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*CUSTOMER NEEDING -
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FROM A CUSTOMER PERSPECTIVE*

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Key words: industrial service, customer needing, realised value, customer understanding

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Customer Needing - Conceptualising Industrial Service from a Customer Perspective

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Abstract

Views on industrial service have conceptually progressed from the output of the provider's production process to the result of an interaction process in which the customer also is involved. Although there are attempts to be customer-oriented, especially when the focus is on solutions, an industrial company's offering combining goods and services is inherently seller-oriented. There is, however, a need to go beyond the current literature and company practices. We propose that what is needed is a genuinely customer-based parallel concept to offering that takes the customer's view and put forward a new concept labelled *customer needing*. A needing is based on the customer's mental model of their business and strategies which will affect priorities, decisions, and actions. A needing can be modelled as a configuration of three dimensions containing six functions that create realised value for the customer. These dimensions and functions can be used to describe needings which represent starting points for sellers' creation of successful offerings. When offerings match needings over time the seller should have the potential to form and sustain successful buyer relationships.

Key words: industrial service, customer needing, realised value, customer understanding

INTRODUCTION

This paper focuses on industrial companies that provide services in addition to goods and strive to become customer-oriented. Their offering is often based on the lifecycle of products and includes services such as maintenance, repair, training, and consulting services. In the companies' transition towards a service business paradigm their emphasis is deliberately moved towards an increased involvement and integration in the customer's business (e.g. Oliva & Kallenberg 2003; Vargo & Lusch 2004). For the sellers the

transition increases the importance of understanding value creation and realisation from the customers' point of view.

It is obvious that previous studies refer to offering as a seller-based concept even if they focus on promised value to the customer. The same seller-focus goes for many companies today as well since they seem more occupied with improving their own processes and adding services than understanding different customer situations and value configurations. Some authors even argue that the key sales and marketing issue is to be able to demonstrate and document in monetary terms the superior value a supplier's offering deliver to the customer (Anderson et al. 2007). This has also been noted by Wynstra, Axelsson and van der Valk (2006) in an industrial service setting: "The classifications of business services that do exist focus on the characteristics of the provider, rather than the characteristics of the buyer or the usage situation". Such seller based classifications of offerings and services are not useful when we want to understand value co-creation and the customer.

At the same time as industrial companies are shifting their interest towards services there is an ongoing debate about what service is and how it should be understood and defined. As Grönroos (2008) remarks, this is not a new issue but the debate was sparked by Vargo and Lusch in 2004 (Vargo & Lusch 2004). Still, this debate is important because it raises the question of how the interaction between the seller and the buyer (co-production, co-creation) creates value for both parties. In this paper we prefer to use co-creation of service as a neutral description but stress that the seller and the buyer largely have different strategies, goals and interests in the co-creation. According to what has been denoted as the service-dominant logic (SDL) (for example, Vargo & Lusch 2004; Lusch et al. 2007) or service logic (for example Grönroos 2000; 2006; 2008; Gummesson 2007; Normann 2001) *value emerges to the customer in the use of service and is assessed on the basis of realised value in the customer's context.* This has in the literature been referred to as value-in-use as an opposite to traditional exchange value. We use the term *realised value* in this paper to denote customers' value-in-use stemming from the seller's offering.

A key issue that is not explicitly addressed in the SDL literature is who is in control of the value co-creation. Even if SDL focuses on how value is co-created with and by customers it still takes the seller's view. This shows in the SDL definition of service which is 'the application of specialised competences (knowledge and skills) through deeds, processes, and performances for the benefit of another entity or the entity itself.' (Vargo & Lusch 2004, p. 2) The same seller view also applies to the few and recent business-to-business studies that can be found using a service-dominant logic approach. (Vargo & Lusch 2008; Cova & Salle 2008) Other researchers (Hedaa & Ritter 2005) as well with broader views on what creates value for the customer take the seller perspective.

While interviewing customers in industrial settings it became clear to us that customers' primary goal vis-à-vis suppliers is to become or stay independent - to be as uncontrolled by suppliers as they can. This is quite contrary to what the value and SDL literature

emphasises. In addition to that, they do not see themselves as co-creators of value but rather *the customers' outlook is: How can suppliers contribute to our business and our activities and thereby realise value for us?* In other words, the buyer would like to employ suppliers for its own purposes and is interested in being in control of the operations and having the freedom to act and change in line with their view of how to develop business. Taking this as the starting point for understanding value and value creation is what we suggest to be a customer-based view reflecting a focus on the customer's situation, view and activities which semantically and fundamentally differs from the term customer-oriented view.

Research gap and aim of the study

The starting point for the current study is that academic research and company practices are geared towards a seller-focused way of defining industrial service and value creation. It seems as if the fundamental meaning and definition of industrial service is underdeveloped, or rather that it is not sufficiently based on genuine customer understanding and customer-orientation. In light of these observations and our analysis, we pose the question: Has there been a preoccupation with what companies sell rather than what customers buy and pay for? The answer seems to be yes when reviewing studies and observing company practices. Following from this, our key question for the study is: What do industrial buyers in fact buy and why? *The aim of the paper is to address this research gap and to define industrial service by conceptualising industrial service from the perspective of the customer and realised customer value.* A concept for what the buyer buys is necessary as a contrast to the offering concept of what the seller sells.

In this paper we propose a concept labelled *customer needing*¹ which is defined as the customer's mental construction of what they are interested in and prepared to buy from a supplier in order to achieve expected realised value.

A needing refers to a customer-based configuration of different functions that represent realised customer value. Needings represent customers' mental models for operating and buying and therefore have a direct impact on what role sellers/suppliers are granted. A needing may have a hierarchical structure as in means-end-chains, but we will in this paper focus on contrasting needing to offering. It should also be noted that needing does not correspond to the concept needs but, corresponding to the way offering is constructed as a business concept, should be seen as a mental construction in a company setting affecting how business is conducted. Following from switching from offerings to needings and consequently from a seller-focus to a customer-based view, new vocabulary would be needed. For example, seller adjustment, seller involvement, and seller participation emerge to signify that it is the buyer not the seller that is in focus. This means that instead of understanding and improving how the seller can make offerings adjustments in line with customer's needs and recognise customers as part and input in their offerings and processes, a needing focus would pinpoint that sellers need to understand and improve how

¹ For customer needing, following the same logic as in English that needing is verb based and a contrast concept to offering, we introduce (kund)behövande in Swedish and (asiakkaan) haluama/tarveama in Finnish.

they can fit customers' needs and thus support the customers' value creation. Furthermore, the customer's need is not static as it may, for example, change as a result of interactions with the seller. The seller can thus contribute to a change in the buyer's mental models and thus to the re-configuring of the need.

Research design and structure of the paper

The study has been conducted in an abductive manner (e.g. Dubois & Gadde 2002) where previous industrial services studies and their definitions and models together with our insights from different industrial companies have had an impact. This research design is typical for the so-called Nordic School of Service Marketing (for more information on the service and relationship management fields, see Grönroos 1991; 2007) that aims to develop conceptual frameworks to structure emerging research issues.

The paper is structured as follows. We first introduce and develop customer need and then we discuss the concept and its implications.

THE CUSTOMER NEEDING CONCEPT

To capture the content of need, we propose – based on a ‘constant comparative analysis’ of our empirical material - that it can be analysed with three dimensions which specify fundamental categories for realised value for a company. These are concepts on general level and each dimension is in turn described with functions which are more concrete features of the dimension. Needing dimensions and functions taken together represent a conceptually dense way of structuring realised value in a customer-based way.

Three need dimensions were developed and labelled: *doing*, *experiencing*, and *scheduling*. The doing dimension of needs is included to capture resources and activities which buying decisions often concern and traditionally has been included in industrial marketing and selling and buying literature. The experiencing dimension on the other hand is not as commonly used in these studies, but is added because the buyer interviews revealed that such cognitive and emotional aspects are an inherent part of realised value. A final and different inherent feature of needs is time-related aspects which are grouped into a third scheduling dimension. The dimensions and functions are combined and illustrated in Figure 1.

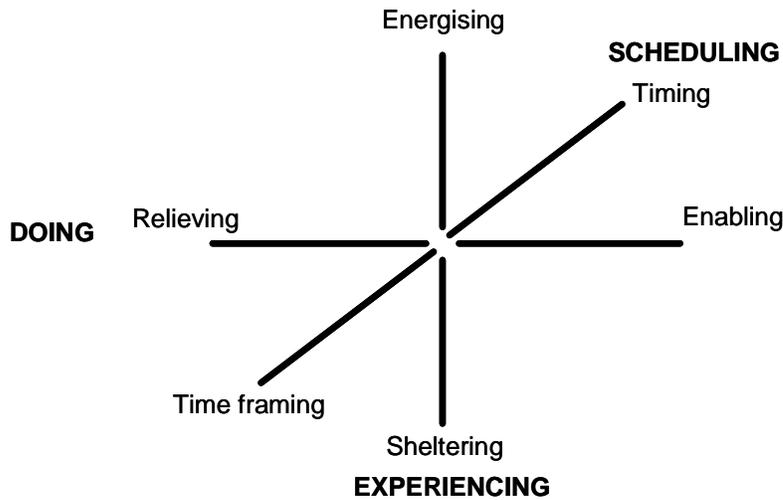


Figure 1. Customer needing dimensions and functions

The first dimension, i.e. *doing* which refers to activities and resources, consists of two functions: relieving and enabling. The function labels have been borrowed from Normann and Ramirez (1994) who when discussing value creation suggest that companies can enable customers to improve their performance themselves or relieves them of an activity which the supplier undertakes in their place. Blois and Ramirez (2006) recently distinguish between internally and externally directed relieving and enabling capabilities. Their internally focused capabilities concern enhancement of operational performance and is measured in cost per unit, while externally focused capabilities involve changes to the buyer's product and understanding and exploitation of product markets, incorporating network effects. Relieving and enabling capture two fundamentally different reasons for buying and thereby types of realised value for the customer. They reflect a resource and activity focused needing function and are here suggested to represent two different functions on the doing dimension.

The doing dimension alone does not capture all realised value for a company; another dimension is needed to capture mental aspects. The second dimension, *experiencing*, refers to such aspects and includes cognitions and emotions such as trust, commitment, brands, bonds, and image. It consists of two functions: energising and sheltering. This dimension emerges from our empirical data that suggest that such cognitive aspects are a significant part of industrial companies' mental models and buying behaviour. In general this experiencing dimension can be seen to be more complex than the doing dimension because cognitions can be more difficult to articulate, has less measures and tools, and is more person dependent, but it can simultaneously be the most significant part of a customer needing.

Time aspects emerge as a complementary dimension that is useful to capture companies' mental models, goals and activities and consequently how companies view realised value needing. They are grouped into a third dimension in customer needings and labelled *scheduling*. Its more concrete functions are time framing, which refers to the length of the time perspective of a needing, and timing in terms when activities and resources are needed. Time span has been suggested by Normann and Ramirez (1994) as one dimension of their offering concept. Blois and Ramirez (2006) also emphasise not only judgment but also the impact of time when discussing capability development. They found that what a company first saw as internal efficiency development later turned into market potential exploitation, indicating a clear change in content of needing in that company.

A more detailed definition of each function based on different realised value for the customer is presented in Table 1.

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

Table 1: Definitions of needing functions

The relieving function in the doing dimension means that value for the customer would stem from being relieved of tasks or liabilities. This is a typical situation for many outsourcing companies. It is the opposite of seeking to expand business and develop

performance or create new business which is the other function of the activity and resource based dimension. Along the experiencing dimension, value for the customer can arise from feeling more secure by for example avoiding, forecasting and managing risks and unwanted situations. Companies may on the other hand also derive value from expanding their mental capacity, getting incentives and stimulation in order to boost their business. Value for a company can additionally originate from time aspects, from how well activities can be coordinated and how well the company can adjust and cope with fluctuations and delays. Timing will finally impact on how the company evaluates realised value.

We have chosen to label the dimensions and functions with verbs and active verb forms in order to emphasise that they reflect a process and a pro-active realised value view. The concepts and their meaning are not limited to one particular industrial service setting but applicable to any kind of business-to-business setting. The needing of a single customer can be strongly dominated by one needing function but is more often because of its complexity a combination of several functions. The importance of individual and combined functions can only be understood and evaluated with in-depth customer specific information. The functions can be assessed both in terms of their scope and their significance to the buyer.

Based on a number of studies and interviews with buyers and sellers in industrial settings with service we argue that using and combining these dimensions, doing, experiencing, and scheduling can provide insights into realised value and industrial companies buying situations. Similarities and differences and change over time in companies' buying preferences can be revealed by using these.

DISCUSSION ON CUSTOMER NEEDINGS

The customer needing concept is not found in any scholarly or management literature. It is grounded in our empirical studies in an industrial service setting to reflect a configuration of realised value based on the customer's mental model. Customer needing and consequently realised value for the customer are based on resources and activities captured in the doing dimension as well as mental and cognitive aspects in an experiencing dimension combined with a time dimension to signify process and time view.

What needing as a notion emphasises is the significance of mental models. We make the connection here to ideas presented in the IMP-literature where Welch and Wilkinson (2002) have proposed that there is a need not only to consider the resources, activities and actors but also "ideas", the mental models and frameworks that are present in companies, relationships and networks. How we define needing is in line with Normann's (1977) view on dominating ideas which he much earlier has put forward. These ideas in a company are grounded in, on the one hand norms and value, and, on the other, traditions and mental models among the significant actors. They are not only the result of values and intellectual processes but also power and politics (Normann 1975, p. 18-19). Company norms and values, the company history, and significant actors' personal development and experiences

form the basis for the scheme or mental models and change these models over time. The mental models function like a compass which gives energy and direction how to create business value, select suppliers, use products and other resources, the roles and responsibilities of the actors involved and activities to be carried out (both from outside providers and own). Similar to the current study, in a buyer-seller setting Normann further finds that buyers have a more extended view of value than sellers have.

When developing the needing concept some issues have emerged that we would like to highlight and which differ from how value in use previously has been viewed. First, value in use in companies is complicated by the fact that it concerns and is evaluated by many persons, levels and functions in the company. Second, realised value cannot be assumed to be stable; it is very much affected by time and context. Offerings, promises, value propositions are assessed on the basis of the customer's experiences and of the realisation of value in the customer's context. The customer's time perspective is essential. Realised value may have a short or long time span but is always related to time. Third, meaning in companies is created in sense making processes, which determines what the views on realised value are and what the company's own versus sellers' and others contribution is. A fourth issue is that although not necessarily as the only or dominating element, financial aspects are an inherent part of company's value in use views. Economic calculations represent only theoretical visions that have to be implemented in a social context that might hinder the fulfilment of those visions. It is consequently crucial to understand mental models and social relationships. A fifth issue that customer needing emphasises is the importance of immaterial sources of value, for example values, images, and emotions.

Needing in a service-dominant logic perspective

Customer needing can be positioned vis-à-vis the service-dominant logic suggested by Vargo and Lusch (2004) who argue for a resource-based approach to portray service. This view on service emphasises value co-creation and value in use. Service is neither linked to the resources as such, nor to attributes of pre-defined offerings but rather to the process, interaction and outcome of activities initiated by the customer, using knowledge and skills to create value supported by resources provided by the seller. These resources enable a competitive value creation as perceived by the customer based on realised value. Vargo and Lusch (2004) define service as 'the application, of specialized competencies through deeds, processes, and performances for the benefit of another entity or the entity itself'. It does not include values creating value or the fact that service, also industrial service, to some extent is about experiences. Recently Vargo and Lusch use experiences as an alternative concept for offering but it seems to be seller-oriented.

Lusch, Vargo and O'Brien (2007) argue in their latest updated version of propositions concerning the service-dominant logic that "The customer is always a co-creator of value" (Proposition 6). We would take this view one step further towards a customer-based view and state that it is not a question of how to engage the customer in co-creation of value but how the seller can participate in and contribute to the customer's value creation. The

difference lies in who is seen as the primary actor, the seller or the buyer. Even if we have a seller's interests in focus it makes sense to consider that the seller is not the head actor. We need a customer-based conceptualisation of service and value co-creation that has not so far been suggested. A competitive realised customer value is in line with the long-term business interest of the seller. Another of the propositions (Proposition 10) in Lusch, Vargo and O'Brien (2007) and slightly changed in Vargo (2008) specifies that "value is always uniquely and phenomenologically determined by the beneficiary, which is explained as value being idiosyncratic, experiential, contextual, and meaning laden." We argue as above that this proposition underlines the importance of taking a customer-based view in the same sense.

Customer needings versus other concepts

The topic of industrial service has been studied from many perspectives. One stream of studies originates in service management which defines all kinds of services as "deeds, processes, and performances that are performed for the customer" (e.g. Zeithaml & Bitner 1996). Another group of studies which is more relevant for the current study is those dealing with manufacturing companies using service to augment their tangible products (e.g. Mathieu 2001; Neu & Brown 2005; Oliva & Kallenberg 2003; Gebauer et al. 2005; Wynstra et al. 2006). A third category of studies belongs to the service-dominant logic perspective on business which views any kind of company as a service company and emphasises value co-creation and value in use. (Vargo & Lusch 2004; Grönroos 2006; Grönroos 2007; Lusch & Vargo 2006)

Many challenges arise from the new service business situation, and one concerns how to define the business and specifically the service. Today companies most often use the concept offering which "very much revolves around products, goods or services, as the dominating elements... of course, also includes a core product of some sort, which for manufacturers is a physical good." (Grönroos 1996, p. 7) Total offering and total service offering are used as a synonymous concept in service management studies. A literature review on definitions of offering indicates that it seems to be taken for granted what offering means and that those who define it describe it as a bundle of tangible and intangible elements offered by the seller which creates value for the customer. It seems as if Grönroos may be one of the first to use the word since he already in 1987 (Grönroos 1987) used the concept augmented service offering to denote what creates competitive advantage for the service provider. He includes in offering the service process consisting of accessibility, interaction, and customer participation, with the product offering divided into core, facilitating, and supporting services. In a value creation setting, Normann and Ramirez (1994) as well early discussed offerings as something which competes for customer value. It is apparent that both the academic world as well as the business community use offering widely, and it was originally taken as the starting point for the current study as well.

Another term not used as often as offering is solution, or integrated solution which also refers to the combination of products and services to meet a specific customer need (Wise

& Baumgartner 1999; Davies 2003; Tuli et al. 2007). The products and the services as such are considered enablers, and the focus is on solving specific problems that the customer has.

In line with previous solution studies but with a broader customer view, Tuli et al (2007) view a solution as a customised and integrated combination of goods and services for meeting a customer's business needs. They contrast this with how customers view solutions which is a set of relational processes: customer requirement definition, customisation and integration of goods and services, and their deployment, ending with post deployment customer support. Their empirical findings reveal that, for example, customers are unable to fully articulate their needs, and that supplier candidates should understand the customer's broader business needs today but also in the future. They report mismatches between suppliers and buyers on what they sell and buy respectively, and find that customer tend to view a solution more broadly than sellers. They emphasise that success depends on customer variables, such as adaptiveness to solutions suppliers and political and operational counselling to suppliers. They conclude that suppliers should be more attentive to buyers, and improve relational processes. Tuli et al (2007) propose an enlarged view on service supporting the customer (SSC) based on deployment and post-deployment support. Deployment refers to the delivery of the solution and its installation into a customer's environment when post-deployment support is more than providing spare parts, operating information, and routine maintenance it also includes deploying new solutions in response to evolving requirements of a customer. This is close to what we refer to as designing offerings to fit customer needings, also over time.

A few studies present similar customer-based concepts. Mathieu (2001) uses service supporting the client by which she refers to enhancing productivity or managing risk in the customer's processes. Further, referring to different types of fit between the offering and the buyer's processes, Wynstra, Axelsson and van der Valk (2006) classify buyer-seller interaction in business service by taking the perspective of the buyer. They suggest four types of services: (1) component services - the service should fit with the customer's final offering, (2) semi-manufactured services - the buying company should be able to transform the service in the desired way, (3) instrumental services - the service should affect the customer's primary processes in the desired way and the service should fit with important characteristics of these primary processes and (4) consumption services - the service should support various core processes.

Grönroos has in several articles discussed the meaning of a service logic and the service company's role. One attempt has been to use the promise concept (Calonius 2006). "Expectations created by promises are fulfilled by supporting customers' value creation. This is done by *providing customers with resources and processes* – goods, services, information and people, systems, infrastructures, physical resources – and *interactions* between the customer and these resources and processes as well as *by mobilising* customers as a resource in the purchasing and consumption and usage processes." (Grönroos 2006; 2007 emphasis added). In Grönroos (2007) he defines marketing based on a value-in-use

view, using the concept value proposition to describe to object of marketing: “Marketing is a customer focus that permeates organisational functions and processes and is geared towards making promises through value proposition, enabling the fulfilment of individual expectations created by such promises and fulfilling such expectations through support to customers’ value-creating processes, thereby supporting value creation in the firm’s as well as its customers’ and other stakeholders’ processes” (Grönroos 2006; Grönroos 2007, p. 211) He uses value proposition instead of product, service, or offering to capture a suggestion of what value can be created. In his latest work Grönroos (2008) he develops his ideas about the service company’s role in the interaction process further by defining a market offering based on a service logic as “a value-supporting process which includes resources, such as goods, services and information, and customer-firm interactions during the customers’ value creation in their everyday practices.” He further proposes that the seller is not only engaged in making value propositions as Vargo and Lusch (2004) and Vargo (2008) suggest but also involved in value fulfilment. Grönroos thus differs from the service-dominant logic proposed by (Vargo and Lusch 2004; Vargo 2008) in that he stresses that the service company should *support* the customer’s processes.

IMPLICATIONS AND FURTHER RESEARCH

The starting point for the current study was manufacturing companies transforming into service orientation which as a topic has started to gain more and more attention from both research and companies. Oliva and Kallenberg’s (2003) study can be considered a classical reference on this young research topic with conceptual and empirical explorations following with an increasing speed. Using services in manufacturing companies is by no means a novel phenomenon since for example after-sales services and training have been used for a long time as add-ons to increase the attractiveness of the core tangible products. What is new on the other hand is that more and more of these companies are transforming into considering service as the base for doing business and creating value for the customer. The main source of revenues and profits for many already comes not from selling the tangible products and machinery but from business services and maintenance contracts related to these. Reasons for becoming more service-oriented are economic and competitive as well as changing customer demands. This change has been seen as a transition in orientation from products to services. But simultaneously a fundamental shift in the theoretical discussion has taken place concerning what service really is. It has been suggested that the traditional exchange value view should be replaced by a value in use or realised value view. It has further been argued that this means that value is not produced by the service company but co-created together with customer. We brought that thought one step further and argue that a key issue is who is command of the co-creation process and outcome. Considering that the literature seems to suggest that it is the seller, we based on empirical observations suggest that it is more relevant to consider the buyer and customer to be in command. Current concepts do, however, not give tools for such a view. Needing as an opposite and complement to the offering concept is one first step to create such a conceptual framework.

As a consequence of the shift in focus in favour of the customer and considering value to emerge in using the offering it becomes apparent that there is no real need in making a distinction between companies selling products and companies selling services or combinations of products and services. In all cases the key issue is that the customer has a need and the seller provides an offering which should create value when used. Thus a raw material producer needs to be concerned about needs in a similar way as a professional service provider. It consequently means that the focus on transition from goods to services in fact is not entirely relevant any longer; the application area for service covers all companies.

There are some issues that emerge as natural next steps in developing the conceptual framework further. One topic for further research is to focus on revealing the notion of needs. This would not only concern developing further need as a concept but also building tools for companies in order to understand and respond to customer needs. To what extent are current ways of gathering customer information useful, and what new tools can be developed? New tools for building customer understanding and information specifically on needs may be needed. Another research path in order to reveal needs is to conduct more empirical studies in order to explore needs in different empirical settings

Customer need as a concept shifts attention from the seller and its offering to the customer and its business situation, values and role as co-creator of service resulting in an attractive value-in-use. A need has different functions and dimensions and can be fulfilled in different ways, thus there are different ways in which a seller can respond to a need. The company need not always grasp the full extent of the need or the alternative ways in which it can be met. It can meet all or part of the need on its own without the use of external resources or use external resources such as one or several suppliers to clarify, develop, and meet the need. Several suppliers may have to come together to respond to a single customer need.

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