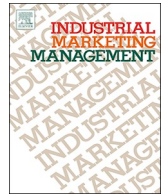




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Editorial

Understanding and managing customer value propositions: Introduction to the special issue

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ABSTRACT

Customer value propositions have experienced a growing interest among marketing scholars and managers in recent years. Despite its frequent mention in the business and academic press, the value proposition concept remains poorly understood and executed. This article introduces the reader to the special issue of *Industrial Marketing Management* on understanding and managing customer value propositions. The special issue combines five original research articles with four commentaries by though-leading scholars and practitioners that together shed light on the origins and current use of the value proposition concept and also identify future research directions for improving our conceptual understanding and practical use of this pivotal concept in business markets.

1. Introduction

The customer value proposition is a core construct of marketing and has been recognized as the firm's single most important organizing principle (Webster, 2002). It is defined as “a strategic tool facilitating communication of an organization's ability to share resources and offer a superior value package to targeted customers” (Payne, Frow, & Eggert, 2017, p. 472). Seen through a strategic lens, customer value propositions have a dual role. First, they communicate a superior value creation potential to targeted customers. Second, they summarize the essence of marketing strategy decisions and signal implementation priorities to the actors in the supplier organization (Eggert, Ulaga, Frow, & Payne, 2018).

The customer value proposition is one of marketing's indigenous constructs, that is, it emerged from marketing and was not borrowed from other disciplines (Jaworski & Kohli, 2017). While adjacent academic disciplines such as human resource management have adopted the value proposition concept and conceptualized e.g. the employer value propositions, the customer value proposition remains at the heart of the marketing discipline. Indeed, no other academic discipline investigates the customer value proposition as one of its key constructs.

Despite its status as an indigenous construct, the conceptualization and application of customer value propositions is still underdeveloped in marketing theory and practice. This special issue of *Industrial Marketing Management* on customer value propositions aims at advancing the theoretical understanding and informed use of this central concept. It consists of two sections. First, it offers five original research articles that deepen and broaden our conceptual understanding of customer value propositions and also provide empirical evidence for its strategic use and performance impact in business markets. Second, four invited commentaries by though-leading scholars (George S. Day, Jagdish N. Sheth, and Stephen L. Vargo) and practitioner (Michael J. Lanning) reflect on the origins and current use of the customer value proposition concept and identify future research directions for improving our conceptual understanding and practical application of this pivotal concept in business markets.

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2. Original research articles

In their article “Customer value propositions: From strategy to implementation”, the special issue editors Adrian Payne, Pennie Frow, Lena Steinhoff, and Andreas Eggert review and integrate existing insights into a theoretically grounded, but practical framework that can guide the development and implementation of customer value propositions in business markets. The authors first examine the original conceptualization of the value proposition. Next, they review conceptual frameworks that have been proposed by consultants and scholars and identify the key elements that are addressed or overlooked. Against this backdrop, the authors develop a new conceptual framework for addressing both, value proposition design and development.

The second article, “Value propositions in a digitally transformed world”, by Steven Taylor, Gary L. Hunter, Arash H. Zadeh, Duleep Delpchitre, and Joon Ho Lim proposes a new conceptualization of value propositions that resonates with the rapidly advancing digital transformation of business. Drawing on the theory of goal-directed behavior and human judgement and decision making, the authors define value propositions as an actor's belief concerning another actor's resource commitment and develop a framework that incorporates the goal-driven nature of value propositions, actors' marketing-related motivations, actor-to-actor resource integration within the value network, as well as both within and between subject perspectives. Finally, the authors call for future research on within-subject and stakeholder-centric value propositions in digitally transformed value networks.

The third article sheds empirical light on the performance impact of customer value propositions in business markets. In their article “The effects of an articulated customer value proposition (CVP) on promotional expense, brand investment and firm performance in B2B markets: A text based analysis”, the authors Sagarika Mishra, Michael Ewing, and Leyland Pitt identify articulations of CVPs in annual reports published by B2B firms. The authors then link their relative frequency to the investment in brands, promotional expenditures, and firm performance and find a positive impact of articulated CVPs on brand

investment and firm performance in business markets.

The next article contributes a qualitative empirical research perspective on value propositions. In their article “Value propositions as market-shaping devices: A qualitative comparative analysis”, Suvu Nenonen, Kaj Storbacka, Alexey Sklyar, Pennie Frow, and Adrian Payne explore the characteristics of 21 market-shaping value propositions. They find that market-shaping value propositions are often created and communicated through a collaborative process, promise verified benefits to multiple actors, and harness enhanced resource integration opportunities. Though none of these characteristics can be identified as a sufficient condition for market shaping, distinct configurations of characteristics appear to induce an overall system-level market change.

The fifth article “How B2B suppliers articulate customer value propositions in the circular economy: Four innovation-driven value creation logics” by Valtteri Ranta, Joonas Keränen, and Leena Aarikka-Stenroos explores customer value propositions in a sustainability-driven circular economy. The circular economy creates a closed-loop system with high value, long-lasting products, components, and materials. The authors find that customer value propositions differ from those in more traditional, linear settings. Based on a multi case analysis, the authors unpack the key design elements that constitute customer value propositions in the circular economy and identify four underlying value creation logics.

3. Invited commentaries

The second section of this special issue commences with an invited commentary from Michael Lanning, one of the originators of the value proposition concept. In his commentary “Try taking your value proposition seriously” Michael J. Lanning argues that customer value propositions are often formulated as appealing promises to customers, yet leave out the crucial question of how the supplier will make the value happen for the customer. Against the backdrop of two firm examples that failed to deliver on their promised value, he suggests that companies should not just ask “What’s our value proposition?”, but rather “What customer experiences should we cause?” and “How can we best ensure that customers obtain these experiences?”

In a second commentary titled “From promise to perspective: Reconsidering value propositions from a service-dominant logic orientation”, Stephen L. Vargo reflects on the central role and evolving meaning of the value proposition concept in the service-dominant logic. He suggests that value propositions are best understood in terms of perceived or anticipated, subjective experiences by a beneficiary rather than a promise given by a supplier firm. As the promise-from-firm-to-customer conceptualization persists in marketing practice, Stephen Vargo identifies two paths to understanding value propositions: a firm-directed, promise conceptualization and an experiential conceptualization that conceptualizes value propositions as perceptual phenomena.

Jagdish N. Sheth discusses in his commentary “Customer value propositions: Value cocreation” *who* creates value for *which* customer in a B2B context. First, customers may create value by making the product

or service in house. Second, the supplier may create value and formulate value propositions for the buyer (procurement), the payer (finance), and the user (operator). Value cocreation arises when both the supplier and the customer engage in an interdependent relationship. Unlike value creation (“make”) and value exchange (“buy”), value cocreation is more complex and more versatile in scope. Jagdish Sheth identifies seven generic types of value-cocreation, ranging from customer business development, to conscious capitalism, and breakthrough innovations, that each require different and often unique customer value propositions.

In a fourth and final commentary titled “The dynamics of customer value propositions: An outside-in perspective”, George S. Day addresses two managerial questions: (1) How can firms achieve leadership in competitive markets? (2) How can firms sustain their competitive edge in an era of digital transformation. Towards this end, George Day proposes the CVP octagon, an eight factor model for describing, diagnosing, and improving customer value propositions. Finally, George Day calls for more research that refines and extends the dynamic and outside-in perspective on customer value propositions.

Bringing together five original research articles with four commentaries from renowned thought leaders, this special issue sheds light on the origins, current use, and future applications of the value proposition concept. It is hoped that this unique collection of articles and commentaries provides fresh insights and promotes further research on the value proposition as an indigenous core construct of the marketing discipline.

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