HELSINKI SCHOOL OF ECONOMICS
Department of Marketing and Management

STRATEGIC MARKETING AND CUSTOMER ORIENTATION: A CONCEPTUAL FRAMEWORK FOR CUSTOMER FIT

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Strategic Marketing and Customer Orientation: a Conceptual Framework for Customer Fit

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HELSINKI SCHOOL OF ECONOMICS ABSTRACT OF THE MASTER´S THESIS
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This thesis participates in strategic marketing discourse by questioning the contingencies of the customer perception process and their influence on value creation. The aim is to review and integrate findings from separate streams of thought in order to develop a conceptual framework that helps researchers and managers to capture contingencies related to customer and firm interaction. The specific problem at hand is the information asymmetry between managers and customers, which harms organizational performance as strategies and activities are often based on insufficient customer knowledge that leads to wrong framing of the market information

The study consists of three parts: literature review, case study and development of the conceptual framework. The first part builds the theoretical stance of the thesis by reviewing literature on customer value and meaning creation. The second part reports a case study about the formulation and realization of a customer-orientated strategy from a managerial perspective in order to identify principles and conceptualizations used in practise. Based on literature review and case study the third part proceeds to develop a conceptual framework coined as customer fit.

As a result, the study depicts the key contingencies of the customer perception process and proposes that customer value is embedded in the context of customer's life and practises. The imperfect and proceeding nature of perception process and the tendency to form relational gestalts from pieces of information are presented as key contingencies. Further, it is suggested that these contingencies are influenced by unconscious information processing and emotions.

In conclusion, the contribution of the study and applicability of the results are discussed. As a key finding the study purports the importance of holistic customer knowledge for all organizational decision-making and activity.

Keywords: strategic marketing, decision-making, customer value, perception, customer behaviour, strategic fit	Publishing language: English

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Tämä pro gradu osallistuu strategisen markkinoinnin keskusteluun ja tutkii asiakasnäkemykseen liittyviä satunnaistekijöitä. Tavoitteena on yhdistää eri tieteellisissä keskusteluissa esitettyjä näkemyksiä ja rakentaa niistä konseptuaalinen viitekehys, joka auttaa ymmärtämään asiakkaan ja yrityksen suhdetta havaintoprosessin kautta. Keskeisenä ongelmana on informaatio- ja näkemyskuilu yrityksen ja asiakkaan välillä, jonka vuoksi asiakastuntemus on puutteellinen ja valitut toimenpiteet sekä niiden toteuttamistapa eivät välttämättä tue yrityksen tavoitteiden saavuttamista.

Työ on jaettu kolmeen osaan: kirjallisuuskatsaukseen, case-tutkimukseen sekä konseptuaalisen viitekehyksen kehittämiseen. Kirjallisuuskatsauksessa rakennetaan työn teoriapohja tarkastelemalla eri näkemyksiä asiakkaan arvon muodostumiseen. Case-tutkimuksessa esitellään asiakaslähtöisen strategian jalkauttamisprosessi ja sen hahmottamiseen sekä kommunikointiin käytettyjä konseptualisointeja. Viimeisessä osassa teoriapohja ja case-tutkimuksen tulokset yhdistetään konseptuaaliseksi viitekehykseksi, joka nimetään customer fit – viitekehykseksi.

Tuloksena syntynyt viitekehys tuo esille asiakkasnäkemykseen liittyviä satunnaistekijöitä ja korostaa holistisen asiakasnäkemyksen tärkeyttä osana kaikkea organisatorista päätöksentekoa ja toimintaa. Keskeisimpinä muuttujina esitellään asiakasnäkemyksen prosessimainen eteneminen sekä taipumus rakentaa havainnoista suurempia, suhteellisia kokonaisuuksia. Analysoinnin satunnaistekijöiden ehdotetaan olevan alisteisia tiedostamattomille havainnointiprosesseille sekä emootioille havainnointiprosessia ja tietoisuutta ohjaavina tekijöinä.

Viitekehys esitetään avainteesien muodossa ja sen sovellettavuutta jatkotutkimukseen käsitellään. Käytännön tuloksista keskustellaan suhteessa organisatoriseen päätöksentekoon sekä kaupallistamisen haasteisiin. Työn loppupäätelmät perustelevat asiakasnäkemyksen tärkeyttä osana yrityksen strategista johtamista.

Avainsanat: strateginen markkinointi, asiakkaan arvo, havainnointi, ostokäyttäytyminen, päätöksenteko, strategic fit

Julkaisukieli: Englanti

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1. Introduction

This chapter describes the background and the context of the thesis. It discusses the approach of the study and articulates research problem as well as key research objectives. Additionally, the chapter outlines the structure of this master's thesis.

1.1 Background

"The greatest danger in times of turbulence is not the turbulence; it is to act with yesterday's logic."

Peter Drucker

The focal role of customer as a source of learning and guiding activity dates back to the proceedings of Wroe Alderson (e.g. 1957) and Peter Drucker (e.g. 1954), among others. These pioneers of marketing and managerial thinking purported a customer-centric view that placed customer as the arbiter of value and viewed that strategy as well as strategic decision-making should start by acknowledging the customer perspective.

Recently this customer-orientated view has received renewed interest among practitioners. Arguably, the profound logic is reactive, as the technological development has enabled free and frictionless information, created a communication culture never experienced before and opened a marketplace with practically no entry barriers. To answer this opening business environment, firms are trying to develop their offerings and value creation processes[1] to provide increased value. This, however, requires firms to create a deeper understanding of their customers, their processes and aspects of value that could be improved. Organizations need to choose the value they aim and the processes as well as resources needed to manifest the chosen value.

Choosing value is the first phase of value creation process, also referred as strategic marketing. It can be categorized to include three overlapping layers of decisions, namely: 1) choosing the way markets are categorized (segmentation), 2) choosing the way value is perceived (targeting), and 3) choosing the way firm is placed in the com-

[1] Innovating and creating value throughout value chain, to customer's customer is becoming a common logic of operation.

petitive space (positioning). These decisions form the essence of business concept and set the strategic direction for company development in principal level[2].

After these strategic level decisions, the value creation process proceeds to define how to provide and communicate the chosen value. The next phase, providing value includes decisions that determine how resource – and capability base is utilized and developed to manifest the chosen value. This includes choosing the method of value creation (e.g. make-or-buy decision), determining the characteristics that manifest value (e.g. broadness of services and unique value components) and other decisions such as pricing and distribution. The final phase of value creation process; communication of value aims to convey the chosen value and to resonate with targeted customers. (Kotler and Keller, 2006)

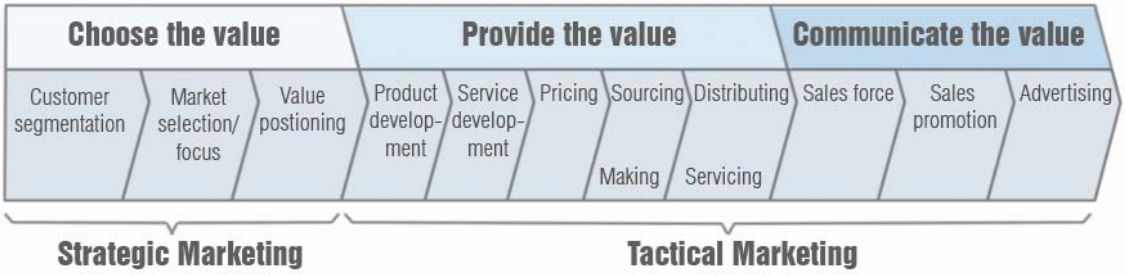


Figure 1 Value Creation Process

The value creation process can be used to reflect the possible sources of performance differentials between firms. The currently dominating theoretical view in strategic management is the resource based view (RBV[3]) which purports that while performance is directly driven by products, it is indirectly driven by resources (Newbert *et al.*2006). This view places the provision of value as the source of performance differentials and proposes that strategic management should be principally concerned with resources. A view arising from shortcomings of RBV, the capability[4] perspective asserts that skills

[2] Setting direction is the essential core of strategic management. A view of attainable goals is required to guide organizational activity, gather required resources and to measure performance of the activity. Consequently strategic marketing and strategic management are conceptually overlapping, referring principally to the choices that create strategic positioning that preserve firm's uniqueness (Porter, 1996)
[3] RBV purports that valuable, rare, inimitable and non-substitutable resources create sustainable competitive advantage as resources are heterogeneously distributed and imperfectly mobile (Barney, 1991)
[4] According to Day (1990) capabilities are: "complex bundles of skills and collective learning, exercised through organisational processes, that ensure superior co-ordination of functional activities"

and knowledge are antecedents of efficient resource utilization and therefore define how efficiently and effectively resources can be deployed and developed for competitive advantage (e.g. Teece and Pisano, 1997). This view places the processes and systems of the organization as primary sources of performance differentials and proposes that managers should be principally concerned with capability development and processes of resource utilization.

The capability perspective appears to exceed RBV in explanatory power[5], but as the empirical research is only at naissance, it has not yet been defined which capabilities, or sets of capabilities are of greatest value for organizations. In marketing literature the capabilities perspective is researched through the concept of market orientation, which proposes that marketing can be operationalized as a set of complementary capabilities that lead to cultural and behavioural characteristics of an organization[6] (Jaworski *et al.*, 2000; Slater and Narver, 1995). In further elaboration Narver *et al.* (1999) have proposed that the most important capability of the marketing orientation is customer orientation, which is defined as an ability of an organisation to be continuously aware about the changes in needs of current and potential target customers and about the mechanisms that enforce the use of that information in decision-making[7].

This view proposes that the systems that create and distribute customer information in organizations can be critical antecedents for effective capability development and resource deployment. The previous research on this issue has been researched by Gibbert *et al.* (2002) who present the complexity of understanding customers' latent needs by comparing different orientations to customer information (see Appendix 1). They see that the conceptualizations have remained superficial and propose that marketing literature, as well as customer relationship literature have regarded customer information primarily from an organizational perspective. According to their view literature has failed

[5] A recent review on the empirical results on RBV suggested that while capabilities and competences contribute significantly to a firm's competitive advantage and/or performance, the individual resources do not (cf. Newbert, 2006)

[6] Market orientation is the "organizationwide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organizationwide responsiveness to it. " (Kohli and Jaworski, 1999 p.9)

[7] Others are the competitor orientation (continuous understanding of the capabilities and strategies of the principal current and potential alternative satisfiers of the target customers and the use of such knowledge in creating superior customer value) and the crossfunctional coordination (the coordination of all functions in the business in utilizing customer and other market information to create superior value for customers) (Narver and Slater, 1990)

to understand the importance acquiring holistic customer knowledge and the challenges that prevent it to be developed and processed onto an organization-wide customer insight.

More recently, a similar conclusion is drawn by a pioneer of marketing performance measurement, Andy Neely (2006). He asserts that the lack of customer-level information is not a managerial problem anymore, but that the central problem is the managerial perspectives on how to perceive and interpret that information, and the development of knowledge dissemination processes that determine how that information is utilized in organizations. He points out that managers often act in learnt manner and that the first problems arise already at the top-level strategic decision-making when aspects of strategic orientation are considered. He underlines that false perspectives or yesterday's logic in this situation might be fatal for companies, as exemplified by many organizations[8].

Even though smart managers might be able change their perceptions, the previous research on the subject views it profoundly challenging. Once learned path of problem solving is self-reinforcing and unconsciously blocks controversial cues from cognitive processing (Mezias and Starbuck, 2003). A learnt logic for viewing the stance of related issues biases the interpretation of conflicting cues. Furthermore, managers are prone to use false tactics and simplifying heuristics in order to avoid cognitive processing and potential cognitive dissonance in decision-making (Nutt, 2002).

To help managers change their perceptions[9] and for better communication of key issues the use of conceptual frameworks[10] and supporting narratives is suggested (Flyvjberg, 2006). This dates back to the proceedings of March and Simon, who articulate that the use of simplified models enhances the ability to overcome cognitive biases.

[8]For example Tripsas and Gavetti (2000) demonstrated that Polaroid had acquired the needed capabilities for producing and selling digital cameras but never activated these capabilities because of the cognitive constraints of the top managers of the company
Kaplan *et al*. (2003) based on their study on biotechnology industry and demonstrated that the top management level thinking played a critical role in shaping established firm's responses to discontinuities.

[9] Day and Nedungadi (1994) find that constraints in management perspectives limit managers' patterns of search and usage of information, and create the potential for myopia and insensitivity to competitive challenges.

[10] Rossiter (2001, p. 5) defines a conceptual framework as a "descriptive list of concepts in serial or grid format that helps to organize, and therefore, to solve a managerial problem."

> *"Because of the limits of human intellective capacities in comparison with the complexities of the problems that individuals and organizations face, rational behavior calls for simplified models that capture the main features of a problem without capturing all its complexities" (1958, p.169)*

Further research has reported that a pictorial representation of the interrelatedness of influencing factors stimulates thinking and communication (e.g. Lurie and Mason, 2007; Garda, 1988). Narratives or principles of thinking can be used to help the utilization of a framework as they provide an easily recallable memory trace that helps to memorize framework and apply it in other contexts.

The importance of conceptual frameworks in regard to the research focus of the thesis is acknowledged by Shelby B. Hunt who discusses the theoretical grounds of strategic marketing and asserts that the lack of normative and positive theories has slowed the development of frameworks and comprehensive tools for strategic level marketing work (Hunt, 2006). He views the lack of conceptual frameworks in strategic marketing is an important reason to the dominance of tactical and operational level marketing activity in organizations.

Strategic marketing or choosing customer value as a capability seems to be a research area, which bridges scholarly and practitioner interests. Additionally, it has a lack of conceptual frameworks that could enhance further research and practitioner adaptation. This study aims to contribute to this research gap and approaches the problem by reviewing emerging theoretical principles and related empirical findings, which are then developed into a conceptual framework for further research and practice.

1.2 Background of the thesis

This study is as a part of StratMark-project, which aims to advance knowledge in strategic marketing. Topics of interest include commercialization, marketing measurability and activities that contribute to the development of marketing competence within organizations. The project aims also to participate in societal business discourse in order to heighten the appreciation of marketing as a potential source of competitive advantage. The stated objectives are to extrapolate skills and know-how which help to develop new marketing competence in Finnish universities as well as discover and disseminate knowledge that helps to develop the competitiveness of Finnish firms. The project is

funded by Finnish funding agency for technology and innovation (Tekes) and Finnish business life.

At the 5- year celebration gala of the center for development of design (12.11.2005), the head of Finnish funding agency for technology and innovation (Tekes), Veli-Pekka Saarnivaara expressed his concern on Finnish academic research orientation. He viewed it too retrospective for rapidly changing contemporary business environment and brought up a need for more forward-looking research that could more concretely contribute to the competitiveness of Finnish companies in global environment.

Aside the StratMark-project, this thesis is a part of master's degree in the subject of entrepreneurship and management of small – and medium sized enterprises. Studies in entrepreneurship focus on challenges of new venture development, growth and profitability from managerial perspective. The orientation is market-driven and concerns contingent factors that might have an impact on business landscape, opening or closing the windows of opportunity.

These factors; StratMark-project, need for forward-looking research and subject of entrepreneurship form the ground for the question-setting, methodology and level of analysis adapted for this study. The question setting aims to be relevant for Finnish business managers as well as for research community, methodology aims to respond to the echo for forward looking research and level of analysis aims to contribute to the studies of entrepreneurship by regarding the researched phenomenon from managerial perspective.

1.3 Research problem and research objectives

This thesis aims to participate in strategic marketing discourse by questioning the contingencies of customer perspective that cause an information asymmetry between managers and customers. The specific problem at hand is the mismatch between the chosen value and its manifestation in the eyes of the perceiver that leads to poor financial performance as customers either do not perceive the value as aspired by management, or do not find an appropriate product or service to choose from.

From managerial perspective the problem at hand concerns choosing value and its orchestration with provided and communicated value so that the offering and supporting value perception are also synchronized when perceived by a customer. As such, the spe-

cific riddle of the thesis is to question how value creation process from managerial perspective and its manifestation in customer perspective can be aligned. The thesis approaches this by questioning the principles of choosing value and the customer perception contingencies that influence the value perception. Therefore, the principal research question is articulated as:

How customer perspective contingencies can be conceptualized for research and practise?

Accordingly, the thesis can be further divided to three specific sub-problems.

1) How the principles of customer value are conceptualized in the emerging marketing and management literature?

The first sub-question aims to depict the principles that influence the link between chosen value and provided value by reviewing emerging marketing and management approaches that conceptualize customer value as a theoretical ground for the link between chosen and provided value.

2) What dimensions of customer perception are active in customer-firm interaction and meaning creation?

The second sub-question aims to depict the principles that influence the link between provided value and communicated value by reviewing the contingencies related to perception process and its interpretation.

3) How the customer perception contingencies have been conceptualized in practise?

The third sub-question aims to report a single-case study of the development and manifestation of a customer-orientated strategy from managerial perspective. The objective is to relate the presented discussion with practise and to identify conceptualizations that further contribute to the development of the conceptual framework.

The research question diagram, including the main problem, sub-questions and objectives related to each sub-question, is presented in figure below.

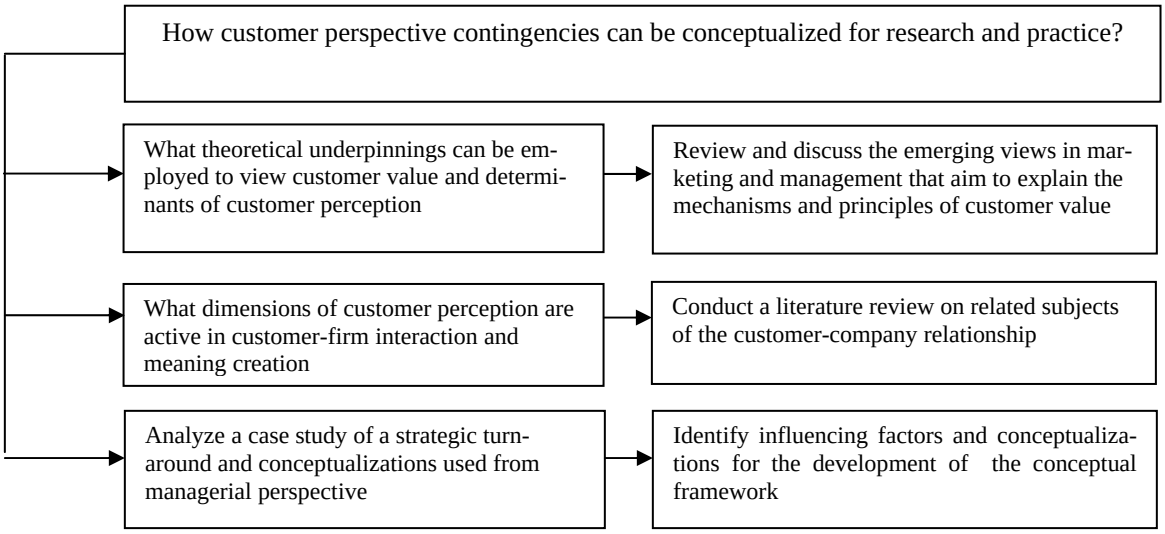


Figure 2 Research question diagram

1.4 Research objective

The objective of this thesis is to answer the primary research question and sub-questions and to develop a conceptual framework that contributes to research and practise. The principal scholarly objective is to advance the discussion that concerns the impact of customer knowledge on organizational performance by analysing the importance of adapted view on customer perception as an antecedent and determinant of value creation process. For practise, the objective is to provide an approach, or a tool that helps managers to visualize, comprehend and communicate customer perception process and the potentially existing mismatch between communicated value and provided value.

1.5 Scope of the research

This study aims to benefit both practitioners and scholars. The research questions are set to evoke interest in both audiences. The adapted research approach results in applicable knowledge which can potentially be used as a platform of thinking in practice and as grounds for further research. Some issues are not dealt in-depth as the nature of this report limits elaboration beyond research questions.

1.6 Methodology

This thesis aims to develop a conceptual framework which is also seen to be the first phase of theory development. From methodological perspective, this thesis follows the theory development model proposed by Dylan (2002) and proceeds from literature review to single case study and onwards to the conceptualization of the framework. However, the methodology for the development of conceptual frameworks in social sciences does not respond to the demands of positivist research approach. Therefore this thesis relies on interpretive approach, which subordinates the existence of objective truth to the meanings perceived under the influence of context and culture. This approach is chosen as for example previous collection of essays from famous organizational theory developers asserts that there is no unified process for theory development, and that instead of scientific rigor, the theory development is most frequently driven by uneasiness or curiosity that motivates researcher to promote his or her ideas in scientific community.

1.7 Key Concepts

Customer orientation

Customer orientation can be defined as a set of beliefs that puts satisfying and exceeding customer needs as the driving priorities of an organization. In this thesis it is the profound logic how customer value is perceived and conceptualized in decision-making. In line with Narver and Slater (1998) customer orientation is viewed as a component of market orientation aside cross-functional coordination and competitor orientation. The adapted view is well defined by one of the recognized pioneers of customer orientated thinking:

"the business seen from the point of view of its final result, that is, from the customer's point of view."

Peter Drucker

Marketing

This thesis refers to the definition of Grönroos (2006) or Keith (1960) which remain adequately abstract to grasp the different aspects of marketing but still succeed to capture and convey the principal idea:

"Marketing permeates the entire organization, plans and executes the sale – all the way from inception of product idea through development and distribution to the customer purchase. Marketing begins and ends with the consumer."

Robert J. Keith, 1960

"Marketing is a customer focus that permeates organizational functions and processes and is geared towards making promises through value propositions, enabling the fulfilment of expectations created by such promises and fulfilling such expectations through support to customers' value-generating processes, thereby supporting value creation in the firm's as well as its customers' and other stakeholders' processes."

Christian Grönroos, 2006

These definitions span a lengthy period of forty years. Still, the essence is very similar. Marketing can be seen as a value creation process that drives market driven thinking and disseminates important customer knowledge. Conceptually, this thesis refers to the view of Ambler (2004), which described marketing as a competence, a mindset and a resource which has potential of creating competitive advantage.

Strategic Management

The field of strategic management has valued positivist approach, large-sample methodologies and rationalistic assumptions, consequentially falling behind other disciplines in development[11]. To gain better understanding of strategy a field of researchers has begun to look into the broad spectrum of issues concerned with making and doing strategy within organizations. This emerging field is known as the strategy-as-practice approach and it aims to answer the question how strategy is done as well as its organizational implications instead of what strategy is.

Building on this emerging research field this thesis views strategic management as a practice that aims to determine and realize the strategy by determining activities under the contingencies of dynamic environment. The role of managers is well captured by the river-metaphor which dictates that every decision has an impact, there is no turning

[11] Author's personal discussion with Professor Whittington (4.5.2007). See: http://www.sbs.ox.ac.uk/faculty/whittington+richard

back, and that there is a continuous development that firms must accommodate themselves with (Lamberg and Parvinen, 2003).

Competitive Advantage and Sustainable Competitive Advantage

Competitive advantage refers to firm position where it enjoys normal or abnormal profits. Sustainable competitive advantage refers to a situation where a firm enjoys normal or abnormal profits[12] due to a factor which is difficult or impossible for competitors to imitate. A definition as follows is offered by Hoffman (2000):

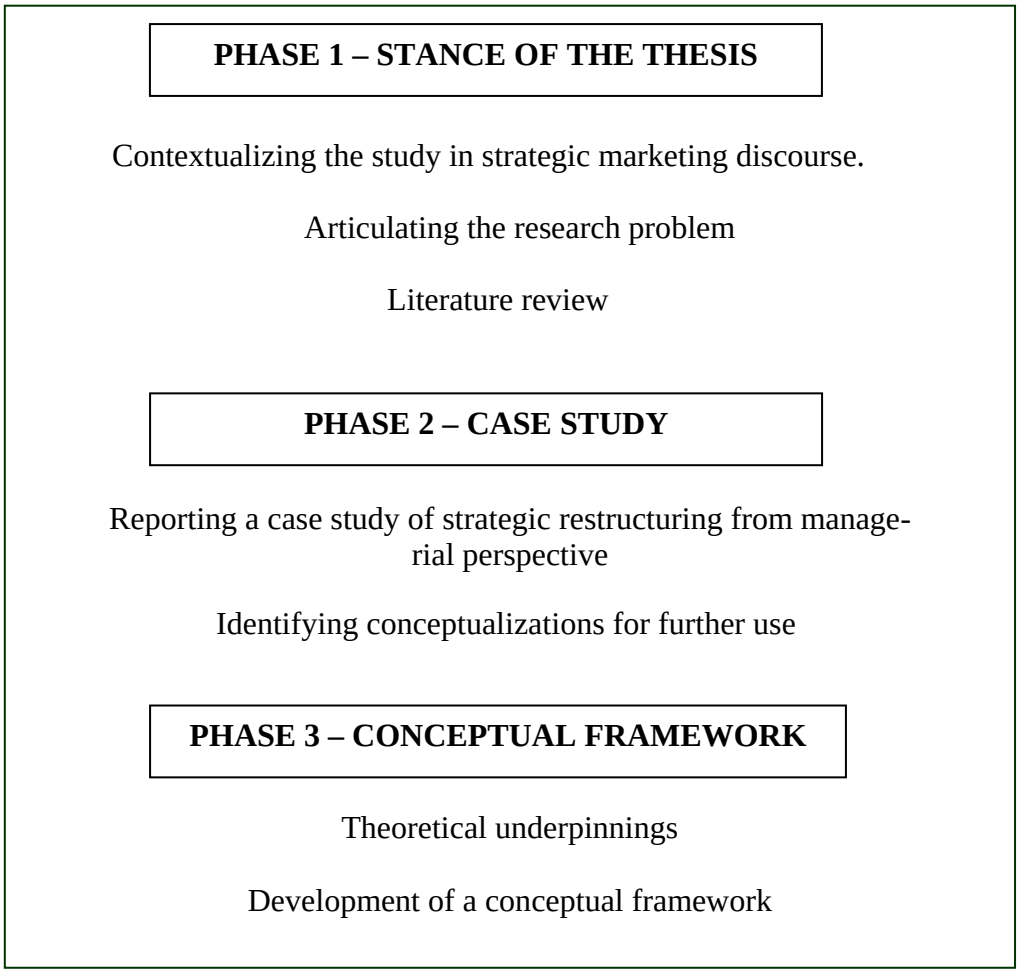
"SCA is the prolonged benefit of implementing some unique value-creating strategy not simultaneously being implemented by any current or potential competitors along with the inability to duplicate the benefits of this strategy."

1.8 Structure of the Thesis

This report is divided in three principal sections in order to present a logical flow of thinking. The first chapter discusses the background of the thesis, positions it in strategic marketing discourse and expresses the practical and scholar relevancy of the research question. The second chapter reviews different approaches to choosing customer value and unifies their principles as a theoretical framework. Further, the second chapter reviews the contingencies related to customer perception process in meaning creation and summarizes the finding. The third chapter discusses the methodology of the study and places it in scientific discussion. Fourth chapter reviews a managerial perspective to the issues of the literature review by reporting a single case study. Keynotes are drawn for the development of the conceptual framework. Fifth chapter reviews the selected theoretical grounds and proceeds to present the principles, theoretical underpinnings, adapted terminology and propositions of the conceptual framework. Sixth chapter concludes the study and discusses contribution and results of the study, meeting the objectives and further research avenues. The proceeding and structure of the study is illustrated in the figure below.

[12] Sustainable competitive advantage allows firm to earn economic rents or above-average returns.(Fahy and Smithee, 1999)

Figure 3 Structure of the study



2. Literature review and theoretical framework

This chapter reviews literature on the emerging principles of customer value and on the key contingencies of customer perception process in order to respond to the first two research questions. The objective is to draw theoretical grounds from discussion that can be used as basis for the development of conceptual framework.

2.1 Management and marketing theories

The rising importance of customer focus

"The foundations have to be customer values and customer decisions. It is with those that management policy and management strategy increasingly will have to start."

Peter Drucker

Growing number of scholars are arguing on the importance of customer level knowledge for organizational decision-making (e.g. Kumar and Petersen, 2005; Lusch *et al.*,2006). The latest development in this discourse has turned the focus towards the nature of customer value and exchange, suggesting that the way organization sees its customer defines the way it performs (e.g. Vargo and Lusch, 2004).

This view suggests that the central concern of managers is to understand what customers value, how that value is going to change, and how organization should perceive customer value so that it provides a sound view on customer perspective and consequently on business development. The search for right 'logic' underlies much of the theoretical discussion, but at the same time proposes a fruitful ground for further research and conceptualization. However, the presented propositions tend to be imperfect, concerning broadly a certain aspect of customer value while neglecting the interrelatedness of different issues and their impact. Consequently the literature on customer value is fragmented, drawing from variety of different theoretical lenses while not addressing or disagreeing on issues in principal level. Therefore, to proceed with a research that addresses the managerial perspectives on customer value it is seen necessary to anchor the adapted view on some principles, or 'logic' that clarifies the stance of the thesis and forms grounds for further research and modification.

Beyond modernity

It is argued that both strategic management and marketing still embrace modern assumptions in their research settings, objectives, methodologies and thinking (Johnson *et al.*, 2007; Firat and Dholakia, 2006). However, there is a widespread concern that we are living time after modernity that cannot be comprehensively coped with modernist principles (e.g. Firat, 2005). The emerging changes in cultural environment and their principles have been widely concerned under postmodern discussion, which is an interdisciplinary research stream in social sciences. To exemplify the discussion and its implications on customer value and marketing principles the modern marketing thought is presented in relation to the propositions of postmodern marketing thought (see table 1).

According to Firat and Dholakia (2006) modern marketing refers to the crystallization of marketing concept during the 1970´s which defined the place of marketing in social context and prescribed the relationships that institutions are to have with consumers and stakeholders. This relationship asserts that satisfying customer needs is the fundamental principle of thinking. As such, the modern marketing discussion has been dominated by exchange and consumer centeredness. In this view customer needs are existing and the marketing's objective is to optimize their fulfilment in order to create sales, or exchange that leads customer satisfaction. The principle of customer satisfaction and the principle of exchange as a goal of activity have guided marketing's theory development, empirical testing and normative implications put forward. These principles, however seem not to correspond to the requirements of current business environment, which is exemplified by decline in marketing's importance and influence in organizations (e.g. Grönroos, 2006; McGovern, 2004).

Firat and Dholakia (2006) criticise that the central principles of modern marketing have not been challenged with prominent alternatives and therefore marketing is still principally viewed as a way of provisioning what consumers need. According to their view, the objective and meaning of marketing as a practise should be reconsidered as customer satisfaction and exchange are more complex issues than traditionally viewed in marketing discourse. They refer to the principles of postmodern discussion to exemplify the changes in social processes and their meanings that question exchange as the principle source of customer satisfaction. According to Firat *et al.* (2005) and Firat and Dholakia (2006) the key characteristics of postmodern cultural environment are:

1. Non-commitment to any single project, order, or way of being – thus, openness to difference

2. Dawning of a sensibility that certain conditions – which were already always present in the modern, but were suppressed or denied are acceptable and that it is okay to playfully and critically engage with these conditions

3. Concentration of attention on the present rather than in the past or the future

4. General abandonment of one positive and superior alternative

5. Polarization of consumption, same people are willing to experiment in contradictory manner engage more in ´this and that´ consumption instead of ´either this or that´

Sources: Firat and Dholakia (2006), Firat *et al.*(2005)

These cultural changes propose principles that have an fundamental impact on marketing thought if compared to the traditional principles of modern marketing though, as exemplified by the following table:

Modern marketing thought	Postmodern marketing thought
The nature of human needs is given	Human needs are constructed (informed by current notions of biology)
Marketing must/should serve given needs	Marketing is part of the process of constructing needs
Marketing satisfies needs	Marketing enables construction of life meanings
Marketing provides objects that will satisfy the needs of the 'knowing subject'	Marketing partners with the human satisfy the needs of the 'knowing subject' being to co-construct the 'complex of desire'
Marketing serves the subject	Marketing is an enabler of communities of human beings in constructing life experiences
Marketing is a business practice	Marketing is a moment in the cultural process
Marketing discovers customer needs and provides alternative products to satisfy these needs	Marketing provides processes to the post-consumers/performers, empowering satisfy these needs them to construct alternative experiences
Marketing is an activity to satisfy consumer needs	Marketing is a partnership with post-consumers/performers to enable them to construct meanings and experiences
Marketing is a process of researching and satisfying customer needs	Marketing is a process of constructing networks that enable human beings to create and navigate meaningful experiences
Marketing communicates to inform the market about products that the market needs	Marketing communication is a part of the cultural process that constructs desires that necessitate the products
Marketing communication shapes its message to correspond to the market's characteristics	Marketing communication takes part in the constitution of the characteristics of extant and emergent cultures in the market
Marketing communication is a separate but coordinated element of the marketing campaign	Marketing communication is an inherent and inseparable part of all acts in human society

Table 1 Principles of modern and postmodern marketing

In postmodern context the nature of marketing changes from a needs provision and business activity to embedded cultural practise that advocates customer needs on multiple levels. This changes the mindset, or logic of marketing management as the practise transforms from hierarchical and managed activity to collaborative, diffused and complex effort to provide value and meaning to customer life.

The postmodern view proposed by Firat and Dholakia (2006) presents firms and marketing as parts of customer's worldview and practises, which need to be understood in order to create value. This proposition forms the ground for viewing the changing nature of marketing as it is focused on cultural aspects and has many conjunctions with other emerging proposals. Perhaps the most thorough and therefore prominent emerging proposal is Service Dominant Logic, which questions the role of exchange in value creation in a fundamental way.

Service dominant logic

Service Dominant logic (S-D logic) is a proposition that skilfully combines advances from different schools of marketing thought into a new perspective or 'logic' that places services as the centre source of value[13] (Vargo and Lusch, 2004). S-D logic argues that all products and services are essentially masked value propositions that convey a promise of the value-in-use and that the benefits experienced are intangible and subordinated to skills and knowledge. This view presents products, or goods primarily as service enablers that are dependent on the skills of the producer in creating the value and on the skills of the user to concretize value in his or her personal context. The transition of logic as presented by Vargo and Lusch (2007) is depicted in the figure below[14].

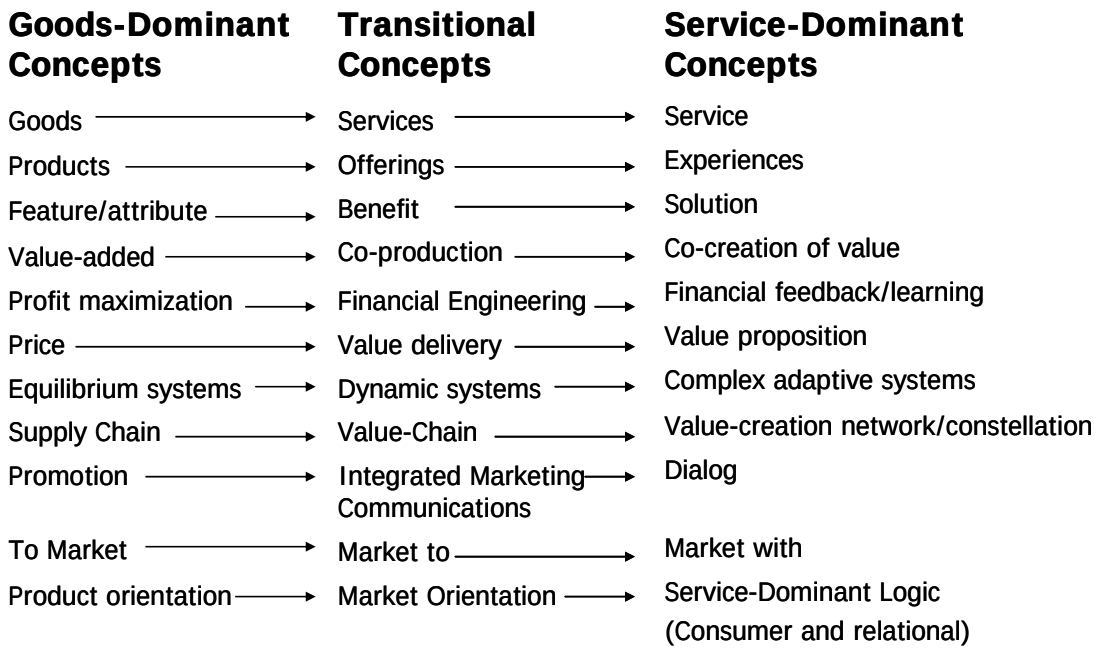


Figure 4 Transition from Goods- Dominant concepts to Service-Dominant concepts

Essentially the S-D logic contends that there is no difference, or competing position between services and goods, and that all transactions can be seen as exchanges of services i.e. specialized skills and knowledge. This definition relies on a conceptualization of value, which sees that value is principally released in use when the service or product does the job it is hired to do, and that this process is always co-created by the customer

[13] Similar view where services were seen as the starting point of thinking instead of "added dimension to goods" is the foundation of Nordic School of Marketing (e.g.Grönroos, 1990)
[14] Taken from internet site www.sdlogic.net, accessed 31.3.2007

and the firm. This changes the source of value from exchange to value-in-use and removes the focus of value creation from objectively evaluated characteristics to the perception of the using experience in relation to expectations. Consequently the role of the firm changes from an efficient goods provider to an entity of skills and knowledge that aims to create value to customers by influencing the value interpretation.

However, even though S-D logic is a carefully crafted proposition that combines various perspectives it has been criticised for not acknowledging the customer perspective or the dynamism of services. Even though customer is placed as the arbiter of value, the way customer perceives or analyzes value and mechanisms how firms could influence the value perception are left with very little explicit attention. For example, the role of brand as a facilitator of customer value perception has been largely neglected. In their commentary, Brodie *et al.* (2006) suggest that in service centric logic brands act as the facilitators and mediators of service interactions, relationships and networks to become the organisations' fundamental market based assets.

Criticism is also presented towards fourth proposition which asserts that knowledge is the fundamental source of competitive advantage. In the original proposition the knowledge is categorized to include: 1) product technology (i.e. ideas embodied in the product), 2) process technology (i.e. ideas involved in manufacturing process), 3) management technology (i.e. management procedures associated with business administration and sales). This categorisation and the elaboration on the original proposition underline the impact of tacit knowledge[15] (Nonaka and Takeuchi, 1995) in order to utilize technologies efficiently and effectively in value creation. However, Ballantyne and Varey (2006) comment that the original proposition falls short as it does not recognize that tacit knowledge tends to expire fast and needs to be constantly renewed to create value. Therefore, they propose that in fact it is the knowledge renewal (the generation, sharing and application of knowledge) that can be seen as the fundamental source of competitive advantage in service logic. Further, they also comment that firms should be more aware of customers' value creation processes, but do not address customer perception in their analysis.

[15] Tacit knowledge is non-lingual, non-numerical knowledge that is gained through experiences, interaction, imitation and such that results in capabilities to interact efficiently, make decisions according to organizational schema, use and develop resources like technical appliances (Nonaka and Takeuchi, 1995).

Another constructive criticism towards S-D logic is presented by Schembri (2006) who asserts that even though S-D logic broadens the understanding of marketing, it still relies on rationalistic philosophy, inadequately recognizing the dynamics of services and their experiential dimension. Exemplifying his argumentation, Schembri (2006, p.385) articulates:

> *"A tangible good, such as an automobile, is not just about the purchase of a bundle of features included in the car (as suggested by a modern marketing perspective) and it is not only the service of transportation, as suggested by Shostack (1977). Nor is it simply a package of engineering expertise, as Vargo and Lusch would argue in terms of service logic. Rather, in a more holistic sense, it is an automobile experience"*

Further, he articulates that the fundamental problem of S-D logic is that it seeks holistic understanding of the customer needs but stops short due to dualistic ontological position, where customer needs are considered separate from resources:

> *"The customer, the production (or co-production) of the offer (whether goods and/or services) and the value of that offer are considered separately, in line with a dualistic ontology. The customer's attitude, the quality of the production, the degree of perceived value and the success of the offer, are then measured so that improvement strategies can be implemented. This is in line with an objectivistic epistemology"*

He views that these positivist assumptions prevent genuine understanding that would start from customer's world to consider them as one entity with multiple realities constructed through social interaction. Relying on this elaboration, he proposes that a contingency approach is present in customer-firm interaction and that customer may not interpret an offer made by the enterprise as the enterprise intended.

Originally the logic was presented through eight propositions, but after further development a ninth proposition was added. The current standing of the propositions is presented in the table below:

S-D Logic	Implications
FP1. The application of specialized skill(s) and knowledge is the fundamental unit of exchange.	Service (application of skills and knowledge) is exchanged for service
FP2. Indirect exchange masks the fundamental unit of exchange	Micro-specialization, intermediaries, and money obscure the service-for-service nature of exchange
FP3. Goods are distribution mechanisms for service provision.	Goods are appliances of value creation
FP4. Knowledge is the fundamental source of competitive advantage	Operant resources, especially "know-how," are the essential component of differentiation
FP5. All economies are service economies.	Service only now becoming more apparent with increased specialization and outsourcing
FP6. The customer is always a co-creator of value.	There is no value until offering is used—experience and perception are essential to value determination
FP7. The enterprise can only make value propositions	Since value is always determined by the customer (value-in-use)—it can not be embedded through manufacturing (value-in-exchange)
FP8. A service-centered view is inherently customer oriented and relational	Operant resources being used for the benefit of the customer places the customer in the center of value creation and implies relationship.
FP 9. Organizations exist to combine specialized competences into complex service that is demanded in the marketplace	All economic actors are resource integrators (and resource exchangers)

Table 2 Fundamental propositions of the Service Dominant Logic

Essentially the S-D logic agrees on the previously presented postmodern marketing views by proposing that the thinking logic of marketing should shift from products (what we do) to services (what we offer). This also broadens the view on customer needs as the process of co-creation and its reciprocal nature comes as a source of value and an established need of a customer. Firm is also positioned to satisfy the changing tastes and preferences of customers and potential customers by innovating and co-creating the value experience. This introduces competitive dynamics into the organizational context as firms need to understand and accept that the changes in desired products and services are natural. However, according to Flint (2006) changes in desired service provider are not normal, as firms should be able to retain customers through co-creation activity and innovations that satisfy the changing tastes and preferences. The S-D logic stands on capability perspective, as it recognizes the importance of resources, but proposes that they should be primarily seen as tools for service provision. Interestingly a similar theoretical

view has also been proposed in strategic management literature that provides yet another perspective on customer value.

Customer value in management and strategic management discussion

In despite of its central role, the concept of customer value has received only little attention in strategic management literature (Brief and Bazermann, 2003). The foundational roots for the conceptualization of value in management literature are derived from the body of knowledge of classical and neoclassical economics. These traditional approaches viewed value as embedded in matter through manufacturing and concepts like value-added, utility and value-in-exchange came to exist. Value-added refers to the value that a producer contributes to the matter in the chain of producers and how much the value-in-exchange, i.e. the monetary value of exchange has changed. Utility is conceptualized as a cost-benefit ratio regarded in economic and psychological terms. The central logic of these conceptualizations relies on the assumption of rational buyer and in the fact that they are viewed from supplier side. This attribute-based logic on viewing value is still very common in practice and in all fields of management research (Gordon, 2006). Its appeal relies on the illusion of control that it offers as it is susceptible for measurement and normative implications.

In strategic management literature the different perspectives of analysis, namely transaction cost economics (TCE), positioning-school and RBV have all primarily regarded mechanisms associated with demand and thus determined value externally (Lippaman and Rumelt, 2003;Priem and Butler, 2001). As such the analysis of customer value in strategic management has been principally viewed as something that is only created by suppliers. This internal perspective of the firm reflects producer-orientation, which is a logical view, as the commonly articulated major objective of strategic management is to create value for shareholders. This, however, neglects customer view on value and regards firm more as a value provider than as a value creator.

To address this research gap Richard L. Priem (2007) proposes a foundation for new theoretical aspect of analysis beside RBV and other traditional aspects to view the sources of competitive advantage. He refers to this as the consumer benefit experienced (CBE), which emphasises relationships between company strategies and mechanisms that raise consumer's willingness to pay and increase the value of the whole value sys-

tem (Porter, 1985). The CBE proposes that customer lens is critical and asserts that strategists should analyse customer processes with the intent of developing firm-level strategies that might increase value creation[16] and boost up the top line (Priem, 2007). Also, the proposed view on value is experiential and in accordance with previously presented propositions: value is released in use situations that can vary, value experience is relative, i.e. some people experience more value in use than others, perceptions of the value determine the willingness to pay and that the source of payments into value systems is always individual. This again proposes that role of firm is to aid customers in maximizing their value that is created and experienced in use.

The presented perspectives provide a cross-section in to recent proceedings concerning the principles of customer value and their influence on firm and marketing principles. To conclude value discussion and define value for this thesis the next section turns to discuss customer value as a perception.

Customer value

The manufacturing orientation and value-in-exchange perspective have guided the interest of researchers to analyze the quality of products and their impact on performance. Therefore the concepts of quality and value have been regarded parallel, or at least principally overlapping.

When reviewing and analyzing quality conceptualizations Jan-Benedict Steenkamp (1990) discovered that they are often conceptualized without any valid theoretical underpinnings, and they are in fact fundamentally simplistic or fault. He found that they are presented in a very general manner and lack critical issues such as: 1) information processing perspective, 2) distinction of quality cues and attributes, 3) personal and situational variables, and 4) the comparative nature of offerings and influence of brands (p.311). To address the multidimensionality of quality he proposes that it is a *perception* that can be conceptualized as a higher-level abstraction formed as a result of quality cues.

[16] Value creation increases the customers valuation of the benefits of the value proposal: 1) willingness to pay more for a novel benefit, 2) willingness to pay more for something perceived better, 3) increased willingness to buy a previously available benefit when unit costs are lower (Priem, 2007)

Cue can be defined as an "informational stimuli that are, according to the receiver, related to the quality of the offering, and can be ascertained by the receiver through the senses" (p.312). The role of cues is to form beliefs about the offering and the benefits that it conveys or delivers. Cues have concrete (e.g. physical appearance, package) and non-concrete (e.g. brand, country-of-origin, price) dimensions that are related to the expected benefits and one method to understand their expected value is to build means-end chain linking the cues and the perceived end as connections[17]. This has been one stream of research in customer value discussion, contributing to the understanding of the link between personal values (Rockeach, 1973) and product cues (Gutman, 1991). In further research the relationship between cues and attributes have been identified as distinct, making the interpretation of the cue as a focal point of interest. As a result of his research Steenkamp summarizes that a quality perception is a:

> *"Perceived product quality is an idiosyncratic value judgment with respect to the fitness for consumption which is based upon the conscious and/or unconscious processing of quality cues in relation to relevant quality attributes within the context of significant personal and situational variables*"
>
> Steenkamp, 1990 (pp.317)

This definition views that quality perception builds an evaluative judgment that is a higher-level abstraction based on the perception of multiple cues. The relationship of multiple cues has been researched through lens model perspective (e.g. Brunswik, 1955; Etgar and Malhotra, 1981), which regards the formation of quality attribute perception as a function of multiple cues where they are integrated simultaneously in assessment as information is always less than perfect. This proposes that the limitations of the perceptual and cognitive system lead individuals to adopt a "probabilistic strategy" in decision-making.

Further, the definition proposes the assessment of cues is subordinated to persons situational and contextual factors. The influence of internal processes changes the interaction between subject (perceiver) and object (focus of perception; i.e. service, product). Situational and contextual issues influence at least: 1) involvement – motivation to process information about the offering, 2) comparative assessments – information on

[17] This view is prevalent in consumer behavior literature where value is viewed in terms of personal values, mental images, or cognitive representations of underlying customer's needs and goals (Khalifa, 2004).

alternative, competing offerings, 3) prior knowledge – the depth and ability to process information evolves and consequentially it is determined by prior experience, 4) perceived quality risk – high risk tends to lower the overall judgment and leads to rely on one or a few cues, such as brand (Derbaix, 1985), 5) usage goals – as products and services can be used to carry out wide array of goals the special requirements are dependent on the specific goal, 6) time pressure – the amount of time affects the opportunity to process information, which has also been proposed to increase the weight of negative information in assessments (Wright and Weitz, 1977).

Finally, the definition proposes that perceived quality is "the fitness for use", which broadens the conceptualization from characteristics and attributes to the assessment of user experience. In sum, the proceeding of Steenkamp is one of the few studies covering the theoretical aspects of quality perception and the holistic view that it proposes is still rarely present in research.

An aspect that is present but not underlined in the presented definition is the value-in-use dimension. An important contribution that broadens the time horizon and presents relationship between firm and customer comes from the field of relationship marketing, where for example Grönroos (1990) asserts that value is also formed as an equation between episode –and relationship benefits in relation to sacrifices. This proposes that the experiential dimension is a process where earlier events influence the nature of expectations, making the value-in-use subjected to relationship.

Following and further developing the relationship ideology, customer as a co-producer of value or as a co-creator of value has become an important thought in the contemporary value discussion (e.g. S-D logic). Customer as a co-creator refers to collaborative and dialogical interactions between customers and firms, where working together to achieve something new is seen as a process that leads to mutual learning and new value for both parties. This is further underlined by the rise of value networks, where other customers are part of the value perceived and received. The value chains (Porter, 1985) sell something that they produce and own, i.e. a product or a service, while value networks sell something that they organize but do not technically own, i.e. access to a network of other customers. This leads to very different types of value creation and different type of economics. For a value network, service value depends on the specific and

overall number of other customers in the network. Therefore, the customer value-in-use is depended on the other users and the activities of the firm that attract and retain customers that mutually contribute to the attractiveness of the network[18].

To conclude, the discussion presents that the nature of customer value has been conceptualized as a collection of attributes (rationalistic perspective), as a trade-off between price and utility (benefits-sacrifices), as a means to reflect personal values (means-end chain), as an experience (value-in-use), as a relationship (customer relationship) and finally as a perception of quality.

The objective of this chapter is to define the principles of customer value. For this purpose, the definition of Steenkamp is set as a ground as it is based on rigorous research, has solid theoretical underpinnings and presents a holistic attempt to provide a definition that corrects the shortcomings of previous definitions. Its major shortcoming is that it refers to term quality instead of value, implying a rationalistic assessment while admitting that there exists no objectively correct response to quality attributes. The use of quality-term fails to convey the meaning of symbolic dimensions as a part of quality assessment. Therefore, the term customer value can be found to be more describing, as it communicates better the focus on customer and on value. Further support to the similarity between Steenkamp's definition and customer value can be found by reviewing a customer value definition purported by Morris Holbrook, a noted pioneer of customer value research. According to his view, customer value is an 'interactive relativistic preference experience' (Holbrook, 1999; 2006). 'Interactive' refers to a relationship of a subject and object (or subject), which is never fully objective nor subjective. 'Relativistic' refers to the comparative, situational and personal nature of an evaluation. 'Preference' refers to the multiple viewpoints that can be adapted (e.g. affect, attitude, evaluation). 'Experience' refers to the fact that value does not reside just in an object, product or possession, but rather in the experience and in the fulfilment of a need.

Based on Steenkamp's definition, this thesis views customer value as a perception that is a higher level abstraction formed by conscious and unconscious processing of cues that are evaluated to identify dimensions, or attributes of the offering that resonate with the tastes and preferences of the perceiver. This definition is broadened to include a dy-

[18] Also known as the "bandwagon effect" or network externalities (See Leibenstein, 1950;Katz and Shapiro, 1985)

namic process of interaction and co-creation where the practise itself and the relationship also create value (cf. Korkman, 2006). The perception is a dynamic, changing process that develops according to interaction and processing of new cues in relation to contextual and situational forces. The relational nature of all value perceptions is well underlined by theory of competition that also contextualises the presented discussion by providing a theory of competitive dynamics.

Theory of competition

According to Stoelhorst (2004) a theory, positive or normative, should provide grounds for the existence of market mechanisms and their interaction. Only then it is possible to understand and further theorize the different elements that influence the performance of firms. One approach to provide such grounds is the resource advantage theory of competition (R-A theory) proposed by Shelby B. Hunt (1995). The R-A theory is a positive theory of competition that draws from variety of theoretical roots to describe the process of competition. At its core, R-A theory combines heterogeneous demand theory with resource-based theory of the firm to propose that organizations exist to maximize sustained performance by competing through innovations that provide a position of comparative advantage in the markets (Hunt, 2006). The nature of competition is dynamic and Hunt (2000) defines competition as a "disequilibrating, ongoing process that is a constant struggle among firms for a comparative advantage in resources that will yield a marketplace position of competitive advantage, and thereby, superior financial performance" (p. 136). The theory is asserted through nine fundamental propositions, as depicted in the table below.

Fundamental proposition	Implications
P1 Demand is heterogeneous across industries, heterogeneous within industries, and dynamic	There is room in markets for different value propositions as tastes differ
P2 Consumer information is imperfect and costly	There is room in markets for similar value propositions as information is imperfect
P3 Human motivation is constrained self-interest seeking	Human restrictions are a key concern in all organizational activity
P4 The firms objective is superior financial performance	Firm objective is to create sustainable performance, not to maximize short-term profitability
P5 The firms information is imperfect and costly	Information is a source of competitive advantage
P6 The firms resources are financial, physical, legal, human, organizational, informational and relational	Resources include material, as well as immaterial characteristics of the organization, such as knowledge and skills, processes, relationships.
P7 Resource characteristics are heterogeneous and imperfectly mobile	Resources are a source of competitive advantage
P8 The role of management is to recognize, understand, create, select, implement and modify strategies	Managers actions are influenced by organizational and environmental factors
P9 Competitive dynamics are disequilibrium-provoking, with innovation endogenous	Markets develop through "creative destruction"

Table 3 The Fundamental Propositions of R-A theory

The key tenets of the theory provide grounds for understanding the logic of changing environment. Demand is seen as heterogeneous, creating demand for similar offerings in the marketplace as customers' tastes and preferences are different as well as dynamically changing. Consumer information is imperfect which explains the need for marketing to correct the information asymmetry between customers and firms. Human motivation leads to frictions in market efficiency as it is constrained and self-interest seeking. Firm's information is imperfect, limiting the capability to utilize and collect heterogeneous and imperfectly mobile resources that are relational. In this context the role of management is to recognize, understand, implement and modify strategies that match firm with the demands of the environment and develop innovations that provide temporary positions of comparative advantage.

The R-A theory provides a comprehensive logic of marketplace and is appropriate for contextualizing the discussion of this thesis. Furthermore, R-A theory has been analyzed in context of five major schools of business strategy that are present in this thesis (resource based view, marketing orientation, relationship marketing, competence-based and industry-based) as well as S-D logic to conclude that R-A theory is in conjunction with all of them and can be used as a theoretical foundation (See Hunt, 2002; 2006).

However, as a limitation R-A theory draws from evolutionary economics to explain the development of competition. The theory relies on Schumpeter's proceedings (1934) to explain the development of markets through "creative destruction" – i.e. the mechanism where innovations supersede old market offerings and mechanisms. In this perspective firms' resource base guides it to an individual learning path, which defines its potential to innovate and imitate (Stieglitz and Heine, 2007). This, however is rather deterministic view and does not well recognize or at least communicate the influence of organizational intentionality in shaping the competitive environment. Extending the evolutionary view, the co-evolutionary perspective asserts that the development is an interplay of two interacting subjects which are interdependent and influence each other and the direction of evolutionary development (Porter, 2006). This is better in conjunction with the co-creative perspective that was presented earlier.

Discussion

The presented views on customer value promote different perspectives, but they clearly provide a direction for the change of principles that guide the value creation process and choosing of customer value in managerial decision-making. Essentially the context of competition is becoming more important as information is free and frictionless. It is also changing from one directional to co-creative where customers actively influence the way firms create value. The competitive advantage or relativity between offerings shifts from characteristics to meanings that are embodied into the products and services through brands and firm activities. The objective of marketing as an ideology shifts from need fulfillment to need creation, as offerings are no longer fulfillers, but more like enablers or cultural platforms for value creation in customer's own practices and contexts of life. The breadth and depth of value changes as the fundamental focus of logic shifts from transactions and services to holistic value creation that contributes to the well-being of the customer in societal, personal and communal level. The customer value is therefore a proceeding perception process of meaning creation that contributes to customer's own life and practices. Central principles of the discussion are summarized in the table below:

Adapted perspective	Phenomenon	Central premise(s)	Principles
Postmodern Marketing thought (Firat and Dholakia, 2006)	Cultural change	Human needs are constructed Non-commitment to any single project, order, or way of being – openness to difference and polarization of consumption	Marketing is part of the process of constructing needs Marketing enables construction of life meanings
Service Dominant Logic (Vargo and Lusch, 2004;2006)	Service logic	The application of specialized skill(s) and knowledge, i.e. service is the fundamental unit of exchange. Value is always determined by the customer (value-in-use). It can not be embedded through manufacturing (value-in-exchange) Renewal of knowledge is the fundamental source of competitive advantage Marketplace feedback enables firms to learn how to improve the offering to customers and consequently improve firm performance.	Organizations exist to combine specialized competences into complex service that is demanded in the marketplace. The enterprise can only make value propositions. Firm's objective is to identify and develop core competences, the fundamental knowledge and skills of an economic entity that represent potential competitive advantage.
Resource Advantage Theory (Hunt, 2001;2002; 2006)	Nature of competition	Competition is dynamic and relative in all levels of analysis - no equilibrium exists Resource characteristics are heterogeneous and imperfectly mobile. Information is imperfect and costly. Consumers' tastes and preferences are dynamically changing. Modes of transaction are embedded	The role of management is to recognize, understand, create, select, implement, and modify strategies. Demand is heterogeneous across industries, heterogeneous within industries, and dynamic. Different market offerings are required for different market segments in the same industry. The firm's objective is superior financial performance
Coevolution (Baum & Singh, 1994; Lewin and Volberda 1999, Murmann 2003)	Nature of progression of competition	Organizations evolve in relation to their environments while at the same time these environments evolve in relation to them Principles of interdependency and mutual adaptation	Performance is not the result of managerial adaptation or environmental selection but rather the joint outcome of intentionality and environmental effects.

Table 4 Theoretical Stance

2.2 Perception and meaning – a literature review

The principles of the presented discussion assert that the nature of customer value is changing. The rise of service economy underlines the importance of the perception of user experience and the meaning of the offering in different dimension of customer's value. These issues propose a challenge for managers, as the direction and magnitude of cultural changes require new approaches to the development of organizational capabilities. As the traditional mechanisms of customer interaction are becoming insufficient, the critical challenge of managers is to understand how to create meaning and convey it. This requires a further understanding on the issues that influence meaning creation, which requires knowledge how to identify, collect, process and utilize customer information in decision-making (Christensen, 2005; Neely, 2006). This problem at hand, the objective of this chapter is to continue the literature review on customer value and concentrate on the contingencies of customer-firm interaction that influence perception and meaning creation. At first, the customer-firm interaction is addressed in the context of branding literature.

Brands and perception

Since Gardner and Levy's seminal article "*The product and the brand*" (1955), the social and psychological nature of "products" has been acknowledged as a part of marketing science. Since then the concept of brand has stabilized its position to become viewed as one of the most important assets of firms in contemporary business environment (e.g. Kapferer, 2004). During the last ten years there has been a rapid increase in brand awareness, which is reflected by the increasing amount of volumes and research published about brands and branding. However, the process of creating a brand as well as brand itself remains abstract and beyond scientific understanding.

Brand is a higher-level abstraction which has no unified definition. Consequently, it is hard to operationalize in research or to turn it into distinct activities with a certain magnitude and direction of impact. This problem is also acknowledged by scholars. For example in a recent review on brand literature Mark J. Kay (2006) found that no coherent theory defines brand management tasks. Instead, paradigmatic cases of successful brands have come to define branding processes and the logic of the "strong brand" has shaped management branding practices. Distinctive examples have led to conclude that

"difference" and "consistency" are the primary means of bringing about strong brands, yet these can be difficult to apply.

Roughly, brand literature proposes two paths to branding. One is a strategic approach, where the brand is at the centre of thinking and organization, driving the activities and performance. Yet, only little guidance is given how this brand drives activities or decision-making. Another approach is so called "rationalistic" approach, which views brands alike to products, as collections of attributes or characteristics[19]. This view has concretized brand by placing the chosen attributes at the core of thinking. However the approach has limited itself to marketing communications, failing to address and exemplify comprehensively and in a convincible manner the strategic issues related to branding. Furthermore, it is criticised as a fragmented approach that guides thinking towards wrong logic. For example Wendy Gordon (2006) asserts that a view that purports brands as constellations of attributes and characteristics is fundamentally biased. She cites Gordon and Langmaid (1988) to articulate that:

> *"Branding may be thought of as the process of creating the totality of meaning which consumers attribute to a brand – the unique and relevant bundle of values that are internalised and combined with past experience and/or current perceptions of the brand itself."*

This view of brands supports the importance of process and a perception in the totality of meaning that is built and internalized. Three relevant issues can be identified: branding as a process, perceptions as a way to interpret the process and meaning as an end-result of the branding. The fundamental difference of this definition compared to traditional definitions is that it shifts the focus from product or organization and brand as *per se* package of those to the process of perception and its interpretation in the eyes of the receiver.

The interrelatedness of firm and products is conceptualized in brand literature by differentiating corporate brand from product brand. However, the analysis in this area is only emerging and the research is very limited on the interaction between corporate brand and product brand and the impact of their relationship on customer's product evaluation (Souiden, 2006). It is argued that the corporate brand as a concept and a research phe-

[19] This perspective is a common managerial approach (Balmer, 2001)

nomenon is only at its naissance, trying to establish coherency at conceptual level among various similar conceptualizations used such as corporate identity, corporate image, corporate reputation, and corporate communications (Balmer, 2006). For example Melewar and Karaousmanoglu (2006) recently researched the definition of corporate identity and its conceptualizations in practise and concluded that there is considerable ambiguity both in literature and in practise.

As a conclusion the branding literature has little to contribute to further understanding the nature of perception and meaning. The role of perception is addressed in literature, but the process perspective has gained only scarce attention as the literature is dominated by managerial perspective in problem setting and analysis (Balmer, 2001; Ponsonby-Mccabe *et al.,* 2006). However, a view about the transparency between firm and activity is rising, which could potentially contribute to meaning creation. It is reported that there is an emerging interest towards corporate level conceptualizations, but that their interrelatedness with product level and impact to sales has not yet been thoroughly addressed. Brand literature is only awakening to acknowledge the multiattribute and multibrand relationship of value proposals (Ballantyne *et al*., 2006a).

Company-customer identification

Based on organizational identification and social identification literature a research stream on customer-company identification has emerged. Research on the phenomenon has identified that based on personal perceptions people might use companies as components of identity, adapting a signaling function for the company and using it as a part of personal identity. The root causes of this are not clear, but consequences influence the in-role behavior of (i.e. the utilization of the product or service) and extra-role behavior (i.e. advocacy and behavior in the context of company or its product usage). Furthermore, the empirical study suggests that the effect of company identification on customer behavior is above and beyond the effect of product evaluation. (Ahearne *et al.,* 2005)

The identification has been proposed to constitute of three general factors: 1) customers perceptions of what the company represents (e.g. experiences, culture, climate), 2) what relevant others think about the organization, or what person thinks that relevant others think about the organization and, 3) impact of persons and organizations working as a part of the offering (e.g. customer service, sales persons). These factors are found to be

contingent on such factors as the importance of the product or service to customer (Bhattacharya and Sen, 2003), the perceived distinctiveness of companies and their dimensions (Bartel, 2001), and of the frequency and intensity of interaction between customer and company or offering, which refers to the process of becoming familiar (Ahearne *et al.*, 2005).

This stream of research has also reported that corporate messages transfer consumer judgements about the products that the company markets (e.g. Gurhan-Canli and Batra 2004), and that these changes take place in multiple dimensions, including product characteristics (Brown and Dacin 1997), price perceptions (Creyer and Ross 1996), perceived product values and evaluations (Goldberg and Hartwick 1990), brand beliefs and attitudes (Sheinin and Biehal 1999), product purchase intentions (Sen and Bhattacharya 2001), and product choices (Creyer and Ross 1996). Further, individual dimensions of corporate messages have been identified to have a different impact and that they interact with market activities, i.e. all perceived implications of activity of the company (Basdeo *et al.*,2006).

The key finding of this research stream proposes that nonproduct aspects play an important role in influencing customer behavior and that company is an aspect of analysis, which has a high influence on how people perceive and commit to firms and their value proposals. These findings support the two findings from the case study that proposed to view firm and products, or activity as two different constructs with a direct impact to customer. Further, the findings also support the transparency and relationship between firm and activity to exist and influence strongly customer behavior. The findings however do not capture the meaning creation, or the information processing aspect that determines the commitment that leads to social identification phenomenon.

Information processing

The information processing research tries to advance the understanding of how people use cues in decision-making and what factors influence the outcome. It is an alternative to the rational choice theory, which asserts that decision-makers have well-defined preferences and a will, as well as a capability to calculate the subjective utility of offering in the decision-making situation. The information processing perspective approach views this approach flawed based on the limitations of processing capacity (e.g. Simon, 1955;

Tversky and Kahneman, 1991). This has led information-processing scholars to research on the formulation of preferences as determinants of decision-making and onwards to propose that instead of being revealed, preferences can be formed on the spot as a constructive process in the decision-making situation. This view defies the view that individuals have master preferences that guide decision-making and proposes a more contingent approach that asserts that people use variety of decision heuristics or decision-making models in different situations. This is drawn from research work that has reported that people have multiple goals and that the goals are dependent on the way information and situation is categorized or framed. The tendency to frame and categorize information is a way to cope with the complexity of decision-making situation. However, it has a profound impact on the outcome as it changes the interpretation of the information and the aspects of the analysis as framing defines the aspects that are regarded salient. This has three central implications for decision-making:

1) decision-making is context –and situation dependent

2) processing approaches may change as a source of learning during the decision-making situation and between decision-making situations, which implies that

3) decision-making strategies can be influenced

It is reported that framing and particularly salient aspects of the choice task can not only capture attention and lead to certain types of choice heuristics, but also change the experience and consequential value of the decision[20]. For example Levin and Gaeth (1988) show that labeling beef as 75 % lean results in more favorable evaluations than labeling beef as 25 % fat. Framing also influences the reactions to absolute outcomes, like a failure of a technical devise to function and as such framing effects are referred to suggest that "people choose, in effect, between descriptions of options rather than between the options themselves" (Tversky, 1996). Further, it is argued that different ways of framing a problem lead to different choices, much like the effect of taking different perspectives, and that subjects are unaware of the effects of framing which suggests that such effects are likely to persist and remain unchanged (Tversky and Kahneman, 1981; 1988).

[20] McClure *et al.* (2004) found that when consumers are aware of a brand during a consumption experience of a cola, brain scans revealed that neurological responses differed significantly in comparison to consumers which were unaware of the brand.

The logic of framing is not thoroughly addressed by constructive information processing perspective. Another aspect on information processing is to view received cues as gestalts, or images as proposed by MacInnis and Price (1987). Imagery is defined as a process (not a structure) by which sensory information is represented in working memory (MacInnis and Price, 1987, pp.473). As such it has qualities over constructive approach as it proposes that process of perceiving information is a concrete sensory representation which activates all relevant senses and forms an image of them in working memory that is then transformed as operational code when stored in long time memory. The activation of this code then results into a creation of typical image in mind as well as to the activation of all the relevant senses attributed to the image, such as feelings of warm and cold and changes in heart rate. Instead of creating one image, the creation of mental representation is proposed to be process where perceived information about an object (or event) is integrated into a gestalt. This process is viewed to be determined by learning and interests as they guide the perception process and the "embodiment" of mental images because they are more in-depth when previous experiences and learning has occurred. Further, the constructs are proposed to form hierarchical structures that determine how salient different aspects of the mental image are[21]. The imagery has been proposed be a common mechanism in all decision-making that coexists aside discursive evaluations of the judgment as proposed by constructive approach. The imagery can provide a perspective to understand framing, as it might influence the adapted aspect of analysis by activating the sensorial mechanisms related to the perceived cue[22].

Another aspect that helps to comprehend the framing based on cues is a so called halo-effect (Reynolds, 1965), which refers to the human tendency to "draw a picture", i.e. create an image of the whole based on few attributes. This is often an automatic reaction that is related to previous experiences, social interaction, culture and values that influence the interpretation of cues. For example, members of different culture often attribute different behavior models and personalities to foreigners. The halo-effect can be explained as a natural mechanism of brains to control and minimize the load of cognitive

[21] For example, at the top of the personal hierarchy could be "the country of origin" image (e.g., Australia, Germany), salient aspect of brand image, concrete functions, price, or such

[22] One of the recent reviews is done by Stern *et al.*, (2001) who concluded that: 1) images result from human tendency to simplify buying decisions by creating symbolic gestalts that represent the underlying meanings, 2) these images are then used as decision heuristics

work by “short-cutting” through previous work. The halo-effect often influences interpretation of cues and biases the perception of the phenomenon at hand. It also often operates in unconscious level, permeating to most decision-making situations.

These presented perspectives provide more in-depth view on perception, provide further guidance how meaning is created and support the previously presented principles. For example the constructive decision-making process is in conjunction with the previous theoretical grounds, as it explains the variation between preferences (R-A theory states that tastes and preferences are changing) and also aligns with the postmodern view that asserts that human needs are created. A minor shortage in the information processing perspective is that it views that choices are made to attain goals. However, as previously argued, also the practice of attaining goals might be a value that influences decision-making.

In sum, the presented discussions propose that cues can be used to form images, or gestalts, which are then discussed and analyzed in relation to create meanings. These images can be constructed or formed based on perceived salient cues that determine the perspective of analysis consciously or unconsciously. These views propose that decision-making can be viewed as a relative process between gestalts that are formed and caused by cues perceived under the situational and contextual influence. This, however leaves a key point, the importance and influence mechanism of cues unarticulated.

Unconscious processing

Recent advances in technology and research have advanced greatly our understanding of how brain works. The “hidden” area of analysis, unconscious processing has become a subject of increased interest among researchers. The findings have proved that in fact up to 95 % of our information processing is conducted in unconscious level (Bargh and Chartrand, 1999). This implicates that it is not merely important to understand the drivers and implications of unconscious processing in business context, it is vital.

A human is a result of evolution and has spent only a fraction of his existence under the conditions of “civilization.” Thus, most of our actions are still primarily driven by prehistorical models that are activated by certain stimuli from the environment. This is researched in social psychology, where universal traits that activate behavioral models have been reported. Cialdini (2001) refers to this as the science of persuasion and sum-

marizes the key findings under six principles which guide our behavior (see Cialdini, 2001). One example is the principle of reciprocation, which asserts that people feel obliged to repay in kind what they have received, consciously or not. According to Cialdini this can be traced back to ancient times, where hunters, unsure of their daily pray, shared their results to receive back and ensure survival. Operationalizations of this principle can be observed all around us, success depending mostly on the way the reciprocal principle is realized as it works only if it is perceived sincere. The findings suggest that our activity and decision-making is not entirely under our own will as mere perceptions can trigger automatic response patterns that override other influencing mechanisms such as conscious.

Two central strands of research are uncovering explanations for this phenomenon. The first strand concentrates on the "perception–behaviour link" which researches the impact of perception to behaviour. It has shown that mere perception of the social environment might lead to corresponding behaviour in form of mimicry, attitude adaptation and intensity of decision-making (e.g. Dijksterhuis and Bargh, 2001). The second strand concentrates on automatic goal pursuit (Aarts and Dijksterhuis, 2000) and reports that goal-directed behaviour is often automatic and unconsciously guided by the environment. The two streams together propose that mere perception is an important force in shaping our behaviour as it can lead to automatic adaptation of behaviour as well as change the goals that are pursued. In concrete level, this confirms that normal situational cues, such as music and behaviour of other people influence decision-making and consequential outcomes.

The unconscious processing is also argued to be an automatic and evaluative stage that precedes deliberate conscious processing to decide whether there is a need for conscious processing or not (Johar *et al.*, 2006). It is concluded that we are usually unaware of the influencing cues, but we are certainly almost always unaware of the fact that we are indeed influenced by such cues (Dijksterhuis *et al.*, 2005). This implies, for example that marketing research on advertising is often biased as it measures recall and asks customer introspects of the advertising. These approaches are argued to fall short on understanding the low importance of commercials and the fact that they are rarely addressed in conscious thought. This makes perceivers incapable to introspect how advertising or marketing has influenced them and further, it is proven that whether consumer remem-

bers an advertising or not has little impact on performance (Biggs, 2006). As an alternative and better approach, Rex Briggs (2006) suggests to look for the changes created into the meaning of the brand by carefully observing changes in attitudes and behavior.

The mechanism of meaning creation is one of the most complicated issues in social sciences. Exactly what constitutes people to get interested and commit to something in the contemporary environment, which is characterized by cultural transformations and increasing amount of commercialization as well as commercial "noise", is a question of high complexity. For example, an average metropolitan habitant might see over 8000 marketing messages (e.g. commercials, logos) in one day (Lindström, 2005). Surrounded by this flood of cues, it is probable that natural filters have evolved to be more capable in sensing the aspects of the information and symbols that mark value proposals dimensions of quality and meaning.

To approach the meaning creation we turn to consider emotions. This continues fluently the path after unconscious processes, which have revealed that processing of cues can be unconscious, as well as decision-making. It has also revealed that our behavior in decision-making can be manipulated as we respond to perceived environmental cues and behave according to automatic principles when the triggering activity is viewed genuine. The reported findings on priming tests propose that it is possible to influence how an evaluation criterion is formed as well as behavioral patterns we perform in situation, thus influencing post-purchase evaluations and their interpretations is possible (Simonson, 2005).

Emotions

So far, it has been argued that emotions[23] are unconscious mental states that influence perception process, cognitive evaluations, attitudes and eventually decision-making and behaviour (e.g. Damasio *et al*., 2000). In fact, they have been proved to be critical antecedents of activity that guide all decision-making[24]. As such researchers purport that the

[23] The term emotion is a higher-level conceptualization, which is often coined when in fact referring to attitudes, feelings, mood or other similar mental states (Chaudhuri, 2006). For further clarification, emotion can be defined as unconscious and partially conscious mental states. Feelings are mental and often verbal interpretations of conscious emotions while moods are long-lasting conscious states of feeling.

[24] Damasio (1994) found that brain damage in emotional center led people to become incapable of making decisions, pondering hours with the smallest of problem.

very purpose of emotions is to evaluate the significance of stimuli for an individual to direct his or her behavior by reinstating circumstances that evoke positive emotions and avoiding circumstances that evoke negative emotions (e.g. Damasio, 2001; Dolan, 2002; LeDoux, 1993).

Emotions have been proved to have a direct and indirect behavioral impact as they either lead to direct activity without consciousness or interact with ratio through attitude formation. It has been argued that all decision-making is based on emotional platform, which influences the interpretation of cues and interact with ratio to provide a justification for emotional reaction (Damasio, 2000).Some researchers even propose that whenever thinking contradicts with emotions, emotions win (Franzen and Bouwman, 2001).

The influence of emotions is not only limited to perception and decision-making. It has been proven that they influence memory by creating emotional conditioning, even though there would be no conscious recall ability (Loewenstein et al., 2001; Morris *et al.*, 1998). For example Gorn (1982) reported that mere liking of an advertisement might lead to conditioning onto the brand and that this can take place even in the absence of rational beliefs and product attributes. As such, he has proposed that emotions may become separable from context and still remain[25].

In marketing context the importance of emotions comes from their profound impact on interpretation of meanings. As interpretations are often based on feelings and ratio, the meaning can be seen to be a conscious interpretation of emotions that resonates with individuals personal values that results in emotional and rational commitment. This implicates that the interaction is a continuous process, based on emotional platform that influences the accuracy and interpretation of memory traces. However, the nature of this process is still unsure, but recent research reports that when encountering a new firm or product, emotions are crucial at the beginning, but that their importance diminishes over time as cognitive, well-grounded opinions of the value proposition are constructed[26] (Homburg *et al.*, 2006).

[25] In a reported research the impact of priming logos of IBM and Apple in to behaviour was tested and the results indicated clearly that brand attributes, in this case especially Apples creativity is transmitted in behaviour (Fitzsimons *et al.*, 2005).
[26] In general, the process and over time changing nature of customer value is an area of research that has received only very little attention (Flint *et al.*, 2005).

The research on emotions provides a platform to understand the previous discussion on brands, company-customer identification, information processing and unconscious processes. It promotes one to look emotions as a crucial part of all interaction and interpretation of perceived stimuli. In marketing context it questions the rational logic of decision-making[27] and proposes that instead of elaborating for value, we elaborate for meaning when making decisions.

Discussion

The presented perspectives provide more light into understanding the nature and theoretical underpinnings of the interaction between perception and meaning creation. The role of "secondary" dimensions of the value proposal such as: social identity building, experiences with boundary-spanning agents, priming and emotions were proposed to have a strong influencing on the perception process and meaning creation. Further, the discussion on different approaches to information processing proposed that cues are organized in gestalts, which are relative.

[27] Affects may guide subjects to make the right choice in a decision-making task before they explicitly know the right one (see e.g. Tranel and Damasio, 1997)

2.3 Emerging principles

Marketing and Management discussion

The key propositions of S-D logic and principles of postmodern marketing collide to propose that the role of marketing is morphing into an enabling activity that aims to assist customers in creating value through experiences, symbolism and activities of different kinds. This thesis is motivated by the potential of these thoughts in shaping and challenging our thinking and therefore it takes a stance to set them as "theoretical grounds" for case analysis and the development of conceptual framework. The emerging principles are summarized as three central tenets

1) Competition is dynamic and innovations create positions of comparative advantage, making skills and knowledge as the fundamental sources of competitive advantage

2) Marketing aims to inspire and infiltrate experiential dimensions of value co-creation by interacting with customers

3) Customer value is a multidimensional and situational phenomenon – a perception of the experience, before or after the exchange

Research phenomenon	Key proposition	Meaning for this thesis
Postmodern culture	Marketing becomes an embedded cultural practice	Marketing is a way for creating life meanings
S-D logic	All can value propositions can be seen as services	Experiences are the central form of value creation in contemporary environment
CBE	Value increases the top line revenues	Value creation increases the customers willingness to pay
Customer value	Customer value is a situational preference experience	Value is a personal perception
R-A theory	Competition is driven by creative destruction	All value perceptions are relative and imperfect

Table 5 Key Tenets of Marketing and Management Literature

Perception and Meaning discussion

The key propositions of the literature review on customer perception and meaning creation propose that the "secondary" dimensions of value creation that create connection between firm and customer are becoming drivers of competition. Their interrelationship is not yet acknowledged and even the branding literature is only emerging to research the multidimensional conceptualizations. The principle of dividing brand in two gestalts seems to be a prominent approach that gained support from diverse research areas. Also, an evolving and construction process perspective on information processing seems to be a prevalent view that contends the existence of stable and highly organised master preferences. Most importantly, the process nature of perception and the internal and external influences that have an impact (e.g. priming) provided important practical and academic insight for further developing conceptual framework. Also, the transparency of firm and activity was acknowledged.

Research phenomenon	Key propositions	Meaning for this thesis
Brands	Brands can be viewed as collections of attributes or as central drivers of the value perception	The symbolic dimension of an offering is multidimensional and relative to concrete dimensions
Company-customer identification	Corporate messages transfer consumer judgments about the products that the company markets	Company messages are distinct from product messages and influence their interpretation in multiple dimensions
Information processing	Preferences and needs are constructed and can be formed of images	Perception develops from a collection of images and attributes that form hierarchically organized gestalts
Unconscious processing	Unconscious processes save cognitive capacity for important things	Unconscious processes automatically evaluate consistency between firm and its activity
Emotions	Emotions drive all decision-making	Emotions trigger meaning creation

Table 6 Key Tenets of the Literature Review on Perception Process and Meaning Creation

3. Methodology and positioning in scientific discussion

3.1 Methodology of the thesis

Method can be seen as a systematic approach, as a technique for data collection or as a research strategy in analyzing a phenomenon (Dubois.A and Gadde 2002). In this thesis the methodology serves as a systematic approach and as a research strategy. The systematic approach refers to the inductive reasoning that is exhibited on the literature review and case study. Research strategy refers to the goals set for the development of the conceptual framework.

3.2 Case method

Case is an interpretative approach to social sciences. It is a widely used principal method of qualitative inquiry on a higher level of abstraction. The contribution of case studies emerges on their possibility to exemplify and communicate complex interactions of influencing factors and their dynamic nature. This potentially helps to identify contextually bound processes or similarities, which can help to advance understanding of the phenomenon at hand, develop theory and contribute to further operationalization of the identified variables.

The generalizability of case studies is often contended, but as Flyvjberg (2006) discusses, these doubts are often caused by lack of information or misconceptions. He asserts that case study is an important part of social sciences that overcomes the limitations of statistical methods to provide deeper insight into the phenomenon of the research. Furthermore, case method seen to be especially useful when researching a new phenomenon or new aspects of a phenomenon that enable to discover characteristics and elements that can potentially contribute to further understanding of the phenomenon.

Single case method

Single-case study is well suited for situations where the researched phenomenon is complex, concerns a process or where directly comparable observations are difficult to obtain.. According to Flyvjberg (2006) the development of interpretative dimension of social sciences requires the use of single case studies for advancing the scientific thinking

and critically reviewing the old. In his view interpretative and statistical research orientations are but different phases of the same process as well as complementary. As such, it is viewed that the process of developing scientific understanding starts with discovery and for this a single case study is especially appropriate. The process can then proceed onwards into further identification of relationships and hypotheses that can be tested through different research settings, multiple case studies and eventually also through quantitative studies. Further, a single case study is especially appropriate when one can find a case that can be used to challenge or extend the existing theory (Ghauri and Gronhaug 2002, p.178).

In this thesis single case study is applied to complement the theoretical stance by reviewing managerial perspective on the antecedents, determinants and consequences of a value creation process. The specific interest is to depict conceptualizations used in the decision-making and implementation of the process. The researched phenomenon at hand is a complex web of events and decisions that are carried out over long period of time as a series of activities in irreversible manner, as the previously described river-metaphor well illustrates (Lamberg and Parvinen, 2003). The process of value creation is naturally firm specific, subordinated to market situation and contextually bound. This makes it hard to find directly comparable observations, which justifies the use of single case study. The aim is depict a complex process in relation to managerial perspective in order to discover principles, processes and conceptualizations that could contribute to the development of conceptual framework. As such the adapted research approach is explorative and the case study is reported based on criteria of interpretive research approach.

3.3 Assessing the quality of interpretive research

Recently the use of interpretive approaches within management and organizational sciences has increased substantially. However, appropriate criteria for justifying research results from interpretive approaches have not developed alongside their adaptation (Sandberg, 2005).

The strong growth of interpretive approaches mainly stems from dissatisfaction with the methods and procedures for producing scientific knowledge within positivistic research. Advocates of interpretive approaches claim that those methodological procedures and

claims for objective knowledge have significant theoretical limitations for advancing our understanding of human and organizational phenomena (Alvesson and Sköldberg, 1999).Therefore they reject the existence of objective knowledge and argue that work should be assessed based on its process and positioning in experienced world.

As the objective criterion is rejected, the interpretation of the quality of the research becomes problematic. To approach the quality of interpretive approach, Hudson and Ozanne (1988) present two main criterions: natural settings and thick description. The natural setting proposes that the researcher must adapt to the environment of research to understand the cultural meanings and processes that influence the causal events. Thick description refers to detailed description of the phenomenon, which is evaluated based on its comprehensiveness.

In this thesis the case study is reported in respect to the criterion of thick description. The report attempts to provide a comprehensive description of the process and contextual, as well as situational issues that had an influence on the decision-making, manifested activities and their results. The central shortcoming of the report is the lack of author's personal experience on the environment and its cultural meanings.

3.4 Developing a conceptual framework

The objective of this thesis is to conceptualize customer perspective contingencies for research and practice. This is a process, which has no strict methodological structure, or guidance as it synthesizes researcher's perspective of the problem at hand with empirical findings and previous literature on the subject. The development of a conceptual framework follows the theory development process as it can be seen to be the first phase of theory development (Lynham, 2002). Theory development is defined as an attempt to formalize a comprehensive framework, which potentially explains the logic of the phenomenon at hand by hypothesizing on the magnitude and direction of the interrelated variables. Conceptual framework is the descriptive list of concepts and their interrelatedness that is used as basis for further development of theory (Rossiter, 2001). In this thesis the development of conceptual framework is contextualized to the theory development process proposed by Lynham (2002), which includes five phases that are described in the table below.

Phase	Objective
Conceptual development	The key elements of the theory are identified, relationships are described, and limitations and conditions are delineated
Operationalization	The purpose of this phase is to connect the concept with the practice. The conceptual framework is translated into elements that can be confirmed in the real world
Confirmation or disconfirmation	This phase represents a purposeful and intentional testing of the theoretical framework in order to determine trustworthiness of the theory
Application	According to Lynham (2002), "it is the application of theory that practice gets to judge and inform the usefulness and relevance of the theory for improved action and problem solving" (p.17).
Ongoing refinement and development	The purpose of this phase is to ensure that the theory is continuously updated and improved over time.

Table 7 Theory Development Process

According to Storberg-Walker (2003) only rarely all five phases are carried out and it is common that theory building demonstrates one, two or three phases. This thesis falls under the conceptual development phase and aims to fulfill the articulated objectives.

Lynham's approach to theory building gives room for multiple paradigms and practitioners perspective. It includes intuition, creativity and curiosity of the researcher as ingredients in various phases and also embraces multiple methods in theory building. This means that inductive, deductive and abductive approaches are all included and alternative ontological and epistemological perspectives are fully embraced. This study is of interdisciplinary nature and concerns abstractive conceptualizations drawn from wide variety of theoretical roots. Consequentially the positioning of the thesis in scientific research becomes unclear. In order to contextualize the included discussion and perspectives next chapter discusses the underlying scientific orientation and assumptions, namely ontological, axiological and epistemological assumptions by reflecting positist and interpretivist schools of thought.

3.5 Positioning in scientific discussion

The positive approach is generally seen as the objective orientation to scientific knowledge, which observes objective variables under general laws that can be observed and provide generalizable cause-and-effect knowledge, independent of time and context. The interpretive approaches adapt an ontological stance where reality is socially constructed, interdependent of various contextual and other factors, and where individuals act on voluntaristic and proactive basis. The differences are categorically discussed to position the approach of this study.

Ontological assumptions

Ontology is the study of being or existence. It seeks to describe the basic categories and relationships of being or existence to define entities and types of entities within its framework. Ontology can be described as a study about the different conceptions of reality.

Positivists tend to take a realist position and assume that a single, observable reality exists independently of what individuals perceive. This means that social as well as physical worlds exist independent of perceptions and can be divided for measurement purposes. As opposed to this, the relativist or interpretivist position views that there is no one reality, but that individual's reality is essentially mentally constructed and perceived. This is because people categorize and anchor meanings to symbols and words in order to make sense of the world (Burrell and Morgan, 1979). Multiple realities exist because of social and situational perspectives, and they cannot be holistically captured as they are more than a sum of their parts and they are all the time changing. Therefore reality is made up of systems that are dependent on other systems for their meaning (Lincoln and Guba 1985).

In this view it is crucial for researcher to know the context of behavior or event because social beings construct reality and give meaning based on context. The two approaches also make different assumptions about the nature of social beings. The positivistic approach holds a deterministic view that the behavior of people is determined by rational information processing that forms beliefs, attitudes and intentions that determine behavior (Anderson, 1986). The interpretive approach views people as more voluntaris-

tic: people actively create and interact in order to shape their environment and own position in the context of environment.

Axilogical assumptions

Axiology concerns the scale and scope of goal setting in the world. It can be seen as the science of human values, which examines to identify the internal valuing systems that influence our perceptions, decisions and actions.

The positivists overriding goal is “explanation” of behavior under universal laws (Hunt, 1983). An explanation is achieved when the underlying systemic associations and their causal relationships are identified and understood so that reliable predictions can be made. In contrary, for interpretivists, the goal is in understanding behavior, not predicting it. The interpretivist researchers view understanding as more of a process than an end product. Thus, researchers may principally only state interpretations of their present understanding at points in time. The process of understanding is never-ending, like a hermeneutic circle. In other words, what is interpreted is always incomplete and what is achieved is an interpretation not the interpretation.

Epistemological assumptions

Epistemology or theory of knowledge studies the nature and scope of knowledge and belief. As such epistemology refers to the nature of knowledge and its conceptualizations, which differ considerably between positivist and interpretivist views.

Based on the assumptions of reality the goal of positivists is to seek and find out general, abstract laws that ideally can be applied to large number, possibly infinite number of phenomena, people, settings and times (Hudson and Ozanne, 1988). Thus the goal of positivist approach is the identification of time- and context-free generalizations (Keat and Urry, 1975).

In contrast, the interpretivist approach seeks to understand the specific phenomenon of the study in its historical and particular context. The objective is to understand the underlying motives, reasons, meanings and other subjective experiences that are time and context-bound. This difference of focus – generalist vs. particularistic can be seen as the primary difference between positivistic and interpretivist research approaches. It has substantial influence as it sets the stage for problem-setting, view on facts and evaluative

criteria. For example, when viewing the same phenomenon, the positivistic approach would seek to find any generalizable initial conditions, process, causes and effects without interests in the details of a single particular instance. In contrast, the interpretive approach would focus on the particulars of the instance and create thick descriptions from which it is difficult to create generalized knowledge statements (Berger *et al.*, 1982).

The presented discussion highlights the primary differences between these two approaches, which however are only rough categorizations as various research programs under each view exist.

The assumptions of this study

This thesis is rooted in the presented assumptions of interpretive approach. The world is viewed to be subjected to the personal perception process and therefore the goal of the study is to understand decision-making process, conceptualizations and meanings that drive the interpretation of context – and situation specific knowledge. These assumptions influence the research approach of the study and form a background for interpreting and further researching the conceptual framework. However, the assumptions adapted for this study, especially concerning the goals of the study are relaxed as the presented discussion on the existence of automated behavior and unconscious processing proposes that research on perception process could potentially enable the development of generalizable knowledge.

4. Case Wataniya Telecom

4.1 Case study

Case selection

The reported case describes the formulation and manifestation of a new customer-orientated strategy in Wataniya telecom during a two-year period between 2005 and 2007. The renewed value creation process enabled Wataniya telecom to strengthen its market position. As a result Wataniya was able to increased customer base and profitability over market growth, raise prices under competitive pressure and develop a dominant position in prepaid customers market. At the beginning of 2007, Wataniya was awarded as the most influential brand in the Gulf area and shortly after it was acquired by larger roaming company, Qtel with US$3.72 billion.

The case aims to reflect the managerial perspective on value creation process and to depict the process as well as conceptualizations used that influenced the activities chosen and their implementation. This report is based on a presentation of the case company by commercial manager Timo Everi (21.10.2005), secondary material (e.g. annual reports) and structured in-depth interview with the commercial manager (28.3.2007). The report aims to provide a thick description of the process and influencing factors.

Case questions and their objectives

The case is based on a structured interview regarding three principal themes:

1. What are the principles that were used to analyze new market environment?

The first question aims to reflect the presented principles of emerging marketing thought.

2. What were the processes in communicating, engaging and realizing this strategy?

The second question aims to understand what principles and processes were used.

3. What were the realized activities, intentions behind them and the conceptual frameworks used to analyze and communicate the actions

Third question aims to understand the relationship between chosen value and its manifestation through the mechanisms used

4.2 Case report

Background

Wataniya was established in 1999 as the first commercial roaming operator in Kuwait. It was launched to compete with the government owned MTC and transformed the market from monopoly to duopoly. The growing market enabled both companies to grow as the penetration of handsets grew rapidly. In 2002 the mobile phone penetration exceeded 70 % and the growth started to slow down. In order to strengthen competitive position MTC partnered with global roaming operator Vodaphone in autumn 2002. At that time the both companies enjoyed practically equal market share, around 50 % each. As the year 2003 progressed MTC started to offer new services to customers and utilize Vodaphone brand in marketing, which led Wataniya to compete with prices. This, however, was not enough to retain customers and during 2004 Wataniya lost 10 % of their market share.

In autumn 2004 Wataniya Telecom hired two executives from Finland, which was known as the pioneer of roaming services industry. The new managers were assigned to take necessary actions to save and were appointed as chief operating officer and commercial manager.

Market sensing

At first managers engaged in market sensing to understand better the competitive dynamics and their drivers. The process of “settling down” introduced them to a complex socio-economic society with many layers of different values and social roles. The socio-economic position and assigned role of a person in Kuwait largely depends on an interrelated web of factors such as country of origin, religion, language, skin color, economic situation and so on. Over 200 languages are spoken, and over 70 nationalities are represented in Kuwait. The huge number is caused by expatriate workers that account up to 1,5 million people, around half of the total population. Around 2 million of these are located in the capital area and the rest in surrounding areas close by.

In despite of the geographically small area, the managers found that the quality of roaming services was poor as most calls got disconnected during a call. Furthermore, they

noticed that the services offered by the two companies were very similar. Neither one acknowledged the needs of expatriate workers that amounted up to 1,5 million people.

Organization

The situation analysis revealed the managers that the organizational culture was bureaucratic and that there was a powerful consensus that the competition was driven seldom by two factors: the price of calls and the availability of numbers[28]. At first meeting the manager of the sales department firmly explained to commercial manager that the dropping market share is caused by high prices, while actually in fact the prices were 10 % below competitor prices. The organization analysis also revealed that sales department was organized inefficiently as it had no clear sales process or even selling mentality. Also, the rewarding system was in need of attention as the bonuses were connected to the number of opened connections, leading salespersons to sell "empty" numbers with no traffic. In a general level there was an organization-wide tension and fear of being beaten by main competitor MTC Vodaphone, which resulted in a copycat mentality and resistance for change.

Crafting the strategy

According to the commercial manager the most important antecedent of new strategy was their vision of mobile phones and their position in the lives of people. This vision viewed that mobile phones are technological platforms that will be used for many purposes, and that the role of roaming operator is to actively inspire and engage the adaptation process by offering useful and interesting functionality. Technology was seen as an important resource, but the real value was seen to be in the way technology is commercialized. Sharpened up with this focus new managers chose to re-establish the customer-orientated strategy and to position Wataniya as the provider of superior customer value. To manifest this strategy a red carpet analogy was chosen and Wataniya became the red carpet company.

The business opportunity was based on two key factors: 1) market analysis, which revealed underutilized potential 2) the business logic of roaming services: small proportion

[28] The other factor of competition, the availability of numbers was a local market phenomenon. It was seen that phone number reflected person's social status and therefore short numbers or ones with similar numbers had a market value up to hundreds of thousands.

of key customers account up to half of the profits and to attract them there must be something more to offer than price. On the other hand, managers saw that the current direction had a clear development pattern towards aggressive price competition that destroys the profitability of roaming services.

Strategy process – changing the organizational mindset

The strategy process was conducted within the organization by rolling out a three month formulation process involving 60 key personnel from all departments and additionally 140 in some sessions to analyze and discuss markets, products, firm and future. The people were divided in groups with different tasks and then the results were discussed and written down at the end of the day. This process was interactive, open and co-operative, as previous sessions conclusions were highlighted on the following day and people could see their influence on them. The strategy process was intensive, dialogical and co-creative but firmly pushed forward and aligned by commercial manager as he was responsible of making notes about the made decisions. Parallel with the process the management worked on material and tools for launching the strategy. The strategy process resulted in a technological roadmap for commercialization activity.

Fitting the organization and resources to strategy

To realize new strategy Wataniya had to invest in new technological infrastructure, develop processes and to acquire more competence from markets. New technology infrastructure enabled uninterrupted calls and an advanced platform for new services. Renewal of processes, organization and personnel resources was required to realize the chosen value that was based on constant delivery of superior value. This required acquiring resources from markets as for example the renewal of sales department required that half of the employees had to be renewed and an experienced sales leader needed to train and carry out the process.

Reorganizing the processes

Most of the processes were directed to customer-driven thinking by setting new goals and by reorganizing activity. For example the new product development and commercialization process was reorganized as it was not scheduled and there was no interaction between departments during the process. The transformation from silos to cross-functional and co-operative mode of working was carried out by re-establishing the processes and responsibilities.

At first the new organization was reformulated and three departments: product, marketing and sales - departments were established with a direct reporting responsibility to the commercial director. Then schedules for new product / service – development were drawn from technological roadmap, which were then organized into projects with a project team. In the project team there was a representative from each department and the project leadership was passed on from team member to other as the approached. Each department took the responsibility of the decisions in their area of expertise, but discussed them with other team members, which helped to share organizational knowledge and convey customer perspective from sales to the product department. All departments were regarded equally responsible for performance results and the process responsibilities were communicated by drawing them as a triangle, as depicted in the figure below. The figure depicts how the team leader responsibility was passed on in the team according to area of specialty as the commercial launch of the product approached.

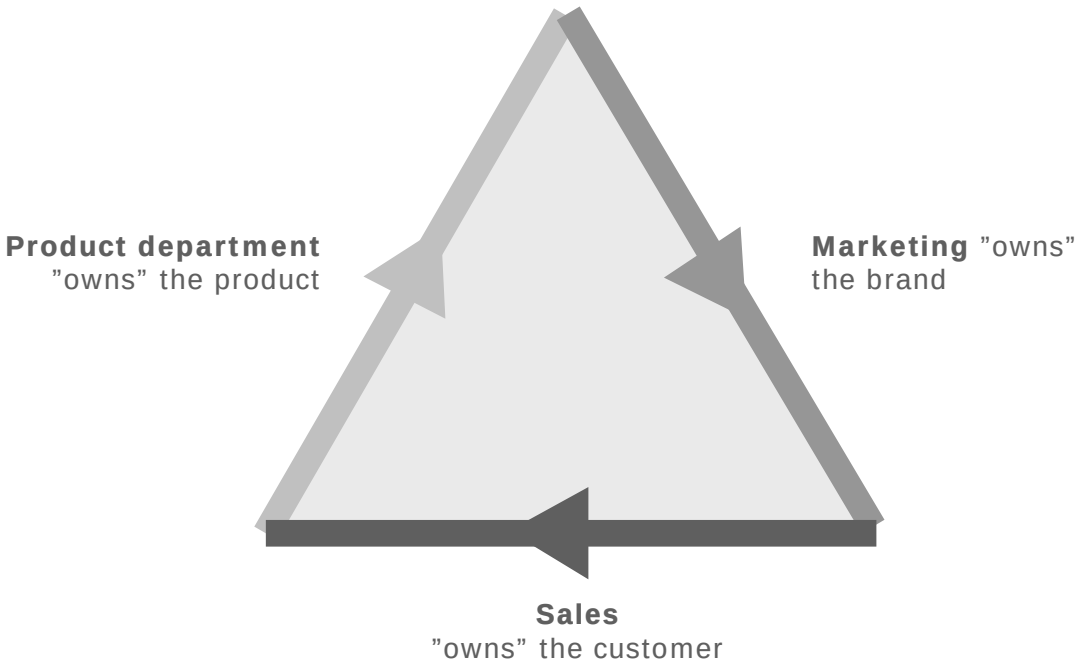


Figure 5 Clarifying the Responsibilities

Business strategy, promises in two levels

The conceptualization of business strategy concerning customer perspective was divided in two levels: firm level and market level. These were seen as related “promises”, which had a different function. The objective of the firm level promise was to heighten the perceived quality, raise interest and communicate something that resonates and interests customers to get familiar with the company. The objective of market level promise was to offer a value proposition that gives a reason to be a Wataniya customer. These two dimensions were seen relative, while also as inseparable parts of the customer decision-making process. As such two important points were used to guide the business strategy formulation: a process perspective on customer interaction and a meaning aspect that highlighted the goal to give a “reason” for person to become Wataniya customer.

Process

The interaction with customers was conceptualized as a developing process that was divided in three stages with distinct value characteristics set as directions for activity. The objective of first stage was to raise interest and get potential customers to give attention to Wataniya. The goal of activity was defined to promote a “cool” image. The second stage objective was to provide a “reason to meet again” or to get back in contact with

Wataniya. This was conceptualized as kindness in activity, providing a psychologically contradicting and fitting match with "cool" that creates an expectation state of proud and bragging attitude. The objective of the third stage was to provide a reason to form a strong emotional attachment, or to "fall in love" with Wataniya. This was conceptualized as a combination of trustworthiness and credence, again following principles of social psychology. This conceptualization was used as a communicative tool to clarify the goals and activity agenda of Wataniya. For illustration a figure with drawn circles was used as depicted in the figure below.

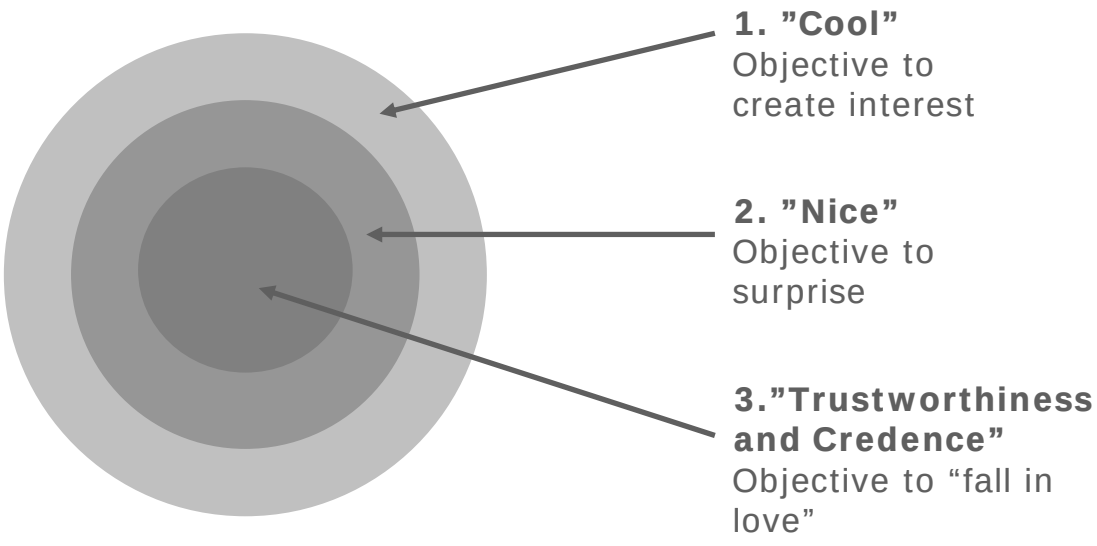


Figure 6 Activities Process in Wataniya Telecom

Meaning creation – market level activity

The market level promises were divided into five different sub-markets according to socio-cultural roles. The intention behind the approach was different from traditional segmentation, as it was seen that every person belongs to 2-3 groups. The idea was that by providing benefits for alternative roles Wataniya offers flexibility and a possibility to choose and change categories according situation as well as personal tastes and preferences. Each category had a different strategy for meaning creation with a distinct solution spearhead and activities as illustrated in the table below.

Group	Potential	Problem	Solution spearhead	Activity approach
Young habitants	Over 50 % of the native population, active and tech-focused	How to meet interesting new acquaintances	Enabling platforms and social solutions	"In with it"
Natives	Profitable customers (traveling)	How the society develops	High quality and socially engaging firm	"part of the society"
Western Workers	Profitable customers	Low quality of calls, interoperability internationally	Call quality, contracts worldwide with operators	"global connections"
Business People	Profitable customers, need for communication	Minimizing costs vs. maximizing potential	Value creation in work with technology	"maximize your potential"
Expatriate workers	1, 7 Million with low average income	Communication, distribution & payment mechanism	New technology, new distribution	"red carpet for every one"

Table 8 Wataniya Value Propositions

Different categories had distinctive selling arguments and an activity approach that was aimed to manifest the solution spearhead in a credible and engaging manner. Perhaps the most innovative approach was used in prepaid markets, as Wataniya market share rose up to 80 %. This is described below along with the other approaches.

Business people – "maximize your potential"

The activity approach for this group was to change the perception of technology from cost to enabler. A proactive sales approach was adapted to reach and communicate with potential customers.

Western people – "global connections"

The activity approach for this group was to form an extensive international network for providing services such as MMS and to stress the quality and interoperability of the calls.

Expatriates – "red carpet for every one"

The activity approach for this group was to reach the customers and provide them a flexible solution suiting their needs. This was combination of innovative distribution and

new technological solution. The wide amount of cultures, inability read and closed social communities proved a barrier of communication and therefore the expatriates were hard to reach. As another point, the credibility of the customers was unsure, so only prepaid solutions could be provided. A new technology – the micropayment system was brought into the market, which enabled to transfer calling time from one phone to another, just the amount necessary. To reach the expatriates a network-logic marketing chain was engaged. Voluntary providers from different social groups were given a chance to buy calling time with a slight reduction in price and sell it over again. These sales representatives sold the calling time in their own social environments and made a business, as well as enhanced personal societal position in the community.

Young – "In with it"

The activity approach for this group was to become a cool enabler of activity among youngsters. The social interaction between genders is partially forbidden in Kuwait. Therefore the young are especially interested in all things that enable them to have free interaction. As such technologies or mechanisms that enable interaction create "guts and glory" for the providing firm among young customers. Wataniya launched Bluetooth services and structural platforms (e.g. portals), which provided a method for interaction with matching user profiles. As another perspective Wataniya used co-branding strategy and teamed with Virgin Megastore in order to provide a "red carpet" for Wataniya customers: own cashier, special offerings and other benefits.

Natives – "part of the society"

The activity approach for this group was to provide high quality and to create relevance through communal activity. One of the key projects was to commit to promote safe driving since Kuwait has one of the world's highest accident ratings. The idea was to be the facilitator who starts to talk about the issue to create broader societal discussion. This creates goodwill and corporate benefits as company becomes an accepted part of the social community. Also other projects, such as support to junior sports were carried out.

4.3 Discussion

The Wataniya case describes a turnaround, which has several interrelated events that contributed to the manifestation of the strategy. In the following the identified key influences are discussed.

Vision and focus

An antecedent of the new strategy was the industry – and customer insight that resulted in a vision of seeing mobile phone as a technological platform and the role of firm as a co-creator of value that engages people to experience in their lives.

Leadership

Making a change requires powerful leadership, enough power and a strong drive. In retrospect, it was seen that there was a right balance of vision what to do, determinism to get it done and hurry to make it happen as the commercial manager was hired with a fixed contract for two years.

Business strategy

Coming from outside the cultural environment enabled managers to identify windows of opportunity in markets and present questions that were not bound by the organizational mindset. This resulted in a view on customer perspective that was formed the direction for business strategy and the conceptualizations used for analysis. A balance between perceived value and experienced value was seen as a key issue, but it was approached with financial realism. It was seen that activity must be profitable with all customers, also with the smallest ones. In practise this meant that the traditional industry money pit, acquisition cost of customer relationship was kept low.

Technology and processes

To make the organization ready for new strategy, a profound technological renewal was required as well as renewal of processes to make the customer information flow through the organization and to combine capabilities of different departments. This was conducted to enable continuous renewal. According to the commercial manager the processes of continuous renewal and innovation were in key role to make Wataniya appealing for customers and to catch MTC Vodaphone.

Brand

The manifestation of the business strategy ideology, red carpet company brand utilized powerful symbolism to cement the core promise of the company for customers. This combined the provided value and communicated value successfully. The ideology was

also adapted holistically as for example when entering a Wataniya service point customer walked on high-class red carpet.

The discussed factors resemble a web of interaction that has contributed to the performance of the case company. The relative importance of different factors is hard to estimate, but the role of vision, strategic focus on customer value and the conceptualization used in business strategy can be pointed out to be antecedents of the manifestation.

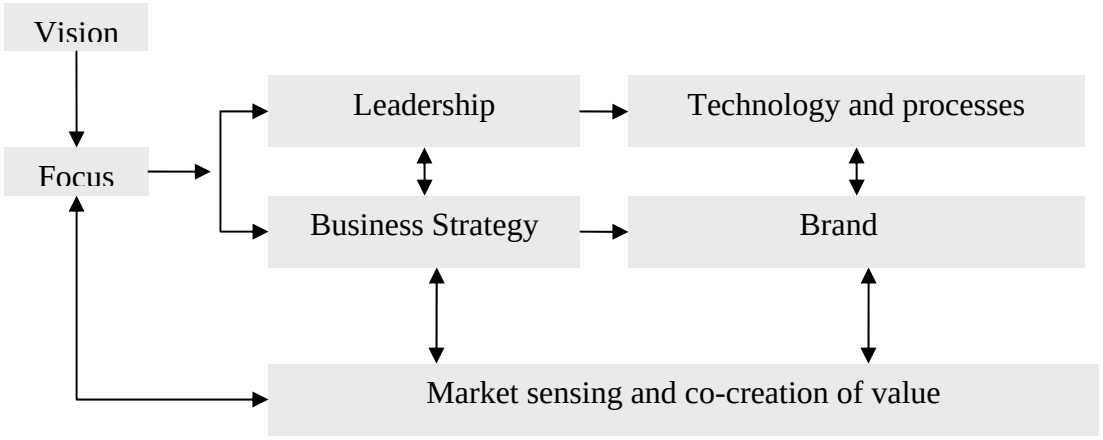


Table 9 Interacting Factors in Wataniya Case

4.4 Wataniya and emerging principles

According to the case analysis the approach of the Wataniya was largely in conjunction with the presented emerging principles: the skills or capabilities were seen as the key source of competitive advantage, value was conceptualized as a multidimensional construct that is heterogeneous between customers, and the role of marketing was to inspire and engage people to experience benefits with the technological platform and through the customer relationship. The principles and their implications can be presented by reflecting their influence on capabilities and activity.

Principles	Capabilities	Activity
Competition is dynamic and innovations create positions of comparative advantage, making skills and knowledge as the fundamental sources of competitive advantage	Hiring outside talent, who have industry insight and fresh perspective – ability to question the markets and ways of operation	Business strategy based on customer-orientation, enabling vision, activity and co-creation of value.
Customer value is a multidimensional and situational phenomenon – a perception of the experience, before or after the exchange	Different processes for creating value for customer groups according to societal roles	Symbolism and referring into a unifying, powerful cultural contradiction. Balance between perceived and experienced quality.
Marketing aims to inspire and infiltrate experiential dimensions of value co-creation by interacting with customers	Knowledge about customers, their context of use and behaviour habits enables to customize the most appealing solutions.	Constant development of solutions, which indicates customer focus and commitment.

Table 10 Wataniya and Emerging Principles

4.5 Grounds for Further Research

Wataniya utilized two central conceptualizations as a part of value creation process. The first one was to conceptualize the development of a customer relationship as a staged process, which is emotionally driven. The used articulations suggest that the objective of each phase is to create emotions that result in greater interest and lead to meaning creation. The second one was to regard firm and marketing promises as separate levels of analysis, where firm level promise gives an abstract benefit promise and market level promise provides a reason to establish a customer relationship. These tool-like applications are in conjunction with the literature review on perception and meaning. A question for further addressing is that could the ideas behind these tools be further developed into a conceptual framework with robust theoretical underpinnings and potential contribution to research and practice.

5. Conceptual framework for customer fit

This chapter represents the theoretical roots of framework and its conceptualization based on previously presented discussion.

5.1 Theoretical grounds

Contingency lens

The theoretical ground of the conceptual framework is based on contingency approach, which asserts that there is no single best way to manage or organize activity and that environmental, as well as situational factors always have a contingent influence. Therefore, the contingency lens purports that organizational effectiveness results from fitting organization to contingencies of the situation and environment. This fit is proposed to lead to higher performance and therefore firm objective is to seek, attain and renew fit to accommodate firm to the constantly changing environment.

The contingency approach is rooted in systems theory, in the open systems perspective, which views organization as a set of interdependent parts that together constitute a whole, which in turn is interdependent with some larger environment (Zeithaml, 1988). This interactive nature leads to two central characteristics of the contingency approach: the adaptation and equifinality. The principle of adaptation asserts that elements within organization adapt to each other to preserve the basic character of the system. The principle of equifinality asserts that system can reach the same final state from differing initial conditions by a variety of paths. In addition to these characteristics, an important contribution of open systems perspective is the view that organizations are problem-facing and problem-solving entities that develop processes to achieve organizational goals.

Strategic fit

One of the most important conceptual frameworks of contingency theory is the strategic fit, which has also been accredited as one of the important building blocks in strategic management theory (Venkatraman, 1984). The framework is based on contingency principle and describes that matching contingency variables to response variables influences positively performance variables. Under this dichotomy various contingency, response

and performance variables have been tested, but the principal dimensions have often related to strategy and/or structure in relation to contingency variables. The strategic fit has been criticized of being inherently static, focusing on outcomes and neglecting the dynamics of the processes that lead to outcomes (Barley, 1990). Critics also argue that it ignores human action and complexity of the environment, as the research settings have primarily employed only one or two dimensions of contingencies.

Recently the strategic fit has gained less explicit attention in academic literature (Kraatz and Zajac, 2001), which according to Zajac (2000) can be contributed to three central factors: 1) the static time frame of traditional fit research, 2) the lack of multidimensional conceptualizations, and a 3) need to develop normative frameworks for further testing. As a research agenda he proposes that the multivariate relationship of contingencies must be acknowledged, the fit is largely unique in every organization, and that there is a need for normative, a priori suggestions to develop the fit discourse (Zajac, 2000).

Extending the presented research agenda, it is argued that also the categories of strategic fit cut back the research interest as they fail to resonate with current views on organizational success factors that create competitive advantage. Currently the focus is on organizations internal issues as research concentrates on the meaning of resources and capabilities as drivers of performance. However, as earlier discussed, there is increasing interest towards customers and mechanisms that create customer knowledge, as it is needed to coordinate the development of capabilities and deployment of resources.

This renewed interest in organizations outside factors positions contingency theory as a prominent platform for further conceptualizing the problems outside managerial influence. Therefore, based on previous discussion and in a priori nature as Zajac (2000) suggests, this thesis purports that the “strategic” fit in contemporary environment is the way firm perceives, conceptualizes and adapts to the contingencies of customer perception.

5.2 Conceptualizing customer fit

The process of matching customer perception contingencies and organizational objectives is coined as the customer fit. The term aims to express that value creation is subjected to the contingencies of customer perception process, which need to be taken into consideration at all phases of the value creation process. The customer fit framework proposes that firms can be analysed as constructs of two interrelated gestalts. These gestalts are constructs of cues that hold different informational value that is framed in order to enable relative evaluation. The cues are interpreted according to previous experiences and learning, and convey different emotional responses, credence evaluations and functional beliefs. These responses are then categorized into gestalts that represent the offerer and offering. In mind these concretizations then morph into unified interpretation: a feeling, a verbal transcription or simply what you carry in your head, which can also be referred as the brand.

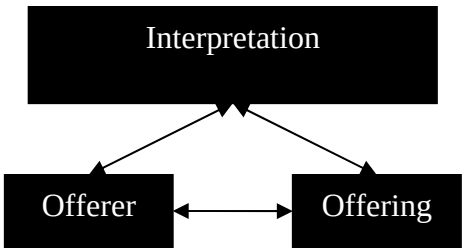


Figure 7 The Interrelatedness of the offerer and offering

The customer fit framework relies on the principle of relativity and on the co-evolutionary development of information processing. The relativity principle is based on the presented literature review and case study, which support the separation of offerer and the offering as relative constructs. For example information processing research reported that the interpretation of the source of the offering influences perception and consequential interpretation of the offering, and it was also proposed that we form gestalts of different images to evaluate the aspects of stimuli (MacInnis and Price, 1987). Research in unconscious processing reports that the process of interpreting stimuli is primarily unconscious and that only salient aspects of the evaluation are brought on conscious level. An interesting perspective on this is offered by an empirical study by Miyazaki *et al.* (2005), which reports that people perceive cues relationally and look for consistency as a basis for value judgement without even being aware of it. The research re-

ports that the lack of consistency leads to negative value perception. This seems to hold also in firm level, as the company-customer identification literature reported that the factors of interaction that signalled quality of the company were seen relative and crucial determinants of the experienced and articulated value. Finally, the research on the impact of emotions proposed that ratio and emotions interact and communicate when evaluating a value proposal, as the sensation and conscious judgement are always present in decision-making.

The co-evolutionary development of information processing proposes that as the availability of firm information has increased, its importance has also increased. During the last ten years most offerings have commoditized and it has become increasingly difficult for customers to evaluate the differences between firms. As such it has been proposed that the assessment of companies has become more critical, meaning that people have "learned" to read marketing signals. This topic has been discussed in marketing literature, and for example in 2003 Brown asserted that "consumers have grown to understand tacitly the workings of a marketer." Also Ambler (2002), a performance specialist, has contributed to the discussion and presented that company information has become more important to customer because of at least three contributing factors: decline in meaningful product differentiation, increased availability of information, and need for social learning as people increasingly want to make sense of themselves in relation to environment. It is proposed that there is a co-evolutionary development between increased availability and importance of firm information for decision-making. This suggests that as previously there was scarce information available, the relativity principle operated principally between price and quality attributes, while in the contemporary environment, where information is rich, the relativity principle combines cues such as price and quality attributes as relative gestalts that represent the relationship between offerer and offering.

5.3 Embodiment in firm and marketing context

This interpretation process is imperfect as perception captures only salient aspects of the offering for further conscious elaboration. It resembles slowly progressing revelation as learning and new information changes the meaning of the previous information, while at the same time some aspects of the offering are forgotten. Therefore, the term embodiment is coined to describe the progression and imperfect nature of the perception process as it captures these dimensions in an illustrative way and has no previous meaning in marketing and management context.

The perception process includes continuous rearrangement of information that is subordinate to various contingency factors. These contingency factors can be categorized to include three layers: the contextual layer, the situational layer and the personal layer. Context includes a broad array of issues that influence person's interpretation of stimuli, such as e.g. cultural background, language, behaviour models, and the role of the value proposition in personal life and determinants of its aspects. Situation includes all the influences that are present in the purchasing situation, like purchasing environment, other people, monetary situation, knowledge on competitive propositions and such. Personal level refers to the internal processes of a person that determine how perceived cues are interpreted in relation to one's own life. These include such things as determined goals, ideology, previous experiences, learning and such.

The discussed principles of customer fit framework are illustrated in the picture below. It shows two related embodiments filled that are constructs of cues in relation to the perceiver. The process of perceiving cues is relative and to depict that some cues are more salient than others according to their relevance to the perceiver (darker) and proportional standing in communication (bigger), The area outside the outer circle depicts the influence of the context, which drives the framing of the decision-making and its interpretation (e.g. culture, values). The area inside the outer circle depicts the influence of situation, where extrinsic (e.g. other people, place) and intrinsic (e.g. mood, personal life situation) factors influence the processing and interpretation of cues.

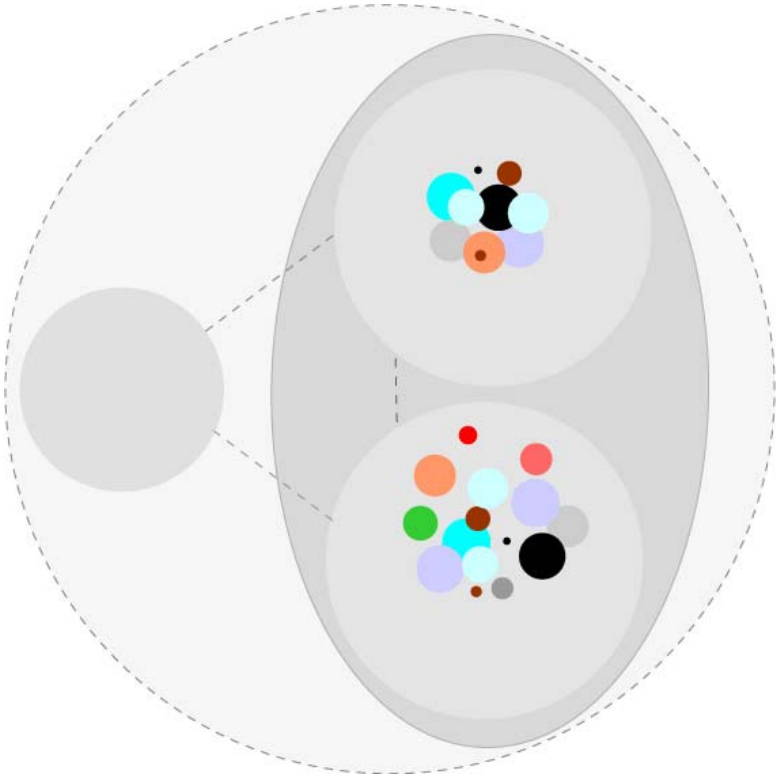


Figure 8 Relative embodiments

The two relative embodiments are coined as the firm embodiment (the “offerer”) and marketing embodiment (the “offering”) and are discussed further below.

Firm embodiment

Firm embodiment is a gestalt that collects all the characteristics that the perceiver attributes to the “offerer,” which often includes e.g. industry, distribution solution, country of origin, owners, corporate social responsibility position, CEO and other things directly perceived describing of the firm. This is subjected to the saliency of characteristics, but commonly firm’s name, origin and perceived specialty are acknowledged and form a ground for the value proposition evaluation. The type of firm embodiment is highly dependent on the type of business, value proposal, and its context. In addition, it is dependent on the personal history with the firm, or lack of it. For example, in business-to-business contexts, a firm embodiment is often influenced by previous customers, established projects and articulated capabilities. In time, there is a “learning” effect as various forms of interaction reflect the qualities of the firm and the embodiment changes accordingly. Also, the involvement (high-commitment/low-commitment) on the transaction

and its tendency (utilitarian/hedonic) determine the attention and the depth of the information processing that influence the perceived firm embodiment.

Marketing Embodiment

Marketing embodiment is a gestalt that collects the "activity" of the firm that aim to manifest the value proposal to the customer. The central issue is the conveyed impression of the activity – how the company wants to create value for customer and how it succeeds. These activities can be understood as parts of marketing strategy, such as customer interaction mechanisms, value proposition customization, connections to cultural phenomenon[29] and in a sense all the processes that influence perceived value and the coherency of their realization with the intentioned customer value. An example of activity that influences perceived value is intentional framing of the product to create a sense of distinction and position the value proposal as something that has emotional and rational appeal. On a concrete level marketing embodiment often refers to the perceived constellation of firm's activities that the perceiver attributes to the "offering," and their relative composition, such as in the case. Exemplifying category for two embodiments is presented in the figure below.

Gestalt	**Firm Embodiment**	**Marketing Embodiment**
Nature	"Static"-characteristics/possession	"Dynamic" – activity
Principle	Firm demographics Personalisation's (e.g. leaders) Previous product/service experiences Corporate actions	Product and service experiences Marketing communications Other users The 'meaning' of use
Examples	Orientations Established capabilities Processes of resource utilization Portfolio of value proposals Previous and existing customers Partners, Culture, Governance Point of sales	Processes of customer interaction Functionality Design Distribution partner(s) Framing Partners 4P's
Customer Perspective	(1) the perceived characteristics of the firm, (2) facts that position the firm in market space in relation to other	(1) perception of the value proposition and related activity (2) interpretation of the

[29] It has been proposed that culture has similar disruptions as technology, and by connecting to a cultural contradiction through activity, a brand can become a generally accepted representation and statement in regard to the phenomenon – an iconic brand (See: Holt, 2004)

	firms, (3) the portfolio of different value proposals, and (4) the corporate decisions that describe the firm like personnel policy, investment decisions and public statements.	characteristics of the offering and its use (3) interpretation of the 'meaning' of the value proposition

Table 11 The Firm Embodiment and Marketing Embodiment

5.4 Customer Fit Process

The process principle asserts that customer fit factors are interrelated and interact according to the level of the personal embodiment process[30]. Modifying the model presented by Grönroos (1996) the customer fit process is presented in four categorical levels as exemplified in the figure below.

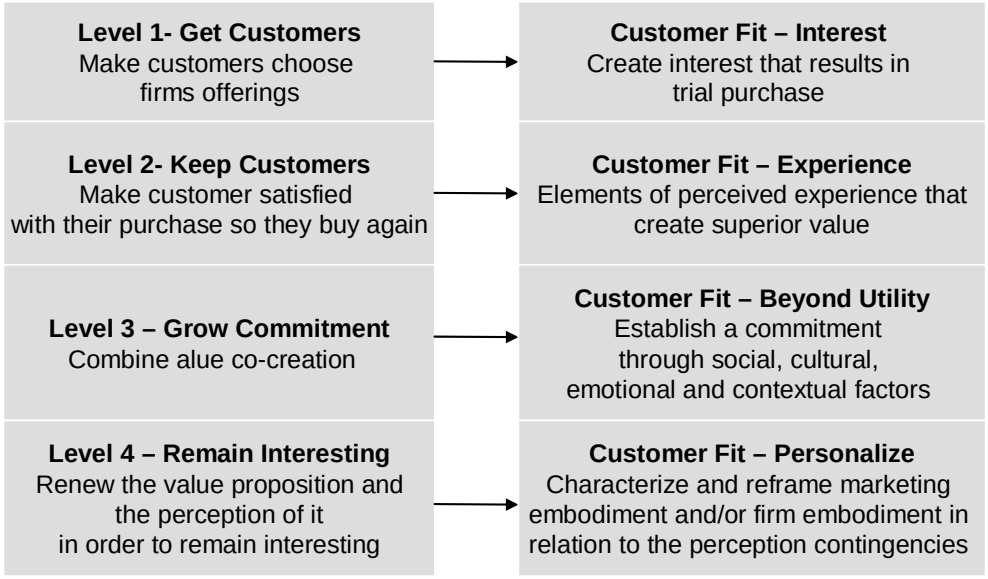


Figure 9 Categorization of Customer Fit Process

Create interest – level one

The first level aims to depict the phase when customer encounters a firm. In this stage the perceived quality as an emotional assessment is often in a key position as it defines whether a customer gains interest to engage in information processing and evaluation. This however is only the first step, as firm must provide a reason for customer to buy or engage in relationship. To enable this value proposition with distinctive offering spearhead that resonates with targeted customers is needed. In case context this was resolved

[30] The proceeding process model was also used in case example where it underlined the importance of emotional dimensions in each phase.

by providing different value propositions according to socio-economic roles to choose from. The creation of interest and the manifestation of the value proposal include all processes that are used to convey the perceived value, which might include anything from framing to activity in societal benefit projects. It is worth underlining that customer heterogeneity creates an opportunity for very different combinations that connect with customers, but the principles that guide the emotional process are universal. As discussed, for example the principle of reciprocation is one of the drivers that engage customers susceptible to get interested in a value proposition. This principle however is often misused and can work only if it connects holistically to the practices and aspirations of the customer.

Design the experience – level two

The second level is situation of use, where customer experiences and assesses the value of the value proposal. In this level the fit can be thought to be caused by the combination of emotional sensations and rational assessment. The value perception is susceptible to perceived quality and experienced quality. The interpretation of the experience and the results are dependent on the activities of the firm that guide the perception process and framing to provide clarification to the aspects of the experience. In this level the value perception is highly contingent on contextual, situational and personal issues and the challenge of creating customer fit is to understand and adjust offering and activity to them.

Create emotional commitment – level three

The third level refers to a state of commitment, where the firm creates value in different dimensions. This can be a community engaged by a firm, company-customer interaction discussed earlier or a combination of these as discussed in the context of the case study. The central principle of transparency influences this stage, as the intentions behind different activities in the market place are often conceived by customers and the commitment might be lost in case of abusive actions.

Co-create and engage – level four

The fourth level aims to reflect the need for constant change to keep up with the cultural and technological change. The central principle of R-A theory is the creative destruction, which in contemporary market place requires firms to create a perception of change and

renewal. The changing tastes and preferences is a basic nature of people, and this can be utilized to create interest and commitment. However, this does not apply in any way to iconic products of value propositions, which are value because they symbolize certain time, place and cultural phenomenon.

To summarize, the proposed approach views customer fit as a process that considers the rational and emotional aspects of customer value in their personal situation and context to create resonating and proceeding relationship. The presented model is by no means a strict categorization. It is presented and discussed to underline the importance of principles presented in earlier discussion as practices that make the difference.

5.5 Relativity of the embodiments

The customer fit is coined as a match between customer perception contingencies and organizational objectives. The embodiments are presented as the mechanisms that influence customer perception and contextualize the salient cues and characteristics of the value proposal. Therefore, the relativity of embodiments plays an important role in the proposed framework.

Previous research has identified the impact of firm on product assessment and the impact of firm for employee behaviour, but there is a lack of research on the relativity of different characteristics and their impact on customer perception and behaviour[31]. Currently it has been established that at least county-of-origin, customer-company relationship, corporate responsibility and such are important dimensions that have an impact to value perception. However, these represent only individual characteristics or activities of analysis as for example the case company utilized multiple approaches parallel to resonate with customers. Further, the contingency principle asserts that all activities are context-dependent, so the magnitude of impact of a characteristic or activity might vary considerable amount.

Therefore, the relativity of embodiments is analysed on a higher level of abstraction, as a relationship between activity and possession. This proposes that the embodiments can be seen as constellations of managerial activity or inactivity as any company starts from

[31] Surprisingly, for example branding literature is only starting to consider multibrand dynamics whereby consumer attitudes towards one brand within the consideration set are not only influenced by the evaluation of that particular brand, but also by context, other competing brands and personal issues (Ballantyne *et al*., 2006a).

scratch and collects resources as well as acts on the market to create the relative relationship of embodiments. Activities, in a sense “feed the embodiment” and determine how strong (strong image or emotional and rational assessment) or weak (transparent image, no emotional reaction) embodiments are. The nature and message content of the activities determines whether the impact clarifies the firm embodiment (e.g. who are you), or activity (what do you do and offer), or which one it emphasises. The relative importance of embodiments depends on firm’s strategy, history and organizational resources and capabilities. Further, the importance of the embodiments changes along the customer fit process as the importance of different characteristics change. This was exemplified by the research that proved that emotional responses are most important when engaging into customer relationship but that they are not so important later as cognitive assessments of the experience have been formed. This however is only a result of one research and the process might have another direction. The embodiments as mechanisms of influence in different phases of the process are dependent on the chosen value, which is then provided according to firm’s resources and capabilities and communicated in a chosen way. The salient aspects of this process determine the fit between chosen value and perceived value.

Customer fit and further research

The operationalization and measurement of contingency conceptualisations have always been central challenges of contingency perspective (Venkatraman, 1989). They have been approached with simplified research constructs, which have failed to take into account the dynamic and multivariate nature of real-life relationships. Consequentially this has hampered the building of the body of knowledge and research on contingency approach is fragmented. The research on customer fit proposes a further challenge as it concerns contingencies of perception and operationalization of these contingencies should also be able to consider or take into account the impact of unconscious processes. Therefore, further research on customer fit is methodologically challenging. However, it is proposed that it can be approached by combining multiple methodologies in a single research setting as discussed further in chapter 6.4. Following key propositions are articulated as a ground for further research settings:

P1. There is no one best way to organise firm-activity relationship, activities are not equally effective between firms, and the impact of activity depends on the fit between firm and realised activity evaluated from the customer perspective

P2.Customer perception contingencies determine the way value is experienced

P3. Customer interpretation of a value proposal is conceptualised through various anchors (e.g. context, situation, affects) that create "meaning"

P4. There is a co-evolutionary development between contemporary market environment, firms and customers perception which has atuned perception process and created an automatic, unconscious and when relevant, conscious processing of cue consistency between offerer and offering.

5.6 Customer Fit and Management Perspective

The central tenet of the study for practitioners is that managerial and customer perspectives on the value proposal are inconsistent, and that this leads to false allocation of resources, poorly resonating value proposals and misinterpretation of the key sources of value. Surprisingly, this is something that managers rarely want to address (Mezias and Starbuck, 2003). For example Meyer and Schwager (2007, p.119) state in a recent article that:

"Corporate leaders who would never tolerate a large gap between forecasted and actual revenues prefer to look the other way when company and customer assessments diverge"

The conceptual framework addresses the impact of perceptions and proposes that understanding the contingencies of customer perceptions is essential for managers. A similar conclusion is drawn by Itamar Simonson (2005), who elaborated the potential of customized offers and concluded that the contingencies of perception process lead customers to rely on situational cues and proxies that often surpass the influence articulated preferences[32]. As an implication he states that managers should not focus on articulated

[32] Simonson (2005) describes the nature of customer decision-making process by articulating that: "consumer preferences are often unstable and susceptible to influence and consumers often have poor insight into their own preferences" (p.43)

preferences, but on the situational characteristics that influence preference formation to create a fit between value perception of the offering and constructed preferences.

To approach contingencies of the value perception a mechanism of two interrelated embodiments was introduced. The interrelatedness and imperfect nature of value perception can be used as principles to comprehend situational issues of the perception process and the nature of meaning creation. The relational constructs can also be used to concretize how to approach brand management as a framework of thinking and consequently used also as a tool for resource allocation. For example when choosing the portfolio of activities, they could be assessed by relating the investments between embodiments according to presented principles. In practical use the presented framework can act as a tool in decision-making situations and in communication purposes as it conveys the contingencies of customer perception process and gives grounds for further elaboration on these aspects of value creation.

Essentially the study proposes that the salient aspects of firm and marketing embodiment determine the fit between chosen value and perceived value. In order to choose value and understand how it is perceived customer information should be understood holistically and a mechanism for constant integration and renewal of that information should be put in place. Based on case analysis and literature review a suggested flow of information is presented in the figure below, which depicts two central issues: 1) information should be attained holistically from customer life to create customer insight, 2) interfunctional coordination and utilization of customer insight in decision-making and development of activity is essential.

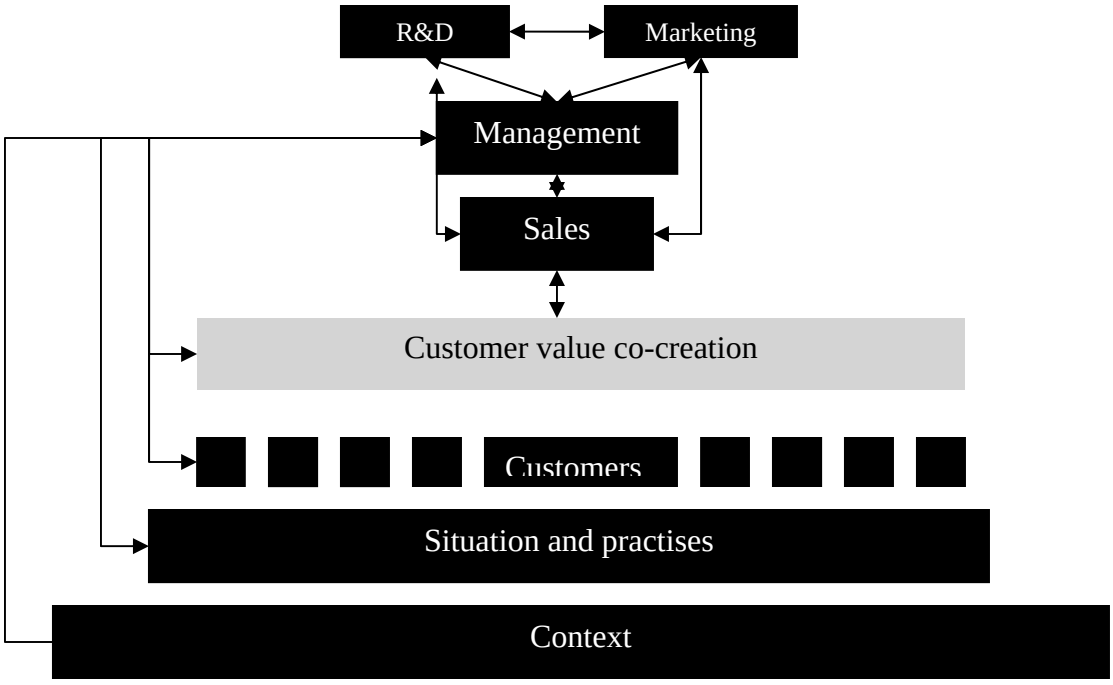


Figure 10 Customer Insight Information Flows

The potential practical application of the customer fit can be summarized in following key points:

1) The proposed framework can be used to comprehend and communicate the principles of customer perception contingencies

2) The framework can be used as a tool in different phases of the value creation process

3) The proposed framework can be used to identify gaps and allocate marketing resources accordingly to firm embodiment (direct influence from management, e.g. advertising) or by allocating resources to enhance marketing embodiment (the activities and processes of value creation e.g. implementation of new ideas, training of the employees)

The customer fit is essentially based on a simple concept. People feel committed to firms, which they value, and that value can be only created through actions. As an example a grocery store entrepreneur creates customer fit by modifying the operating principles of the chain to match the need of the local customers, for he is the person who has the required insight and capabilities to make the changes that create value and act on right manner to establish a commitment to that value.

6. Conclusions and discussion

6.1 Conclusion

This study proposes that instead of looking at the contingencies between structure, strategy and environment, managers should be interested in contingencies related to customer perspective. This is coined as customer fit, and it is proposed that it is the "strategic" fit emerging business environment. The proposition is based on three central findings from literature:

1) Cultural development, commoditization and information revolution are challenging the principles of marketing thinking and increasing the importance of perception and meaning as it is nearly impossible to elaborate all relevant information on rational basis

2) Customer perception is a randomly proceeding, dynamic, relational and emotionally loaded process which is influenced by situational and contextual factors

3) Customer value is morphing into a multidimensional concept, which involves aspects that managers are not equipped to take into consideration with current models of thinking

The customer perspective was conceptualized through customer fit – framework, which depicts the relative nature of assessments, the influence of situation and context, and the dynamic, evolving nature of perceiving or experiencing as a customer in relation to firm.

The logic presented for customer fit framework implies that managers are more than ever required to be analytical and insightful about the nature of their business, its value drivers and especially its source of revenue: customers. By depicting customer perspective there is a logic for interpreting the information provided by market sensing mechanisms and to coordinate resource allocation according to current situation and strategic goals. To overcome the challenge of implementation and to provide the fit between activities the analysis of individual level perception process is presented. According to research in psychology, human perception responds in a generalizable way to stimuli if cultural and personal backgrounds are relatively similar. This proposition urges for more research, but on a principle level can provide managers an applicable logic for reaching a strategic customer fit.

6.2 Evaluating the Success of the Study

Meeting the Objectives of the Study

Evaluating the success of the study is conducted by discussing the objectives of the research for the two targeted audiences: researchers and practitioners.

The articulated primary objective of the thesis was to study how customer perspective contingencies can be conceptualized for research and practice. To answer this question the thesis was divided in three sub-questions. To answer the first two, a literature review was conducted on two areas of inquiry: 1) management and marketing discourse on customer value, and 2) literature on customer-firm relationship and meaning creation. As a result both literature reviews were discussed and perception was identified as a potential approach to further understand customer perspective contingencies. As such the research objectives of the first two phases are achieved. The third sub-question aimed to review the way customer perspective contingencies are conceptualized in practice and for this a single case study was presented. The results revealed that procedural and relative nature of value proposal are conceptualizations that are used and therefore they were chosen as grounds for further use.

After responding to all sub-questions, the study turned to answer the principal research question by conceptualizing a framework of customer perspective contingencies. The framework was grounded in contingency approach and in the research tradition of strategic fit. Two central dimensions were chosen as key contingencies: the tendency to categorize and frame perceived cues and the imperfect and dynamic nature of perception process that continuously shapes the view as learning and forgetting are both present. The term embodiment was coined to describe the partial and proceeding nature of perception. The evaluation of a value proposal was conceptualized as being a relative assessment between two embodiments that should be synchronized and balanced in relation to customers personal perception process. The two relative embodiments were seen to be constellations of different cues that reflect the firm and its activity. Therefore the embodiments were coined as firm embodiment and marketing embodiment.

Contribution of the Study

The role of customer-level information and development of customer-orientated strategies is an increasingly current topic in boardrooms around the globe. This study partici-

pates in the diverse stream of discussion that aims to advance the understanding about the challenges and questions of this situation. Particularly, the review on theoretical views for customer-orientated approach to strategy, case example and conceptual framework all are of potential benefit for researchers interested in the subject and for practitioners interested in inspiring themselves.

This study also extends the preceding work in StratMark-project by participating in strategic management discourse and proposing a theoretical perspectives as well as a conceptual framework for further testing. Also, this study is related to the earlier work on marketing profitability (Jaakkola, 2006) as it proposes an approach for studying market-sensing capabilities that are a prerequisite of marketing orientation.

In conclusion, it is articulated that the study has fulfilled its objectives as it has answered the articulated research question and three sub-questions. It has also addressed both audiences as set in the research objective.

6.3 Implications to Finnish managers

A common and well-established problem in Finland is how to utilize the high quality and thus high potential of Finnish inventions. This is often contributed to the lack of marketing efforts that are explained by wide range of lenses, ranging from cultural background to incompetence of Finnish managers. The results of this study propose that the problem can be approached by categorizing quality and the perception of quality distinct as shown in the figure below. This represents the role of the quality perception as a bottleneck, or gatekeeper, which helps to conceptualize the problem and potentially explains why superior quality of Finnish ventures have often inferior results.

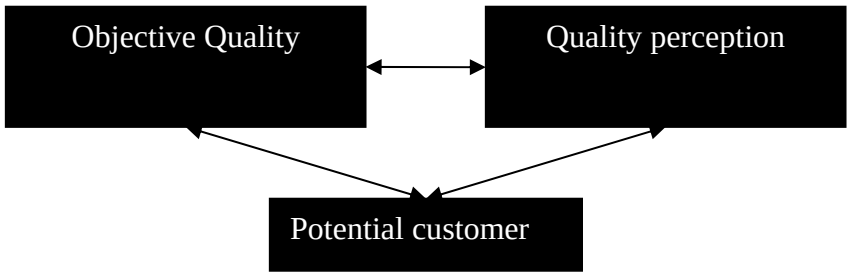


Figure 11 Objective Quality and Quality Perception

The perception of the quality modifies the interpretation of the quality of the product, and as previously presented, the credence and appeal can be distinct categories which in high-risk situations lead to emphasis of single cues, such as brand or other signals of quality (Miyaki *et al*..2005). The proposition derived form this is that instead of only increasing marketing budgets, Finnish managers should focus on creating selected quality perceptions – increasing the quality instead of volume. This can be approached by allocating the activities in quality perception development in cue – level by acknowledging the goals and influencing factors. Essentially the smart actions are called for, not innovative or radical but original and consistent ones.

6.4 Limitations and Further Research Avenues

In contingency theorem, the effectiveness is often related to numerous contingency variables, which is a central challenge for operationalizing contingency conceptualizations (Venkatraman, 1984). As such, the methodological issues were a key concern in this work and will be even more in the further development of the framework. It is proposed that multiple, complementary methodologies and research settings are required to establish the grounds for customer fit phenomenon. For methodological approaches, at least the following alternatives could be considered. First, a case study on issues that distinct high-performers and low-performers in a selected industry, which helps to identify processes and concretisations that contribute to different performance (see Flyvbjerg, 2006). This could help to understand the salient factors of the industry and enable to build a continuum that could be used as a ground for further research in industry.

Second, research on managerial cognitions of firm-marketing relationships that can be used to reveal determinants of perceptions. Third, an approach to view the customer value-in-use and its evolvement in the extended case method which helps to overcome the interviewer bias by adapting the researcher as a part of value formation in practice, essentially interacting and understanding the social and cultural implications that influence the experience of value (see Burawoy, 1998). Fourth, the implications of unconscious processes can be researched by measuring the changes in autonomic nervous systems caused by hypothesised customer fit characteristics (see Winkielman *et al*., 2001). Finally, the existence and “strength” of the fit can be approached through brain imaging that reveals processing and activated areas.

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APPENDIX I Customer knowledge

Challenges of customer knowledge

	Knowledge Management	Customer Relationship Management	Customer Knowledge Management
Knowledge sought in	Employee, team, company, network	Customer database	Customer experience, creativity, satisfaction level and environment
Rationale	Unlock and integrate organizational knowledge	Mining the knowledge	Gaining knowledge from customer, as well as sharing and expanding this knowledge
Objectives	Efficiency, cost savings, avoidance of re-inventing	Data base nurturing and leveraging	Joint value creation with customers
Problem	Indirect understanding of what customers want and value	Knowledge from the customer	Knowledge utilization in decision-making

Modified from Gibber *et al.* (2002)