & Jackson, 2015). In further accordance, our research is based on direct observation and personal contacts through interviews. This is supported by Yin (2003) who states that case studies allow for the collection of multiple kinds of empirical material, such as interviews, documents and observations. Furthermore, case study research is defined as an empirical enquiry that aims at investigating a contemporary phenomenon in a real-life context (Yin, 1994). The case method allows for a rich description of phenomenon in its original context (Eisenhardt, 1989; Yin, 2003).

In the researchers’ world there is an ongoing debate about the ability to generalise knowledge from one single case. This could be seen as a limitation for our conducted study. Nevertheless, we did not expect to prove statistical evidence. In turn, we aimed to generate analytic generalisations through expansion of theories in our research field (Glaser & Strauss, 1967; Yin, 2003). By using case studies, it is no doubt that further understanding about a field of knowledge can be gained (Easton, 2010). Thus, a case study research is suited for our approach. It represents an appropriate method to fulfil our purpose to provide detailed information that enables us to explore customer value conceptualisation. Studying dimensions and facets of customer value in requires a detailed analysis which makes the chosen method applicable.

Due to time and resource constraints, we decided to analyse one single case rather than multiple ones with a lower degree of detail. Our study was conducted at the company ASSA ABLOY. Different departments and divisions within the business as well as different countries and organisational levels were included which each play a significant role within pricing and value conceptualisation. Convenience, access and geographic proximity (Yin, 2003) along with ASSA ABLOY’s present activities around the implementation of a value-based pricing strategy and strategic focus on customer value drove the selection of our case. With a current pivotal focus on these elements, this makes ASSA ABLOY stand out in the business landscape and allows this case to be considered a ‘critical case’ (Yin, 1994).

3.2.2 Introduction to the Case Company

ASSA ABLOY can be considered a market leader in door opening solutions around the world, with market presence in China, North America, South America, Europe and Oceania (ASSA ABLOY Group, 2018). With roots dating back to its 1994 merger between Assa AB in Sweden and Abloy Oy in Finland, it now has annual sales of over SEK 76 billion, operations in over 70 countries and over 47,500 employees worldwide (ASSA ABLOY Group, 2018). Following an aggressive merger and acquisition business strategy more than 200 companies have joined ASSA ABLOY since its creation (personal communication, March 2018; ASSA ABLOY Group, 2018). Therefore, it has a complicated brand portfolio. Their current brand strategy is to merge all brands under the single corporate brand, ASSA ABLOY (personal communication, March 2018). It has grown its operating margin by over 7000 percent since its formation as recently posted as operating income of SEK 11,225 million (ASSA ABLOY Group, 2018). The group's business revolves around the manufacture of electronic access control, locking systems, framing and fencing, identity management technology and a range of entrance systems, with the latter making up around 30 percent of the group's total revenue (ASSA ABLOY Group, 2018). Pricing plays a crucial role in revenue management, therefore direct access to the Entrance Systems division of the company, which generates the most revenue, allowed the case to fit in line with our research aim. The Entrance Systems division is made up of three business units; pedestrian door systems (PDS), industrial door and docking systems (IDDS) and high-performance door systems (HPDS) (personal communication, March 2018). The scope of our research covers these three business units to gain a holistic view about customer value and value-based pricing strategy across the entire Entrance Systems division. In addition, the company has financial targets of 10 percent annual growth, both organic and acquired, and a target operating margin of 16 to 17 percent over an economic cycle (ASSA ABLOY Group, 2018). The company targets indicate the need for pricing excellence and further elucidates how this case study is a suitable fit for our research requirements. Finally, one of ASSA ABLOY's key strategic corporate goals is to ensure product leadership, through "offering enhanced customer value." The company's necessity to understand customer value forms an ideal grounding for our research considering it is a strategic pillar and is therefore a relevant topic on the forefront of company discussion.

3.3 Data Collection Method

It was important to spend a vast amount of time within the case company, both in the home market and in accompanying strategic European markets, to gain a holistic perspective on the business. Tours of company facilities, production sites, participation in strategic meetings and a presentation to the board of service directors enhanced the total experience through greater

involvement and allowed for further insights. Background corporate company documents, presentations and value calculations were also studied to gain knowledge about business dynamics and to develop ideas for our analysis.

3.3.1 Guided Semi-structured Interviews

The primary data collection method was guided semi-structured interviews (Bryman & Bell, 2015) conducted over a one-month period from March 2018 to April 2018. Qualitative interviews have been used as we attempted to gain understanding for our research topic from the respondents' perspectives (Easterby-Smith, Thorpe & Jackson, 2015) which revolves around customer value conceptualisation. In accordance to Kvale and Brinkmann (2009) the aim of our interviews was collecting information that captures the meaning and interpretation of value conceptualisation in relation to our interviewees' worldviews. Our reasoning to work with guided semi-structured interviews instead of unstructured interviews is that the latter tends to be more like an open conversation (Bryman & Bell, 2015). As it was highly important for our research process that certain topics, such as value-based pricing and value conceptualisation, were covered and that our main questions were answered, guided semi-structured were found to be most suitable. We were able to steer the conversation into the areas of value conceptualisation and pricing strategies which had great relevance to our study. Open-ended questions were used in order to ensure that interviewees were free to speak their mind.

3.3.2 Sampling Method for Interviewees

In order to select our interviewees within the case company ASSA ABLOY, we used snowball sampling (Easterby-Smith, Thorpe & Jackson, 2015) as well as theoretical sampling (Bryman & Bell, 2015). Snowball sampling is a technique where participants recruit or recommend other possible participants within the company (Easterby-Smith, Thorpe & Jackson, 2015). In our case, the Service Director for PDS in Sweden pointed us in the direction of several contact persons and assisted us in setting appointments with them. The sample that resulted from snowball sampling is not representative for a population (Bryman & Bell, 2015). However, given our qualitative nature of this paper we did not aim to find results generalizable to a population. Hence, we believe the snowball sampling method we incorporated was appropriate for the recruitment of our participants.

Additionally, we also used the theoretical sampling technique, meaning that we strategically chose interviewees that were of high relevance for our research question to be answered (Bryman & Bell, 2015). In accordance to the suggestion made by Yin (2003) that key informants are critical to the success of a case study we identified the right people for our

interviewees to the best of our ability. Interviewees within ASSA ABLOY Entrance Systems were selected from a wide range of positions in order to encompass several different aspects of the business. Furthermore, as we shared the belief that rather the quality than the quantity of people that we interview contributes to the overall quality of our study we focused on finding the right persons to meet our requirements for the research question.

3.3.3 Interviewees

When developing our sample, we intended to ensure diversity amongst participants so that we could uncover the variety of dimensions related to customer value in a value-based pricing setting. However, we also needed the participants to share significant experiences in the field of value-based pricing and accompanying customer value. Therefore, we chose to have diversity in hierarchical levels and functions represented by our respondents. We also relied on influential managers who had set and enforced pricing strategy in the past, so only mid to senior level managers were invited for our study. In their respective functions and areas of business all participants were actively involved in the firm's selling processes, signifying that they were reliable informants with regards to our study. Consistent with our presented sampling techniques, we compiled a sample which consisted of 13 people (*see Table 1 & Table 2*). The interviewees were employed by the case company ASSA ABLOY at the time of the interviews. As a criterion of our research, the chosen respondents have a lot of experiences with customer value and value-based pricing and were therefore considered suitable for our study. Due to the complexity of the company, the nature of B2B transactions and importance of long-term relationship between the supplier and customer, we chose to only pursue interviews from a supplier side perspective. The access we were granted into the company allowed us to gain a level of trust between us and the respondents, ensuring authentic answers. This level of trust would have been difficult to capture with accompanying case company customers. It would have been difficult to gain wholesome answers due the complex nature of business requiring high levels of trust. In line with this reasoning, an array of past literature on value-based pricing as presented above also only focused on supplier side (e.g. Hinterhuber 2008b; Töytäri, Rajala & Alejandro, 2015).

To offset any potential supplier side bias, we guaranteed that varying hierarchical positions were included. This gave a range of perspectives and different insights, right from corporate strategy level through to customer facing level. Furthermore, we chose interviewees from all three business units of the Entrance Systems division to uncover how customer value is perceived by different customers in varying industries. Moreover, some participants were based in Sweden, where the headquarters are located, as this was where we were based for the duration of our research. We also made sure to include international perspectives to accompany any

variations across global markets and therefore chose respondents from USA, Denmark, Austria, Netherlands, France and Norway. Due to the fact that we reached theoretical saturation after completing nine interviews, we chose to refrain from conducting further interviews. This additional time was used to ensure a high-quality analysis of our gathered data.

Table 1: Interviewed Participants

Position	Country
Service Director PDS	Sweden
Vice President of Service	Sweden
Service Manager PDS	Denmark
Pricing Director	Sweden
Director of Costing and Pricing for Entrance Systems	USA
Service Manager HPDS	Sweden
Service Leader HPDS South	Sweden
Service Account Manager	Netherlands
Country Manager Entrance Systems Division	Austria

Table 2: Excluded Participants

Position	Country
Service Manager PDS	Austria
Service Manager IDDS	France
Country Manager	Norway
Sales Manager Service	Norway

3.3.4 Interview Guide

To prepare ourselves for guided semi-structured interviews, topics were established through the value-based pricing and customer value conceptualisation for value-based pricing strategies (see Chapter 2). The interview guide was built up of questions which were kept to a general level (see Appendix A), for example:

“How do your customers evaluate your offerings?”,

“What do customers talk about when they want an offer from you?”

This was done in order to guarantee the enquiry style of the research and to explore the value dimensions, such as operational, proficiency, strategic, social and symbolic value as specified in our framework (*see Figure 1*). We were interested in which dimensions and subsequent facets are used to provide benefits and values to the customers and will be used as a basis for the value-based pricing strategy. Furthermore, we aimed at generating insight into what characteristics of a firm are perceived as important to be successful when implementing a value-based pricing strategy. We also asked for perceived barriers to implementing this pricing strategy as well as quantification and communication problems for this pricing approach.

As suggested by Bryman and Bell (2015), we ensured the interview guide allowed for flexibility throughout the interview. Accordingly, edits to the interview guide, such as crossing of questions or adding of questions were made during interviews (Saunders, Lewis & Thornhill, 2009). This process has been used in order to let interviewees develop their thoughts independently as long as it is in our area of interest. Additionally, Saunders, Lewis and Thornhill (2009) argue that areas which researchers do not think of beforehand can be discovered and were therefore welcomed in our research through this technique. A written interview guide with open questions and a degree of flexibility was also chosen to allow for the possibility to ask follow-up questions (Bryman & Bell, 2015). Nonetheless, a certain degree of structure was ensured to keep the data gathered comparable (Bryman & Bell, 2015). Firstly, key topic and values were outlined and ordered to ensure a natural flow of questions during the interviews (Bryman & Bell, 2015). Subsequently, our interview guide was organised in three sections which follows Easterby-Smith, Thorpe and Jackson’s (2015) guidance: opening questions, questions around our key topic and some closing questions.

3.3.5 Qualitative Interviews

Guided semi-structured interviews were conducted with nine participants from multiple international markets where the company operated including Sweden, USA, Austria, Denmark and the Netherlands. The interviews were planned for 30 to 60 minutes, however these interviews lasted approximately an hour. The interviews were a combination of face-to-face meetings and Skype meetings. Interviews were generally ended when saturation was present; when the interviews only uncovered further redundant or repetitive information (Patton, 1990). They were held in private meeting rooms of the case company to avoid any disturbance and to

allow for high quality of the recordings (Bryman & Bell, 2015). As further suggested by Bryman and Bell (2015) and Yin (2003), we focused on asking the questions in an open manner, asking understandable questions and safeguarding the questions were not leading in any way. With this we aimed to avoid creating biased questions.

At the beginning of an interview the topic and the focus of the study was explained briefly by the researchers. Participants were asked for permission to tape record the interview and to publish their position they hold within the company. Subsequently, we explained to the participants that there are no right or wrong answers and that we are looking for their expertise, experiences and opinions around the asked questions.

As described in our interview guide section (*see Appendix A*) the questions asked focused on managers' experiences in selling service contracts and specifically their understanding of the value conceptualisation. Respondents were first asked to introduce themselves, their background in the company and their current work position within the company ASSA ABLOY. Subsequently, we asked the interviewees to describe their specific experience with customer value conceptualisation, pricing strategies, success factors and barriers for value-based pricing strategies. Our main focus was to elicit experience-based practitioner perspectives on the firm's conceptualisation of value.

The data gathered by interviews was enriched by the laddering technique to obtain illustrations of events and to explore our interviewees' understanding of the concepts (Easterby-Smith, Thorpe & Jackson, 2015). This means that questions were followed up by further probing questions in order to gain deeper understanding of the described value dimensions.

3.4 Data Analysis

In terms of framing and interpreting the collected data, content analysis was used which aims at drawing systemic inferences from qualitative data (Easterby-Smith, Thorpe & Jackson, 2015). In consistence with the content theory approach, the data was analysed for the presence of ideas or concepts, which were initially derived from pre-existing theory (Flick, 2009). Content analysis aims to derive meanings from data by comparing different data fragments, which can then be used for theory building (Easterby-Smith, Thorpe & Jackson, 2015). The analysis was done through coding transcribed material. We sat together in close proximity during coding to ensure that all content was covered and analysed in detail. Mutual agreement was a prerequisite for coding and it was ensured that this was reached for each section of data. As concepts began to emerge from our case's data we started analysing the data by looking for comparable themes. It was sorted into different themes which resulted in two main categories with ten different major themes, capturing a total of 187 coded statements. This can also be

regarded as thematic analysis (Bryman & Bell, 2015). A CAQDAS software package was used to aid the analysis of qualitative data, which is argued as being an indispensable tool in the analysis of large data (Saldaña, 2009). Therefore, the software program NVivo was used in order to assist with the vast amount of data and allowed us to conduct detailed analyses in a systematic way. We followed guidelines to derive general conclusions from limited amounts of data sources (Gummesson, 2000). A theoretical framework was developed which assisted in combining material which belonged together. As stated by Yin (2003) it can be considered important to go through all empirical material in a detailed way to conduct a high-quality analysis. Based on this reasoning, the transcripts of the interviews were read repeatedly several times to detect patterns in the answer of the interviewees. After organising the empirical material, it was evident that some themes were closely connected and belonged together, which can be considered as pattern emerging (Corbin & Strauss, 2008). A well-developed body of literature allows for deeper insights and analysis (Charmaz, 2014), therefore the identified themes were closely linked to findings in the theoretical study. Similar to the collecting of data described earlier, our analysis was presumed to have reached saturation when our conducted review and coding of data did not provide any new findings for our research question (Corbin & Strauss, 2008; Bryman & Bell, 2015). The analysis of data followed the procedure for content analysis, as described by Easterby-Smith, Thorpe & Jackson (2015); determining criteria for selection of relevant material, analysis of selected material and tabulation or visualization of our conceptualisation. This procedure was followed in order to reduce the inherent complexity in analysing qualitative data and opened up ways of developing insights (Easterby-Smith, Thorpe & Jackson, 2015).

3.4.1 Validation

Certain criteria for evaluating the results of research within the field of business was used which best suited our research and case study design. Validity can be explained as the relation as to how unique the findings are and whether the results state what they were intended to state (Bryman & Bell, 2015). As our research is focused on a singular case it may be hard to generalise on all organisations, however similarities between ASSA ABLOY and companies within a B2B industrial context may be drawn, or eluded to, and therefore this information may be useful for companies within this certain context. The data was triangulated with investigator and theory triangulation throughout the process in order to increase its validity (Bryman & Bell, 2015) by following established procedures in similar empirical studies (e.g. Flint, Woodruff & Gardial, 2002). Furthermore, an expert researcher reviewed the data as it was analysed to ensure consistency, whilst reliability was achieved by audio-recording and transcribing the interviews in order to conduct a trustworthy analysis (Merriam & Tisdell, 2016). The validity of the study

was assessed against the set of criteria: confirmability, credibility, dependability, integrity and transferability (Hirschman, 1986; Wallendorf & Belk, 1989) reflected in Table 3.

Table 3: Assessment of the study's validity

Criteria	Explanation	Method of assessment
Conformability	Extent to which results are as a result of participant's own views and not subject to researcher bias	Researchers were external to the process and had no additional investment(s) in the organisation
Credibility	Extent to which acceptability of results accurately represents the data	One month of data collection in the field and results reviewed and verified with researchers gives credibility to the study
Dependability	Extent to which findings are unique and consistent to time and place	Growing interests in understanding customer value and value-based pricing allowed for dependable and relevant results
Integrity	Extent to which misinformation or evasion by participants could skew results	Interviews were conducted in highly professional settings with name anonymity available, ensuring the integrity of the study
Transferability	Extent to which findings can be applied in another context	Sampling was conducted across different markets, positions and business units therefore giving a high degree of transferability for companies within the same industrial B2B context

4 Empirical Analysis

The following section presents the empirical material gathered throughout our data collection process. Interviews were analysed according to the content analysis method as presented in Chapter 3 in combination with our framework (*see Figure 1*). The findings are presented from our respondents' views towards pricing strategy, customer value conceptualisation and communication of values.

4.1 Pricing Strategies in B2B Industrial Marketing

Previous research stresses fundamental differences between consumer good markets and industrial markets. Within the literature it is evident that, according to authors, there are certain market-specific challenges between B2B and B2C; particularly that budget constraints play an important role in industrial B2B contexts (Hinterhuber, 2008a; Corey, Cespedes & Rangan, 1989). Our empirical research exhibits this point about challenges and monetary constraints arising from the customer's side:

"We are not dealing with end customers here. For example, if you have an automatic door for people in villas and normal ordinary customers [B2C]. We are dealing with businesses. And businesses are hard core - it is more about money." - Service Manager PDS, Denmark

The respondent highlights the fact that in B2B transactions the monetary value is of high importance, which is interesting for this research as it shows how important pricing, more specifically sustainable pricing, is in a business relationship. A challenge naturally arises on how to price products and services accordingly, whilst being able to justify any pricing changes. On this note, previous research revealed distinct customer differences and purchasing behaviours between B2B and B2C contexts and often higher involvement by stakeholders in B2B (Hinterhuber, 2008a; Corey, Cespedes & Rangan, 1989). This variety in stakeholders often results in different needs that require addressing (Hinterhuber, 2008a). This major emphasis on several stakeholders' involvement during the purchasing process and their varying needs were also repeatedly stressed by our respondents, as seen by the chosen response below:

"...even within that, you have various people to talk to, for example the procurement people are going to care much more about price compared to the facilities management people." - Director of Pricing and Costing Entrance Systems Division, USA

The quote highlights how different stakeholders will place varying degrees of importance towards price. However, what remains consistent is the ability to price products and services appropriately. Even the most price sensitive departments, such as procurement, need to be able to see the true value of a product or service. On the contrary, value must also be expressed in a way that value sensitive departments, such as facilities management, also realise the total benefits of a product or service. In line with this stream of thinking, the result is that pricing orientation strategies within B2B industrial markets are customer specific. As acknowledged by researchers, pricing strategies are commonly categorised into three distinct groups which are cost-based, competition-based and value-based pricing (Nagle & Holden, 2002). When looking at a B2B industrial context, a value-based pricing strategy can be considered the most beneficial strategy, if properly implemented, as it has superior potential compared to other strategies (e.g. De Toni et al., 2017; Docters et al., 2004) and may be regarded as an accurate measurement of value delivered by a product or service (Hinterhuber, 2008a). A value-based pricing orientation is commonly considered as a modern and advanced approach (e.g. Ingenbleek, 2007; Hinterhuber, 2008b; Cressman, 2012), with great potential for profit maximisation (Cannon & Morgan, 1990). In accordance with previous theory, our empirical results supported this line of reasoning, emphasised by a phrase from one of our respondents with prior experience in pricing strategies.

“What we work with and that I’ve been working with is either, which I really don’t like, cost-plus pricing which unfortunately still applies in some areas of what we do. But value-based pricing is what I prefer and that is looking at the different circumstances in which the sales occur and pricing according to that – looking at exclusivity, competition, market position and so on.” - Service Director PDS, Sweden

The interviewee describes cost-plus pricing in a negative manner which was interesting as this comment reflected past theory. This could be eluded to the fact that cost-plus pricing is generally considered by many authors to be flawed and the least beneficial in industrial B2B contexts (Backman, 1953; Myers, Cavusgil & Diamantopoulos, 2002; Simon, Butscher & Sebastian, 2003). The respondent highlights value-based pricing as the preferred method of pricing as it takes into account additional considerations which can then translate into added value for the customer.

4.2 Conceptualising Customer Value in Value-Based Pricing

The previous section outlines that value-based pricing is a superior pricing method in B2B industrial relationships. However, it also touches on the point that value-based pricing relies on being able to translate the value to the customer. This leaves the question of how to conceptualise customer value in value-based pricing. Past literature defines customer value as context specific, which effectively means it depends on customers' own perceptions (Kowalkowski, 2011). Furthermore, customer value is considered to be subjectively evaluated, which means it is relative to different assessments based on certain markets or industries (Vargo & Lusch, 2004). Many respondents stressed the idea that customer value is very specific to different industries. This was mainly due to the fact that customers have different requirements, depending on the market context. Our empirical findings support this, highlighted through phrases by our respondents such as:

“Customer value comes from the customer side. Customer value always comes from the customer.” - Service Manager HPDS, Sweden

“It really depends, if I bring along architectural customers they will have a completely different conversation compared to retail customers. Or it will be very different it is one of our healthcare companies or a manufacturing company. It is very open ended.” - Director of Pricing and Costing Entrance Systems Division, USA

The fact that the Service Manager HPDS of Sweden mentions that customer value is derived from the customer side shows that value is dependent on how a customer perceives this added value. This is further elucidated to also be market or industry specific, as mentioned by the Director of Pricing and Costing Entrance Systems Division in USA, who outlined that customer value clearly depends on the end customer. Examples of retail customers, healthcare companies and manufacturing companies were used to portray the breadth of the perception of customer value, which was in turn described as open-ended. Referring to the aim of this paper, the challenge is to conceptualise what is truly encompassed within customer value in a value-based pricing strategy. Previous researchers have identified that customer value includes the benefits that a customer receives however there is no agreement yet on which specific dimensions create value for the customer (Liozu et al., 2011). Several dimensions and subsequent facets were discovered and elaborated on by theorists and even practitioners. Nonetheless, it is evident that there is still no clear picture as to which dimensions create value for the customer. Interestingly, even in our case company the Vice President of Service indicates this difficulty in value conceptualisation when he was asked to define customer value:

“It is not crystal clear. We have been engaging with other [consulting] companies and tried to define that.” - Vice President of Service, Sweden

This response falls in line with past theory, with many past authors expressing this difficulty. Value conceptualisation for the customer does not follow strict guidance and can be seen as a multidimensional and multifaceted construct according to researchers in this field (Hinterhuber, 2008b; Ulaga, 2003; Ulaga & Eggert, 2005). However, what these pricing scholars do agree on is that customer value is created by different dimensions and related facets. Our research supports this view on value conceptualisation as our respondents named and elaborated on varying value dimensions. These findings will be presented in the following section.

4.2.1 Operational Value

One of the dimensions of customer value conceptualisation that has been described in previous research is the operational value dimension. A supplier can create value for the customer by offering products that fulfil certain criteria in this operational value dimension. Product quality is one of the elaborated criteria. A high quality of the product can create value for the customers (Ulaga, 2003). The product should fit the customers’ desired purpose (Juran, 1974) which means that suppliers need to pay thorough attention to this trait. On this note, ASSA ABLOY’s Pricing Director, Sweden, mentioned the importance of the pure product:

“On one hand, depending on who is representing the customer, if it's a purchaser he sometimes will not acknowledge anything else but the naked product...” - Pricing Director, Sweden

Deriving from this, we understand that some customers only focus on the product. This product should have the capability to be convincing by its “naked” features. Interestingly, some customers seem to only scan the market for products that match their purchasing criteria while suppliers also try to offer additional values. This emphasises the importance for companies to make considerable efforts for product development as a product should deliver value to the customer by its pure quality.

The product’s performance, reliability and the consistency in delivering products of the same quality influences the perceived product quality to a great extent (Ulaga, 2003). Not only companies’ tangible products but also their intangible products, such as services, are counted among their offerings. Hence, companies need to reinforce superior quality for both types of products. ASSA ABLOY concentrates on creating value for customers following this approach by delivering a professional, diverse and high-quality service.

“So, in general terms we are very professional and deliver a very good quality. We are knowledgeable and not just about our own doors – 35 % of the portfolio is third party doors” - Vice President of Service, Sweden

The Vice President accentuates the knowledge about the functionality of their own products as well as of products manufactured by the competition. This knowledge and professionalism helps ASSA ABLOY create value for their customers in two aspects. Firstly, customers can be assured that ASSA ABLOY as a supplier has the ability to offer service not only for their own products but also for third party products. Secondly, customers only need one supplier to resolve issues occurring with their products. Consequently, the quality of the service is enhanced by ASSA ABLOY's diverse knowledge in their professional service. According to the literature, the service element of a company can be of high importance in B2B markets (Ulaga & Eggert, 2005) and can differentiate the company from the competition (Anderson & Narus, 1995). In particular, after-sales service with product-related services can be considered a critical factor (Ulaga, 2003). ASSA ABLOY offers maintenance, repairing, modernisations and upgrades among other services to their customers (ASSA ABLOY Group, 2018). This service is tailored to customers' needs in order to create the highest value possible. The following two statements underline this focus.

“We are one of the first impressions [...]. We ensure a good customer experience. That's the goal and we provide a lot of services that work around that” - Director of Pricing and Costing Entrance Systems Division, USA

“However, in service we can reduce downtime. We can reduce breakdowns, we can reduce energy costs.” - Country Manager Entrance Systems Division, Austria

Both of the participants emphasise the high quality of their offered service while they focus on the benefits the customers receive. “A good customer experience” and the fact that downtime and breakdowns are reduced will be valuable for the customer. In addition, ASSA ABLOY developed service capabilities for a great variety of door systems. This aspect acts as a differentiator from the competition and contributes to the quality of the offered service.

“...we are still the only company who can bundle pedestrian doors, docking stations, industrial doors and high-performance doors under one roof.” - Country Manager Entrance Systems Division, Austria

“We are the global market leader. And the fact that we do PDS, HPDS and IDDS - the customers have one point of contact.” - Service Account Manager, Netherlands

These quotes presented showcase ASSA ABLOY's unique capability to offer services for different door systems, such as pedestrian door, high-performance door or industrial door systems. The combination of these three business under one roof works as a differentiator from the competition considering that ASSA ABLOY stands alone in the market with this ability. Customers, given that they use different door systems, can benefit from this aspect again as they only need to maintain one relationship with one supplier even in the case of using different door systems. This plays an important role particularly in a B2B context where relationship management endures a considerable amount of costs.

Another way to create operational value for the customer acknowledged by our interviewees is to lower the overall costs or increase the output of customers' production (Töytäri, Rajala & Alejandro, 2015). Costs are endured throughout every business process, such as personnel costs, administration costs, costs of material and tools. A product of a supplier can decrease the costs for the customers and therefore create a benefit for them (Ulaga & Eggert, 2005). Our findings show support for this as ASSA ABLOY follows several strategies to lower the imposed costs for their customers. Their products decrease their costs of ownership and maintenance spend. This ultimately leads to improved operational value. Two of our interviewees specifically stated the following:

"...we demonstrated to the customer that over the lifecycle of the equipment the total cost with us is less than with a competitor. Yes, you will pay more for that individual part and you will pay more for the hour. But in the lifespan of your total agreement we will take down your total maintenance spend." - Vice President of Service, Sweden

"What we are creating for the customer is a type of budget for a year, which means we can reduce the costs for them. We can also reduce the total money they spend on our products" - Country Manager Entrance Systems Division, Austria

With these quotes the participants highlight the decreased process costs over the whole period of the contract length in comparison to competition which is in agreement with previous literature. As stated by these interviewees, ASSA ABLOY leverages on the lower maintenance spend and lower total costs in order to create value for customers.

4.2.2 Proficiency Value

Another dimension of value conceptualisation that past researchers elaborated on is the proficiency value. It refers to the quality of the relationship between the supplier and buyer (Sivakumar & Raj, 1997) and the abilities of the supplier to deliver products efficiently to its

customers (Ulaga, 2003). The fast time to market of products is a facet of this value dimension. If a supplier has the ability to deliver its products with speed and efficiency to the customers, including supplier support when needed, value for the customers is generated (Ulaga, 2003). ASSA ABLOY strives in creating this proficiency value as they concentrate on a fast delivery time of its products and services. Our interviewees emphasised this:

“We provide 24-hour service who really need their doors opened, literally and figuratively” - Director of Pricing and Costing Entrance Systems Division, USA

“... few companies have such a short delivery time in service” - Service Manager HPDS, Sweden

The interviewees stress the importance of fast (“short delivery time”) service which is available around the clock. Furthermore, our participant from USA points out that it is crucial to some customers to have constant functioning products, which is why they offer 24-hour service. Therefore, these arguments and value propositions are in line with earlier research. As identified by other researchers, suppliers can leverage on their proficiency dimension in order to develop a competitive advantage (Stalk & Hout, 1990; Wilson & Jantrania, 1994). By offering superior proficiency value to the customers they will have an even greater relationship benefit (Wilson & Jantrania, 1994). Our findings provide evidence for this argument. The delivery capabilities and customer benefit from a relationship with ASSA ABLOY can be exemplified by the following response:

“We often talk about SLA [service level agreement], too. A service level agreement – where they say we need you to respond to any service request within a specified number of hours. And they want you to be on site within this specified timespan and we can guarantee that and take away risk for the customers” - Vice President of Service, Sweden

The value for the customer in this proposition is the reduced risk as several customers need the assurance that a service level agreement will be met in case of a breakdown. Our respondent elaborated on the fact that some customers’ sites rely on ASSA ABLOY’s products as part of their production process. The respondent stated having a reliable partner guarantees a fast service within a predetermined timespan and reduces production risks. Thus, ASSA ABLOY increases the value for the customers by offering their comprehensive product and service solution.

The trait of ‘ease of doing business with’ is also mentioned as a facet of proficiency. Responsiveness, ease of handling or efficient order procedures are emphasised as attributes that lead to an ease of doing business (Hinterhuber, 2008b; Ritter & Walter, 2012). In order to

achieve this trait, suppliers may develop improved delivery capabilities. Superior delivery capabilities are defined as flexible and accurate (Hinterhuber, 2008b; Ulaga, 2003). Focussing on delivering superior capabilities, such as delivering an accurate and flexible service, has been stressed as an aspect by our respondents as shown by the succeeding phrases:

“So, they always call us, and when they call us we fix the problem for them.” - Service Manager HPDS, Sweden

“Values such as punctuality. That we carry out the service as we told him what we do. That we are available 24/7. That he can rely on us when he calls us and tells us that a unit has broken down.” - Service Manager PDS, Denmark

The first quote points out the accuracy of ASSA ABLOY’s service considering that the Service Manager of HPDS assures the capability to resolve any upcoming issue. The second quote on the other hand covers the flexibility of their service delivery. Being available anytime a problem with one of their products arises seems to be a meaningful aspect for clients. Similarly, to the previously mentioned points, collaborative relationships develop when a company has the ability to resolve any issues that arise for a customer (Hinterhuber, 2008b). Besides having the ability to offer 24/7 service, customers need a reliable partner that possesses the abilities to react to the whole array of problems that could occur. Our respondents supported these findings by presenting quotes that fall in line with this argument.

“So, what we offer is first a comprehensive solution. We can provide and take care of all their needs when it comes to automatic doors, no matter which type of door, considering that we belong to Entrance Systems which has all types of doors. We are a global company with all its resources, practices and tools.” - Service Director PDS, Sweden

ASSA ABLOY’s capabilities enable them to offer solutions to any complication and create value for the customers.

4.2.3 Strategic Value

A further dimension of customer value is the strategic value. It was found to be an important factor by previous research and it has the possibility to provide a competitive advantage for the supplier (Töytäri, Rajala & Alejandro, 2015). Having mutually beneficial goals is one way of achieving a high strategic value (Ulaga, 2003). Suppliers and customers may make a strategic assessment of what business strategy they pursue. Therefore, suppliers need to focus on understanding their customers’ business needs and their future goals. Arguments of our respondents are in line with this proposal which is highlighted by the following quotes:

“... we are trying to add value not directly on the door but trying to better understand the customers’ businesses and to try see where to best fit in the chain and through that how can we contribute to their business.” - Service Director PDS, Sweden

“We also like to do a strategic assessment with our customers – what do we want to achieve, what do they want to achieve. Especially when it is about the evolving relationship with our customers. We try to help them in any way. We make plans for the next upcoming years, sometimes up to five years in the future, when which [product] unit should be exchanged so they can plan how much money they have to put aside. This helps us too because we can see how much money we will get in the upcoming years from our sales team. It is a big part of our business.” - Service Manager PDS, Denmark

The respondents talk about the wants and goals of the customers. The Service Director of PDS in Sweden even mentioned that ASSA ABLOY can contribute to business goals of the customers if their business is being assessed. The company strives to add value for customers by following this approach. The second highlighted quote additionally revolves around clients’ long-term goals as well ASSA ABLOY’s goals. Pursuing mutual goals and helping customers to achieve their targets seems to be a way for ASSA ABLOY to stand out from competition.

In the existing literature it is repeatedly highlighted that the relationship between the buyer and seller is crucial to success, which is often complex and long-term (Ford, 1980; Ford, 2002; Håkansson & Wootz, 1979; Turnbull, Ford & Cunningham, 1996). When dealing with customers it is considered very important to manage and develop a relationship and to evidently find mutual adaptations to ensure business success (Ford, 2002; Hallen, Johanson & Seyed-Mohamed, 1991; Snehota, 1995). These relationships are maintained through personal interactions between the buyer and the seller. Personal interaction is another facet of strategic value (Ulaga, 2003). For the suppliers’ side it involves their ability to solve the customers’ problems and issues and the way they communicate with their customers (Ulaga, 2003). If customers’ and sellers’ interactions work effectively both sides and the overall business relationship will benefit. The relationship loyalty can be increased, the customer satisfaction can be heightened while the price sensitivity for products and services can be decreased (Terho et al., 2012). This importance is exemplified by our research as ASSA ABLOY’s participants clearly stress the significance of personal interaction in their business relationships.

“The personal interaction in the relationship in these cases is very important. And the knowledge of their concerns. For example, the business owner will have much different concerns from the tenant owner.” - Pricing Director, Sweden

“The technicians that we have out there, they are professional, they are very skilled. And when they show up they behave nicely and engage with the customer on an interpersonal level. And we talk to the customer in terms of the problems they have and make an assessment on what needs to be repaired and exchanged. And we know what we are talking about.” - Vice President of Service, Sweden

The respondents touch upon the personal interaction aspect in different manners. The Pricing Director emphasises the importance of using personal interaction in order to reveal customers’ concerns and pain points. The Vice President of Service also mentions this specific aspect whereas he additionally recognises the need to engage with the customers and act in an amicable manner. Thus, the personal interaction with clients plays a crucial role for ASSA ABLOY which is incorporated in order to create customer value.

4.2.4 Social Value

Social value is another dimension that was identified as a part of customer value in a value-based pricing context. Social value presents opportunities for enhanced interactions between the customer and supplier (Young, 2006; Bachmann & Inkpen, 2011). A key aspect of social value is the element of trust, which was presented in theory as a product of a successful long-term relationship between supplier and customer (Dowell, Heffernan & Morrison, 2013). Researchers identify this as an essential element in relationship outcomes (Ahmed, Patterson & Styles, 1999; Morgan & Hunt, 1994; Palmatier et al., 2008) and it can be considered an important construct for success particularly in industrial marketing (Cowles, 1997). Theory states that trust allows for deeper relationships between the buyer and seller which may present increased business opportunities through better interactions between the buyer and seller (Young, 2006; Bachmann & Inkpen, 2011). Our empirical research supported past literature with many respondents presenting this element of trust, for example:

“You need to have credit with the customers, the customers need to trust you. Then when you are good you will get out a lot of money, if you really create value there.” - Country Manager Entrance Systems Division, Austria

The highlighted quote shows the significance of trust as a mutual bond in a B2B relationship. Furthermore, this quote portrays the linkage between trust, value creation and evidently pricing, as expressed by the idea of receiving additional monetary benefits by increasing trust. Social value can be beneficial to the operations of a customer. A supplier may be able to pass on market-related information and market know-how, in turn reducing market research costs and increasing supported learning (Ritter & Walter, 2012). We support past literature through our empirical research as it was explicitly stated by one respondent. Our case study company’s size

and global presence was leveraged in order to provide a customer with additional information, especially concerning the regulations in a certain market. This knowledge transfer can be showcased by this respondent stating:

“Sometimes our size can help customers, too. We are involved in different countries and have knowledge about different countries. Customers could ask us for information about other countries. For example, the regulations of a certain country. That happened to me before.” - Service Account Manager, Netherlands

This is intriguing as the respondent specifically mentioned the fact that customers reached out to the company in order to gain further knowledge about market-related information, in this instance country specific regulations. Social value also entails a supplier being able to pass on industry specific knowledge to the customer, creating opportunities for the customer and allowing them to be more efficient in their operations (Ritter & Walter, 2012). Another example was apparent in our data where one respondent expressed the idea that in the future it would be beneficial for the case company to support their customers by contributing to their customers’ operations. The respondent stressed that by helping their customers to optimise their products and placement this may result in benefits along the entire value chain and their customer’s business. The social value that the company creates for the customer is an opportunity for increased optimisation by providing access to information, showcased by the response:

“I would like us to be a part of this ‘connected building’, it will be good if we were leaders in that and not just as a supplier of one little part of that. But looking at people, being the leader in directing the flow in a shopping centre by knowing who goes through which door, helping the shopping centre to optimise where they put different stores, helping them to optimise their advertising, helping them to optimise their cleaning staff, security staff, emergency evacuation procedures, all that.” - Service Director PDS, Sweden

What was particularly compelling about this response was the fact that the interviewee referred to social value in a future oriented context, specifically referring to where they thought customer value was heading. This also falls in line with other past theory stating that customer value is relative to time and can change over the course of business (Flint, Woodruff & Gardial, 2002). In the future gathering and providing new information, such as optimisation data, to the customer can be leveraged on by a supplier in order to create social value.

4.2.5 Symbolic Value

A final dimension of customer value which was repeatedly characterised in past theory is symbolic value. The basis of symbolic value is derived from the idea that supplier reputation can ultimately contribute to a reduction in risk for customers (Jackson, Neidell & Lunsford 1995; Hinterhuber, 2008b). Past literature stresses that working with reputable suppliers can reduce the risk of performance deficits (Hinterhuber, 2008b). According to Hinterhuber (2008b) in industrial relationships this is considered imperative due to the fact that the perception of risk is intensified and carries greater implications. Respondents underlined this dependency on overall supplier reputation as a contributor towards symbolic value. This is expressed in our empirical research through the following phrases:

“Some customers also choose us because we can reduce the risk for them. Bigger customers especially value this as they have to comply with safety regulations.” - Service Leader HPDS South, Sweden

“We are a big company, we are ASSA ABLOY. This fact works as a risk reduction for the customer. I am pretty sure that some of our large customers choose ASSA ABLOY because of the possibility of us being there whenever they need us. But of course, this is more important for large customers. Small customers do not really pay attention to this.” - Service Manager PDS, Denmark

This emphasis on the reduction of risk was shared by respondents, particularly in a situation concerning larger customers. The fact that this seemingly plays a more important role for larger customers as compared to smaller customers coincides with the nature of B2B relationships in industrial contexts. This is because contract sizes are generally of high monetary value and of long term nature. Interestingly, a common characteristic in some of our responses was the fact that when risk reduction was mentioned as a facet then the value of the brand itself was expressed in parallel. Literature has outlined that the element of branding plays a role in creating symbolic value for the customer (Hinterhuber, 2008b). On this note, other literature has explored that symbolic value can correspond with customers choosing suppliers based on receiving intrinsically intangible values such as a signal of social status, self-enhancement or increased overall productivity and motivation (Töytäri, Rajala & Alejandro, 2015; Ritter & Walter, 2012; Hinterhuber, 2008b). This can be highlighted by customers choosing to work with suppliers who are renowned for their corporate success (Ritter & Walter, 2012). Our empirical findings support this as one respondent eluded to these points, particularly about corporate success. These can be seen in the phrase:

“As far as a company goes, some generic ones that we can consistently throw out is that we are the world leader, ASSA ABLOY as a name always helps. That makes

everything much, much easier. I mean that gets us in the door for a lot of things. Remember, when you are starting conversations with all these guys, for example with the big boys, its key. The reason that we get in the door to have these conversations is because we are ASSA ABLOY. Without it, we don't even get that phone call. Even if we are knocking at their door, constantly asking, we wouldn't even get to be a part of the bid. That's pretty much our entry ticket. For example, a big customer needs to make a bid and will invite four or five companies, but at the end of the day they will be choosing one of the bigger companies.” - Director of Pricing and Costing Entrance Systems Division, USA

The above findings emphasise the fact that the brand, ASSA ABLOY, literally allows for business transactions to occur. Described as an ‘entry ticket’, the brand name and the associated reputation acts as an invitation to participate in business contract bids. This respondent also highlights the fact that the customer invites multiple companies but ultimately chooses one of the ‘bigger’ companies; firms with a track record of conducting large-scale business providing plausible reputation. This shows that the customers value the corporate success of suppliers and may use it as a benchmark to further enhance their own business operations. Overall it can be acknowledged that the symbolic dimension exerts itself as an important facet of customer value conceptualisation in value-based pricing.

4.2.6 Environmental Value

Perhaps our most captivating finding was the fact that an element, which was not mentioned in our chosen field of research, was repeated by many respondents in detail. This element is what we define as the new dimension ‘environmental value’. Theory in other research areas acknowledges the growing need to consider finite resources and subsequently the associated high environmental costs (Kotler, 2011). Accordingly, marketers are urged to revise their policies on product development, distribution, branding and pricing (Kotler, 2011). Previous research (e.g. Stål & Jansson, 2017) discovered that some firms already incorporate sustainable aspects in their value proposition to help reduce the impact of consumption on the environment. Promoting less impact on environment can be considered a desirable goal for corporations (Elkington, 2013) and can benefit the buyer’s side. However, research in the field of customer value construction in value-based pricing (e.g. Hinterhuber, 2008b; Töytäri, Rajala & Alejandro, 2015; Ulaga, 2003; Ulaga & Eggert, 2005) has failed to acknowledge the likeliness of environment as a possible influence to create value for the customer. Given the apparent development in theory and practice, the potential for environmental advantages offered by the supplier constitutes as one of the dimension of customer value. This environmental dimension

was stressed as a source of customer value with almost half of our interviewees elaborating on this dimension. The responses below highlight this:

“Environmental impact. It is an argument for us, we can profile us with that because we are environmentally friendly. We have a smaller impact on the environment with our products compared to our competitors.” - Service Leader HPDS South, Sweden

“In Denmark we have talked to customers about how we dispose old door units and that is something that we are working on right now. You have to see that we have to stand out from the competition. If we mention some of these aspects, we can differentiate ourselves from our competitors. If we did not do that we would automatically miss out on one dimension of our value proposition. Maybe one of our competitors talks about it and then we would get discarded immediately.” - Service Manager PDS, Denmark

“One of the most important eye openers is energy and I think that whole sustainability conversation about the value so the energy loss when the door is closed. But also the energy loss when the door is opening.” - Vice President of Service, Sweden

The key points brought up by our respondents were focused on lessened environmental impact, sustainable value-chain improvements and energy savings. The Service Leader HPDS South, Sweden, specifically highlighted the fact that lessening environmental impact with product use could be used as a value proposition and a contributor to customer value. This works in parallel to the comment made by the Service Manager PDS, Denmark. They explicitly expressed that this dimension could be leveraged as a point of differentiation and used value-chain optimisation, in this case product disposal, as an example. Energy savings were also mentioned in abundance by many respondents during our research. The Vice President of Service, Sweden, underlined this point. They expressed that energy loss was a key sustainability topic amongst their customers. Furthermore, what was particularly interesting about the environmental dimension was that even the most sceptical responses still addressed the fact that it held some sort of value. This is showcased by the quotes below:

“Environment for example is only a fashion word for me. A lot of people talk about it but at the moment I do not see the real benefit. Sure, it depends on the customer. Some care less about environmental issues but some do care a bit more.” - Service Account Manager, Netherlands

“My personal opinion. No. I don’t think it is going to be as big of a deal as many other things. The bottom line on pricing is going to be more of a concern. However, if you talk about the environmental concerns such as air conditioning loss prevention which converts to real dollars and cents, then yes. But the environmental impact of where we source our metal from, probably not, no.” - Director of Pricing and Costing Entrance Systems Division, USA

The Service Account Manager described the environmental dimension as a current trend or buzzword, however still addressed the fact that some customers saw the value in it. This clearly accentuates that this makes up a part of customer value for some of their current customers as they actively engage and care about it. Furthermore, whilst the Director of Pricing and Costing USA stated that the bottom line will still be of utmost importance, it was expressed that this dimension would hold some form of value. The value for the customer here would be energy savings, a common finding throughout our empirical research. This expression of energy savings as a source of environmental value was solidified by the following quote:

“To be now completely frank. I am now [...] years within service contracts. Not once has the customer asked me about energy consumption. The topic is a topic from us. So, we are going to the customers and asking; “what if your pedestrian door is open for one hour?” We try to get the customer a little bit on board. Normally the answer is I don’t know. We say guess, how much energy do you use when your refrigerators in your supermarkets are trying to compensate this opening of the entrance door. For instance, a large customer gave us an indication that if we could reduce opening time, this could save that extra [...] euro per day. As I said, in our approaches we say that we are saving energy and if you don’t ask the customer to try get him on board, the customer will read about it but not understand it.” - Country Manager Entrance Systems Division, Austria

An experienced and long-serving manager clearly stated that this was a conversation topic deriving from the supplier side. What was particularly interesting about this conversation was the fact that the need to quantify and communicate value was specifically highlighted, in context of the environmental dimension. The quote shows that customers must first be able to get on board or buy-in to the value proposition. However, our empirical research suggests that environmental value can constitute as a value dimension in customer value conceptualisation for value-based pricing.

4.3 Value-based Pricing Quantification and Communication

Common success factors exist amongst firms who have successfully implemented value-based pricing strategies in the past. One of these was described as top level executive championing (Liozu et al., 2012). The engagement for value-based pricing strategy by top management can be showcased by the fact that the interviewed Vice President of Service places high importance on pricing excellence and considers it a current focus of the business strategy. Furthermore, through our research we saw that the organisation has a dedicated pricing team. This is consistent with past theory as literature considers a centralised pricing function a way to maximise pricing capabilities (Liozu et al., 2012). Centre-led pricing teams can use formal pricing methods to increase overall rationality and validity of pricing and evidently help the value quantification which is communicated to the customer. Value-based pricing relies on formulating and communicating prices based on the customers' perception of products, and more specifically, how the perception of customer value is weighted against the willingness-to-pay (Liozu et al., 2011; Ingenbleek, Frambach & Verhallen, 2010). The willingness-to-pay can be regarded as the difference between net perceived benefits and actual price paid by customers (Töytäri, Rajala & Alejandro, 2015). This showcases the need to be able to quantify and communicate value in a value-based pricing. Our empirical research supports theoretical literature, exemplified by two of our respondents' definitions of value-based pricing:

“We try to get them on value-based pricing by offering a lot of things and breaking it down for them, in order to get a higher price. We need to get behind and explain to the customer what is behind the price.” - Country Manager Entrance Systems Division, Austria

“Value-based pricing to me is that you structure your pricing in a logical way. You charge what you can charge. It does not matter whether that is times 10 or times one. Something as long as it is logical, and you can defend your pricing level to some logical extent.” - Vice President of Service, Sweden

Our respondents highlighted how value-based pricing relies on breaking down the reasoning of the price to the customer, or in other words, being able to accurately quantify and communicate the value behind the price. The second response asserts that value-based pricing must be logical and justifiable. This again shows the necessity to be capable to influence the customers' perceived values and willingness-to-pay through accurate communication. This response was relevant for previously presented theory which concurs with barriers to value-based pricing strategy implementation. There is a difficulty in value quantification and subsequent value communication, particularly for industrial companies (Storbacka, 2011; Töytäri, Rajala &

Alejandro, 2015). Successful value quantification justifies the price of a product or service as it demonstrates how a reduction in the total cost of ownership can be achieved (Hinterhuber, 2008b). This then coincides with how value is shared between the customer and supplier, and what is perceived as most 'fair' in a negotiation. The importance of value quantification in value-based pricing strategy was stressed by many respondents as found in our empirical research, which can be highlighted by a phrase such as:

“One definition would be to visualise the value of the features and the benefits that we are offering a customer and to be able to quantify these to show what is the value pool that the customer has the potential to gain. Out of this value pool we can capture a part of this value through our price, so we are sharing this value with the customer. One part we are taking for ourselves in the price and the rest goes to the customer.” - Pricing Director, Sweden

Being able to quantify and communicate the values in value-based pricing strategy accentuates the criticality of conceptualising these value dimensions. Successful value quantification relies on the demonstration of appealing economic outcomes with the underlying goal to reduce the total cost of ownership (Hinterhuber, 2008b). Interestingly, our empirical findings highlight the fact that our case study company has successfully established a sense of value quantification. Customers are able to quantify this provided value which reduces their total cost of ownership. This can be seen in the phrase:

“...customers can definitely see that we have a high price and are a high value company, but in the end the total cost of ownership is lower.” - Service Manager HPDS, Sweden

After customer value has been quantified it has to be accurately communicated to the customers. What is compelling in our case study is the way ASSA ABLOY communicates value to their customers. ASSA ABLOY uses reference cases when conveying their overall value proposition and their product and service pricing. The sales personnel are aware of the trust issues articulated from customers and have established a strategy to overcome this problem. Reference cases seemingly constitute as a valuable mechanism to solve trust issues. The following quote accentuates this procedure:

“Another thing that we are doing quite good is that we have [a number of] reference cases of customers who told us how much money they have saved because of using ASSA ABLOY. [...] This is because customers do not always trust the sales guy, but the customer will trust our [number of] reference cases.” - Country Manager Entrance Systems Division, Austria

This quote displays how ASSA ABLOY communicates their value offering and more importantly quantifies the value into a tangible monetary value amount. By overcoming the barrier of trust issues, a critical obstacle of B2B relationships (e.g. Palmatier et al., 2008), customers are able to justify the value offering by ASSA ABLOY. It allows the company to price their products and services according to their values and evidently shows value-based pricing in practice.

4.4 Digitalisation

An interesting aspect that was brought up by many respondents is the connectedness of products. When asked about future trends and where the industry is heading our interviewees elaborated on the terms ‘connectedness’, ‘smart maintenance’ and ‘e-maintenance’ as products stemming from the Internet of Things (IoT). We associate these together and define these as aspects of ‘digitalisation’. The preceding quotes exemplify this element:

“...monitoring that they [the customers] always have a door that works and connecting that with e-maintenance where they have full access to dashboards. We are not the first ones in the industry but certainly one of the pioneers. This intelligence will become more and more important in the future.” - Vice President of Service, Sweden

“I think as the IoT continues to go down its path we will get more and more traction with that. But until our doors become traceable, specifically when it is open and when it is closed, I don’t think we will get much traction, but we of course continue to try.” - Director of Pricing and Costing Entrance Systems Division, USA

“I think a lot of it will have to do with connectedness – connected solutions. Connected doors, are going to be important.” - Service Director PDS, Sweden

“Smart maintenance is the future – the Internet of Things. We will be able to see failures of the systems before they even occur.” - Service Account Manager, Netherlands

The benefits of digitalisation include pre-empting repairs, better understanding of the customers’ value chain and developed visibility for the customer. These contribute to customer value as it ultimately increases the service element for a customer. However, it was stated that this value element is still in its early stages of truly contributing to customer value by the Director of Pricing and Costing Entrance Systems Division, USA.

5 Discussion

5.1 Customer Value Conceptualisation in Value-based Pricing

The present study investigates customer value conceptualisation in value-based pricing in a B2B industrial context. The value-based pricing strategy was found to be superior and advanced in comparison to other pricing strategies (e.g. Ingenbleek, 2007; Hinterhuber, 2008b; Cressman, 2012; Cannon & Morgan, 2010; De Toni et al., 2017; Docters et al., 2004). Our empirical findings were consistent with these past theories. Our interviewees were in agreement that value-based pricing is the most preferable pricing strategy in an industrial context. Furthermore, our research confirms that customer value is a multidimensional and multifaceted construct and that there is no consensus on which dimensions to include (Hinterhuber, 2008b; Liozu et al., 2011; Ulaga, 2003). Comparison of the findings with those of other studies also confirms our interpretation of customer value conceptualisation in value-based pricing strategy. Our research suggests that it is context specific and relative to markets and industries, as outlined by previous authors (Kowalkowski, 2011; Vargo & Lusch, 2004). This means that the perception of which values are important depends on the customers and the business goals they pursue. In line with this past research and our own developed framework, the following value dimensions were reflected and elaborated on by our respondents: operational, proficiency, strategic, social and symbolic value (*see Figure 1*).

5.2 Quantification and Communication of Values

Our findings are consistent with those of Liozu et al., (2011) and Ingenbleek, Frambach and Verhallen (2010) who explicitly state that value-based pricing entails precise formulation and communication of prices. The authors stress that the customers' perception of customer value needs to be taken into account. More recent research also agrees with this reasoning, underlining that this perception of gains depends on what value customers place on the benefits offered by suppliers (Töytäri, Rajala & Alejandro, 2015). Furthermore, customer value is considered to be subjectively evaluated and relative to different markets and industries (Vargo & Lusch, 2004), which was considered in our framework (*see Figure 1*). This study showed that ASSA ABLOY recognises this rationale. Throughout their business practice, they focus on breaking down the

values thus justifying their prices in order to influence their customers' perception. Respondents indicated this as a pivotal starting point to communicate value-based prices to customers.

Additionally, in accordance with the present results, previous studies have demonstrated that difficulties in customer value quantification and communication for value-based pricing exists (Storbacka, 2011; Töytäri, Rajala & Alejandro, 2015). Our respondents constantly exhibited that this challenge was present in their marketing activities. Several respondents mentioned that one critical problem was a trust issue, originating from the customer's side in a transaction. In order to overcome this trust problem with their customers, our findings showed that references cases are incorporated. These cases are used as a sales tool to demonstrate past businesses success stories. The cases revealed that by working with ASSA ABLOY considerable monetary savings could be made. The key quantification and communication component is making the monetary value amount tangible, thereby making customer value tangible. It was notably expressed that this is a beneficial way of successfully executing value-based pricing strategy.

5.3 Customer Value Dimensions for Value-based Pricing

5.3.1 Operational Value

This study supports evidence from previous observations (Anderson & Narus, 1995; Ulaga, 2003; Ulaga & Eggert, 2005) that operational value can constitute as a value dimension within value-based pricing. One facet of operational value was product quality (Ulaga, 2003) which was brought up by our interviewees as a matter to create value for the customer. Another component of operational value is decreasing customers' process costs as reported by prior research (Töytäri, Rajala & Alejandro, 2015; Ulaga, 2003) and confirmed by our empirical results. Furthermore, after-sales service, an additional facet of operational value (Ulaga, 2003) was eminently stressed by respondents. Interestingly, our participants consider after-sales service as a key differentiator from the competition. A possible explanation for this might be a high representation of employees in our sample with a service component in their respective roles.

5.3.2 Proficiency Value

A further dimension articulated by theorists used to create customer value as well as a competitive advantage is the proficiency value (Stalk & Hout, 1990; Wilson & Jantrania, 1994). A fast time to market (Ulaga, 2003), flexible and accurate delivery capabilities (Hinterhuber, 2008b; Ulaga, 2003) as well as ease of doing business with (Hinterhuber, 2008b; Ritter &

Walter, 2012; Ulaga, 2003) are reportedly part of this dimension. Our results accord with these findings and with all the facets within the proficiency value dimensions as conceptualised in our framework (*see Figure 1*). The presented empirics display that our interviewed practitioners place emphasis on these traits and leverage them when talking to customers in order to create value in a value-based pricing context.

5.3.3 Strategic Value

This study confirms that customer value conceptualisation is associated with the strategic value dimension as described by Töytäri, Rajala and Alejandro (2015). Suppliers and customers are urged to develop prosperous relationships in order to achieve business success (Ford, 2002; Hallen, Johanson & Seyed-Mohamed, 1991, Snehota & Håkansson, 1995). Having mutually beneficial goals is counted among the facets of strategic value (Ulaga, 2003). Customers and suppliers may exchange their desired business goals and align their strategies accordingly. ASSA ABLOY follows this strategy as showcased by our empirical data and aims at creating value for customers with this. In addition, our research agrees with Ulaga (2003) who emphasises personal interaction as a component of strategic value. Interviewees of our study frequently and thoroughly stressed this aspect suggesting that it is highly important for the value conceptualisation of value-based pricing.

Digitalisation. This is the first time, to our knowledge, that the aspect of digitalisation was mentioned in the context of customer value conceptualisation for value-based pricing. Our respondents repeatedly elaborated on this component and stated that it may be incorporated to offer benefits to customers. It can be regarded as a facet of strategic value as previous researchers acknowledge innovation capabilities and access to technology in the context of this dimension (Ritter & Walter, 2012; Ulaga & Eggert, 2005). We consider an ongoing increasing awareness of digital aspects in B2B industrial markets which was illustrated by our respondents. Our interviewees mentioned the growing importance of the connectedness of products, e-maintenance options and increased monitoring possibilities. These represent characteristics of technological innovation. Therefore, we suggest to incorporate this facet in the dimension of strategic value and as a component of customer value creation.

5.3.4 Social Value

Social value presents opportunities for enhanced interactions between customer and supplier (Young, 2006; Bachmann & Inkpen, 2011) with trust being a key construct of the relationship (Dowell, Heffernan & Morrison, 2013; Ahmed, Patterson & Styles, 1999; Morgan & Hunt, 1994; Palmatier et al., 2008). Our participants commonly agreed that social value generally

complement the customer and supplier cooperation in a business relationship. On this note, our empirics agreed with past literature as the facet of trust was voiced by many respondents. The responses put exceptional emphasis on trust as a construct. Moreover, access to information about foreign markets and country-specific regulations was identified as beneficial. This result reflects findings of Ritter and Walter (2012) who investigated this field of research. Interestingly, our research about this dimension also highlighted that future orientation was an aspect of customer value. Our responses indicated that social value underlies a dynamic process which suggests that the perception of social value changes over time. This is in accordance with our framework (*see Figure 1*).

In contrast to earlier findings, no evidence of networks was detected as a component of social value in our empirics. This is described as managing relationships within certain markets in order to provide beneficial opportunities for the customer (Töytäri, Rajala & Alejandro, 2015). An example of this is Töytäri, Rajala and Alejandro (2015) as well as Ritter and Walter (2012) who use community inclusion and access to influential partners as sources of increased business opportunities. However, the facet of networks was not found in our empirical research. This inconsistency with prior studies may be due to the fact that customers of ASSA ABLOY act as end-customers. The aspect of networks, to our interpretation, applies to actors within the value chain and does not have significance for suppliers for end-customers. This may explain why our interviewees did not elaborate on this facet in customer value conceptualisation for value-based pricing. Nonetheless, ASSA ABLOY wants to increase their contribution to more parts of the customers' value-chains, as one respondent specifically indicated.

5.3.5 Symbolic Value

There are similarities between the responses expressed in this study and those described by Jackson, Neidell and Lunsford (1995) and Hinterhuber (2008b). These authors outlined symbolic value consisted of reputation, which acts as a reduction of business risk for the customer. Working with reputable suppliers can lower the risk of performance shortfalls according to our results. Nevertheless, other facets of symbolic value were not apparent in our study. These were brand value as a source of self-enhancement or end-customer motivation (Töytäri, Rajala & Alejandro, 2015; Ritter & Walter, 2012). It seems possible that these results are due to the aggressive merger and acquisition strategy by ASSA ABLOY, thus responsible for a complicated brand structure. Given the recent strategy to focus on the corporate brand as a source of value, time will be required for the brand building process.

5.3.6 Environmental Value

The empirical results revealed potential for a new value dimension within value-based pricing. Our respondents repeatedly and eminently accentuated environmental aspects when asked about how they create value for their customers. This study is the first within this field of research, based on our knowledge, to recognise environmental aspects as a source for creating customer value. Due to the thorough and frequent emphasis from our interviewees we therefore suggest incorporating environmental value as a value dimension for value-based pricing. Our interviewees stressed three key points within this value dimension. The first one was lessened environmental impact which refers to the physical environmental consequences of product usage. An example mentioned by a respondent was the fact that the case companies' products were more environmentally friendly when compared to competitors' products. A second point was sustainable value-chain improvements which was described as optimising the lifecycle of products and materials throughout the value chain. This was illustrated by a participant indicating how the disposal of old product units provided value for a customer. Lastly energy savings was also emphasised as one of the facets for environmental value. Our empirics highlighted energy savings as a key sustainability topic within this industry which can be used in order to create value for customers. Interestingly, this was stressed by interviewees as having great potential for value-add as the benefits can be distinctly quantified and ultimately communicated to the customer.

5.4 Revised Framework for Value Conceptualisation in Value-based Pricing

We are in agreement with past literature that customer value is relative to time and changes (Flint, Woodruff & Gardial, 2002). Interpreting this, we believe that suppliers constantly revise and adapt their benefits they offer to customers to ongoing trends and dynamic market conditions. This means that the importance that is placed on the value dimensions ultimately depends on the customers and their pursued business goals. The offered benefits can only be valuable if the customers perceive these as beneficial. Therefore, customer value is in a constant process of change. Hard values such as operational and proficiency value have become more saturated in the capacity of plausible value offerings. For example, increases in delivery capabilities would be considered near maturity due to physical constraints. This evidently leaves the potential for only smaller improvements, often requiring higher implementation and work effort. On the contrary, this creates significant opportunities for businesses to focus on softer values such as social and symbolic value, to advance their offering and differentiate themselves from competition. Based on customer value being dynamic, we present a revised

framework for customer value conceptualisation in value-based pricing in a B2B industrial context (see Figure 2).

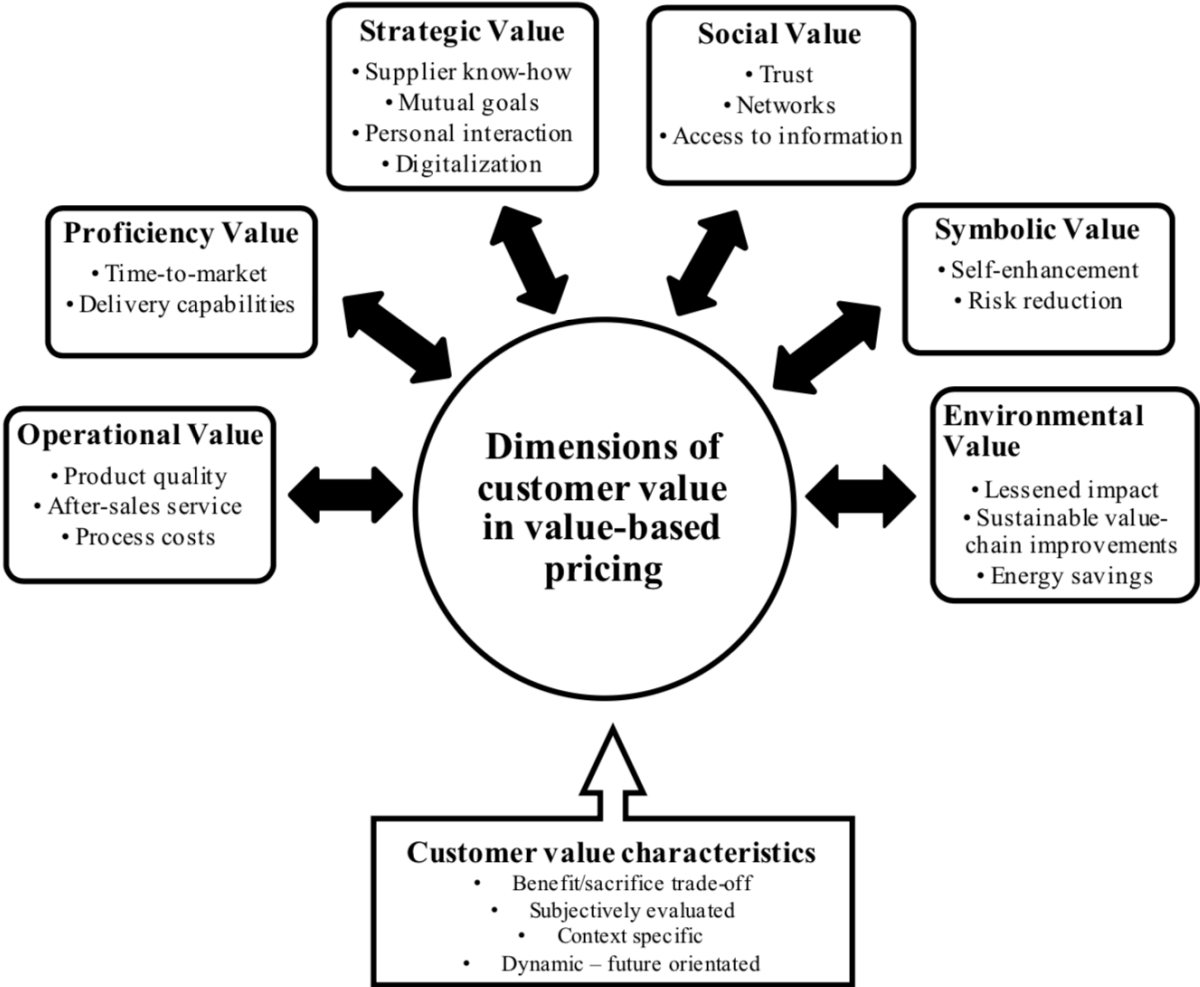


Figure 2: Revised Framework for Customer Value in Value-based Pricing Strategy in a B2B Industrial Context

Looking back at our framework developed from the literature we confirmed and extended the conceptualisation of customer value. In agreement with prior research, we define that customer value is created over time in a B2B relationship through the dimensions of operational, proficiency, strategic, social and symbolic value as synthesised in our model. We developed this model ourselves as a result of literature research and logical conceptualisation. This model is highly relevant for customer value creation within value-based pricing strategies as suggested by our study. Throughout the empirical data collection our participants eluded to the shown value dimensions, the according facets as well as the customer value characteristics. However, our research suggests adding further elements to the value conceptualisation for value-based pricing. Accordingly, we propose adding the environmental value dimension and the according

three associated facets, namely lessened environmental impact, sustainable value-chain improvements and energy savings as captured in our revised framework. We also recommend adding digitalisation to the strategic value dimension. In conclusion from our framework, we suggest that these dimensions along with their facets can be leveraged to create customer value for value-based pricing strategies.

6 Conclusion

In the final chapter conclusions are drawn based on the previously presented empirical results and associated analysis and discussion of our findings. The answer to our research question is presented, combined with theoretical contributions and managerial implications. Finally, limitations are discussed along with relevant suggestions for future research.

6.1 Research Aim & Objective

The aim of the present research was to examine the dimensions and facets of customer value that are used as a basis for formulating a value-based pricing strategy. This study set out to answer the research question:

- How can we define and conceptualise the dimensions and associated facets of customer value for value-based pricing?

Our incorporated case study of ASSA ABLOY following a qualitative research approach consisting of guided semi-structured interviews and an according data analysis enabled us to fulfil this aim and answer our proposed research question. Our results and analysis empowered us to suggest a revised framework than can be used as a basis in order to create customer value for a value-based pricing strategy. Our improved framework that is based on previous findings from researchers in this field (Anderson, Jain & Chintagunta, 1993; Flint & Woodruff, 2001; Flint, Woodruff & Gardial, 2002; Hinterhuber, 2008b; Jackson, Neidell, & Lunsford, 1995; Kowalkowski, 2011; Lindgreen & Wynstra, 2005; Liozu, 2016; Ritter & Walter, 2012; Töytäri, Rajala & Alejandro, 2015; Ulaga, 2003; Ulaga & Eggert, 2005; Ulaga & Eggert, 2006; Vargo & Lusch, 2004; Walter, Ritter & Gemünden, 2001) was validated and complemented as suggested by our results. It now consists of six value dimensions, namely; operational, proficiency, strategic, social, symbolic value and our new suggested dimension of environmental value. Furthermore, the facets within these dimensions have been examined and enriched.

Our further research objective was to contribute to value-based pricing research and knowledge in industrial B2B contexts. We have been able to increase existing knowledge in these fields of research and have were able to suggest a revised theoretical framework, presented in our discussion (*see Figure 2*). Furthermore, we have advanced practical knowledge by contributing to the discussion of value-based pricing usage in business practice.

6.1.1 Theoretical Contributions

Our findings contribute to the research field of B2B relationships in general as well as of pricing. More specifically, we add to the research of customer value conceptualisation for value-based pricing. Our study reinforces the role of pricing as a crucial element of marketing strategy. Value-based pricing strategy has a strong impact on a company's profitability. The ability to be able to understand and conceptualise customer value is of critical importance when implementing a value-based pricing strategy. This allows a business to capture and share any associated value and therefore price products and services accordingly. The present study provides three key contributions to this discourse. Firstly, a holistic conceptualisation of customer value for value-based pricing in a B2B industrial context. Secondly, advancements are made on the dimensions and facets within customer value conceptualisation in value-based pricing. Finally, theoretical contributions within this area of research were achieved. Thus, our study adds relevant theory to the pricing research field.

Value-based pricing strategies rely on successful conceptualisation of customer value which consists of value dimensions and respective facets. At the beginning of the study we revealed well established dimensions of customer value in past research and developed a framework by synthesising findings and models found in previous publications. However, throughout our study it was apparent that additional considerations of what dimensions to include are needed. As our revised framework suggests, environmental considerations influence perceived customer value in an industrial B2B context for value-based pricing. Previous literature has outlined and conceptualised customer value in relation to value-based pricing strategy in detail. Until now, it has not addressed the environmental dimension and corresponding facets, which was prominently identified in our findings. Another aspect of this study's contribution was the inclusion of the digitalisation facet within the strategic dimension. This was also a meaningful result of our study. Additionally, our study enables us to better understand the theoretical underpinnings of customer value conceptualisation. Theorists will be able to incorporate our revised framework in order to study the creation of customer value for value-based pricing strategies. Therefore, we contributed to the theoretical field of pricing as well as of value-based pricing by developing a framework that holistically conceptualises customer value.

6.1.2 Managerial Implications

Practitioners in business markets constantly seek to provide excellent customer value and gain a fair share of value as determined through pricing strategy. Throughout this paper, we show what the conceptualisation of customer value depends on, which is imperative for value-based pricing strategy implementation. The understanding of the conceptualisation will also function as the basis for quantifying and communicating value. As a practical contribution, our revised

framework resulting from our study, can serve as a foundation for developing managerial guidelines regarding specific customer value for value-based pricing strategies. Managers may reconsider their businesses' value proposition and make improvements when practicing value-based pricing. A further practical contribution of this study were findings which suggested convincing ways of quantifying and communicating customer value. We were able to show that reference cases can be used as a means of overcoming one prominent barrier of value-based pricing; the quantification and communication of customer value. This in turn can be incorporated to justify the price for products and services to the customer. Therefore, our study provides relevant and pragmatic implications for practitioners.

6.2 Limitations & Future Research

The study has a number of possible limitations and suggestions for future research. This research was based on single case study which may limit the findings from being completely generalizable. Findings were present in our research using a single case study, however it would be interesting to conduct multiple case studies in a similar context. This would allow future research to compare findings amongst them, thus providing an opportunity to include a wider perspective. This study was also focused on a B2B industrial context, therefore the most comparable results from future research would be gained from using companies with similar characteristics. More generalizable results on the other hand can be achieved using companies of other contexts. Another suggestion would be the exploration of this study in a greater range of markets, particularly between Western and Eastern markets. This would provide fruitful insights and further discussion for both practical and theoretical research. In addition, the psychological aspects of pricing strategy, particularly in B2B markets, would be interesting to explore in more detail as customer value can often be perceived differently. Finally, we would suggest that our research and revised framework can be further operationalised, complemented and tested by quantitative studies.

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Appendix A

Appendix A: Semi-structured Interview Guide

<u>Themes</u>	<u>Questions</u>
General	<ul style="list-style-type: none"> - How long have you been with the company? - What do you do? What is your role in the company? - What are your touchpoints with pricing in your current position?
Customer value	<ul style="list-style-type: none"> - In brief, how would you define the value you offer to your customers? - How would you specifically describe customer value?
Facets of customer value	<ul style="list-style-type: none"> - How do your customers evaluate your offerings? - How do you think they make their decisions? - What do customers want/talk about when they want an offer from you? - What could be the process they go through when they make a decision? - When communicating your products/services, what are your key selling points as a company? - What is the process that you go through when you sell a (major) contract? - What are some problems when you want to express your offering to the customer? - What do you think you could be doing differently that would better suit your customer needs and create value for them? - Where do you think value for the customer is heading? What will value for a customer look like in the future? - What do you think are the most important factors that customers look for?
Pricing orientation & value-based pricing	<ul style="list-style-type: none"> - How familiar are you with different pricing strategies? - Which do you believe is the most beneficial and why? - How would you define value-based pricing in your own words?
Barriers to implementation	<ul style="list-style-type: none"> - What do you see as challenges to implementing a new pricing strategy? How about implementing value-based pricing?