Turning marketing promises into business value: The experience of an industrial SME

By Victoria Little, Judy Motion, Rod Brodie & Richard Brookes

How do successful firms manage to meet or exceed customer expectations? The lens of promise making, promise keeping, promise enabling and promise realisation sheds light on how firms can improve their ability to create and deliver value.

PATRICK LUNDBERG, *Untitled*, 2005, Oil, Acrylic and Enamel on canvas, ELAM School of Fine Arts
photography by Simon Watts, "The Camera Store".

How can businesses create more value for their customers and shareholders? One way of understanding this task is to apply the promises framework: promises made to customers, promises kept, and promises enabled. Traditionally marketers made the promises, leaving keeping and enabling activities to other departments (e.g. logistics, manufacturing and customer service) and to senior management. However, marketers are increasingly acknowledging that creating and delivering value to customers requires a synchronised effort from the whole firm, not only marketers.[1]

In order to understand how customer value creating and delivering practices could be improved, we studied a family owned SME in the industrial electronics industry. We looked at how value creating practices evolved over three decades, in the face of major change in the operating environment. In this article we present key findings of the study, using the lens of "promises". We commence by discussing the nature of promises, and how promises are made, kept and enabled. We then consider how effective business practice results in promises realised – creating new value for customers and shareholders. Finally, we discuss implications for business practice.

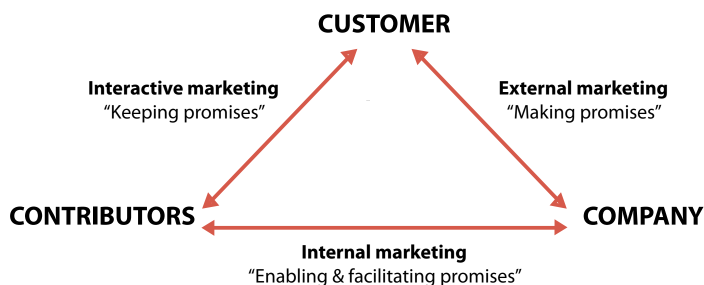
Background

According to Christian Grönroos of the Swedish School of Business and Economics in Helsinki, making and keeping realistic promises to customers is central to the success of a business enterprise (see debrief article "A crisis in marketing?" also in this issue, page 38).[2]

Making promises entails developing the right promises and communicating those promises to the right buyers. *Keeping promises* relates to the firm's three core processes: creating and maintaining relationships with customers, managing its supply chain, and developing products and services. *Enabling promises* relates to the resources underpinning promise making and keeping; in particular, how the firm's competencies and capabilities are orchestrated through appropriate leadership, culture, systems, and structure. In this paper we take Grönroos' logic a step further: there is no point to making, keeping and enabling promises if there are no gross margin dollars to be enjoyed – in other words, if a "return on promises" is not realised.

In Figure 1 we illustrate the three types of promises and their linkages with the three major stakeholder groups: the corporation or firm, its customers, and its contributors (e.g. employees, channels and suppliers).

Figure 1: The role of promises in creating and delivering value (adapted from Grönroos[3])



Interactions between the three major stakeholders result in three value creating and delivering activities:

1. *Making promises* – strategy, strategising and customer communications – or creating intended value to customers, and communicating that value;
2. *Keeping promises* – operations and implementation – or delivering the value to customers;
3. *Enabling promises* – the leadership, systems, structure and culture underlying the capabilities and competencies facilitating creation and delivery of value.

A fourth aspect - *realising promises* – results from these processes. Promise realisation entails gaining a return on marketing investment for stakeholders in the business, and ensuring customers "realise" that they have received what has been promised.

The promises framework highlights the inter-connectedness of a firm's activities – each of the factors must be present and correct in order for the whole to function, and for returns to be achieved.

In order to better understand how customer value was created and delivered, we used an action research-based approach. Action research requires researchers and managers to collaborate in creating new knowledge and new approaches to practice relating to an agreed problem. A cycle of activities (plan, act, observe, reflect) is repeated until satisfactory outcomes are achieved.[4]

We worked closely with the management team of a small-medium size enterprise (SME) in the industrial electronics industry. The firm had a 30 year history of providing business automation and data networking solutions to firms in most industry sectors in New Zealand. Many of the firm's managers and also the CEO had participated in the University of Auckland's executive education programmes. They were therefore familiar with the researchers, and able to apply theory. The CEO had only recently taken on this role, and had implemented major changes to the firm's strategy and business model. Our goal was to develop new theory about value-related processes, while the CEO's goal was to improve the firm's performance associated with these processes. Accordingly, we designed a study enlisting the senior management team and the CEO as co-researchers, investigating the firm's value-related processes over a nine month period. We held individual discussions with managers, and undertook archival analysis, observation and workshops over multiple action research cycles.

We now discuss the results of this study, with respect to the four types of promises.

Making promises

Making promises involves three activities: developing understanding of the strategic environment, developing an appropriate customer value proposition, and communicating that proposition to the "right" customers or markets. The study found that four major decisions underpinned making promises: choice of served market, choice of specific customers, the nature and quality of resources employed and the nature of the value proposition. These decisions are generally accepted as the substance of a firm's strategy.[5]

Ceteris paribus, when choosing markets, strategists seek a fit with the firm's competencies.[6] In the following quotation the CEO describes his view of an appropriate served market for his firm:

"We're still a medium to small size organisation in the scale of the Telco environment … [so] instead of trying to compete with the Nortels and Nokias etc … we've chosen technologies that they're not very good at and augment what they do rather than trying to compete with them. We've found a very good fit

Dr Victoria Little is a Senior Lecturer in the Department of Marketing at the University of Auckland Business School. Judy Motion is Professor of Communication at the University of Waikato Management School. Rod Brodie is a Professor in the Department of Marketing at the University of Auckland Business School. Richard Brookes is an Associate Professor and Head of the Department of Marketing at the University of Auckland Business School.

in that area ... [doing] things that most of these big guys don't do very well."

Through trial and error, the firm found a favourable niche where it was able to match the right technologies to the right customers. The technologies were complementary to rather than competitive with major industry players, and the firm's position was credible to customers. The firm could thus compete effectively despite a smaller resource base.

Once the right market had been identified, choice of specific customers in that market was equally crucial, as the CEO explains:

"It's all about leverage. And the trick is to find the right partners. There's a sweet spot with anybody's offering with a customer set."

Finding the right partners with the "sweet spots" where a firm has the ability to offer appropriate value is the key to customer selection. However, in a small market and for SME's focusing on a small number of customers, this approach carries considerable risk. In this case the firm reduced its key customer list from 300 to less than 20. The change in strategy required significant organisational change – ranging from how customer transactions were managed in the database to the need for new knowledge and skills in relationship building. It also required disestablishment of relationships with smaller customers, where there was no "sweet spot":

"Loyalty with small organisations is very expensive to build and maintain. They come, they go, they die, they change direction … they don't pay you, they don't have a lot of business acumen, the value has as much longevity as the next large project. We've spent so long building a valuable organisation that we're wasted on the organisations that don't understand [what we have to offer]." CEO.

The firm decided to migrate smaller customers to a wholesaler. The move to selling through a channel rather than direct was an important one as the CEO points out:

"We're very much now a channel organisation. That's a huge change for us. If you want to sell directly, it's a different proposition. All of our competitors have confused the market, themselves and their channels by doing both ... You can't develop a strategic relationship with a channel when if it suits you you'll sell directly to their customers."

The reconfigured go-to-market model created value for all parties concerned. The firm enjoyed lower costs by dealing with a few large channel partners rather than many small customers, and resolved the issue of channel conflict. The customers enjoyed greater convenience from increased outlets, and the channel partner enjoyed increased sales.

When we explored the second aspect of making promises, development of the value proposition, we found that the firm's major challenge was addressing shrinking margins resulting from product commoditisation. Commoditisation results when similar firms with similar products compete in a mature market, and the emphasis shifts from product attributes to price. The shift had not gone unnoticed, as a business development manager points out:

"Why are you different to everybody else? What is it in your cable that makes you special? Yes it's competitive, yes it's technically correct, yes it's the same as everybody else's."

Commoditisation had resulted in increased price competition and consequently in margin erosion. The firm addressed this issue by changing emphasis from technologies and products to customers and solutions:

"The value adding for customers now has gone completely outside the product. The value shift is to help them market themselves and add value to their customers with these products ... if you package it up right, put the right proposals together you can always compete against the different product range, different price, different companies - just with the right solution." CEO.

Both firm and customer benefited from this approach. The notion of the product being only one part of a bundle of value adding activities is important, and reflects growing "service-isation", as the focus changes from products and technologies to service, knowledge and relationally-based value.[7]

In developing and communicating the value proposition, a "co-development" approach was taken. Value was jointly developed by both firm and customer in consultation, rather than developed by the firm in isolation and imposed on the customer. Furthermore, the value proposition was layered, according to the needs of three groups of individuals within each major business customer:

1. *Strategic:* CEO, senior management team;
2. *Functional:* departmental managers; and
3. *Front-line:* customer facing personnel.

For a particular customer firm, the value proposition was customised and codified in close consultation with members of each of these three groups. Clearly, each of the three groups would have differing skill levels, concerns and motivations. For example, senior management would be concerned with meeting shareholder value and growth targets, while functional managers would be concerned with cost of ownership and fitness for function. Front line staff on the other hand would be concerned with issues of pricing and delivery, details of which are usually captured in service level agreements. In each case, value was created and communicated according to the needs of each type of customer.

We found that communication was a key part of the value co-creation process. Sales people were required to filter complex technical information by customer needs, and to help customers develop expectations of the firm's services. This required skills in *"wrapping something technical into people talk"* as the CEO put it, or the ability to communicate the applications potential of highly technical products in

a customer-friendly manner. The Managing Director of the organisation was a path-finder in this respect, as he explains:

"People are seeking what they want of value for themselves. What I come back to is the argument that these things form the basic principles, and to me the basic principle is very basic. I mean it's so basic nobody wants to go there … the very fundamentals, you know the human drivers, the human needs … what they're trying to do, the frustrations they're trying to avoid and the time they're trying to save, and making things predictable ... And that's really what the basic service structure is about, helping people get an expectation and then delivering on it …It's so simple!"

His starting point with customers is "basic human needs" or the core requirements of customers - which he considers are usually ignored. Ability in communicating complex ideas in simple terms is an important skill. Both the CEO and Managing Director demonstrated this ability: they were able to translate complex technical information into value propositions relevant to customers at each of the three levels.

Overall, the new strategy had two major business implications. Firstly, it increased the firm's exposure to general business risk, as it was focusing on fewer, larger customers. This was mitigated by building closer multi-level relationships with these customers. Secondly, it required investment in different resources, in particular people who were able to create and build relationships, and to acquire and impart specialist technical and general business knowledge.

We now examine how the firm kept its customer promises.

Keeping promises

Consultant: " ... what goes wrong in a lot of organisations, is you get very good sounding strategies ... but people wonder two or three years later why didn't it ever take place, and the answer is because no one actually implemented anything."

In the previous section we discussed how the firm made promises – or developed those "good sounding strategies". As the consultant points out, keeping promises (i.e. delivering the value promised) is as important as making them. Promise-keeping activities deliver value to customers, are process-based, and relate to operations and implementation. There are three key value creating and delivery processes:[8]

1. *Product / service innovation* – applying unique knowledge, skills and other tangible resources to create meaningfully different customer solutions;
2. *Supply chain management / operations* – ensuring maximum customer accessibility to the firm's solutions at least cost;
3. *Customer relationship building / customer intimacy* – profitably establishing, maintaining, enhancing (and when necessary terminating) customer and channel relationships.

We found that the firm's new strategy created new challenges for product and service innovation. Value propositions were based on leveraging proprietary knowledge of technology applications to innovate its product / service solutions, in a process of "joint discovery".[9] Its previous approach relied on sales of relatively simple technologies. However, newer more complex technologies enabled the joint creation of more complex customised bundles of technologies. The firm was increasingly able to add value from multiple angles:

"... we'd spent all this time with end users understanding how to sell solutions [with simple technologies]. We did the same with [complex technologies] … we had some new people, got some training ... it became even more complex and more valuable for the end users …." CEO

As a consequence of the new strategic direction, the firm developed a broader understanding of technology applications across multiple markets and technology types and were able to add significant value to new and existing customers using these technologies.

The second of the three processes, *supply chain management*, was problematic for the firm. The firm's supply chain was complex, requiring it to identify, source and procure scarce, complex and perishable technologies in small quantities from global sources. Key suppliers were very large firms, and as the Logistics and Purchasing manager colourfully pointed out: *"Even though we think we're a very large customer we're just a pimple on a gnat's backside!"* While historic relationships were helpful in maintaining sources of supply, the firm was conscious of being in a similar position to its own relinquished small customers with respect to these large suppliers. It had limited control over quantity and timing of supply, resulting in delivery inconsistencies. However, with a strategy focusing on larger share of customer, ability to deliver is crucial as this discussion highlights:

Researcher: "If your target is 70-80% of their business, then [the customer becomes] more reliant on [firm] so I guess the stakes go up."

Account Manager: "Yes, [service] becomes a critical factor ... because if [delivery failure] happens three or four times, the fifth time they probably will not call you. And it takes a big dip in the business figures for you to realise that something has gone wrong."

Furthermore, the solutions supplied were often critical to customers' own business performance as the Logistics and Purchasing Manager points out:

"Time is critical for customers, they do things within horrible time frames to the point where a day lost makes the difference between profit and loss on the job. So [if there's] a guy sitting in Queenstown waiting to wire up a building and the stuff doesn't arrive until two days after he's been down there, one they want us to pay and two their credibility goes down the drain with their end customers."

The situation was exacerbated by inaccurate stock

information, unreliable freight service providers, unpredictable customer demand, and a hyper-competitive environment. Internal conflict resulted as front-line staff juggled high customer expectations and supply-side realities.

Changing from a transactional commodities-oriented strategy to a more relational and solutions-oriented strategy alleviated some of these pressures. The solutions approach enabled bundling, and therefore substitution of out-of-stock or unprocurable technologies with available technologies. The IT system was reoriented, improving reliability and timeliness of stock information. Finally, improved customer information and joint planning improved the quality of forecasting, and enabled a more proactive rather than reactive approach.

The third of the three core processes, managing *customer intimacy* was the most challenging for the firm. It required the greatest change in internal orientation and had the greatest impact on revenues and costs. Key characteristics of the new customer intimate strategy are presented in Table 1. A customer-centric philosophy had wide ranging implications for performance measurement, the product and knowledge landscape, human resources, and customer service practice. Performance measurement was reconfigured to focus on individual customers, based on a range of mutually agreed service delivery and strategic key performance indicators (KPI's). Product knowledge was broadened, encompassing an applications rather than a purely technical perspective. Managers were required to acquire and exercise both general business knowledge and technical knowledge

Table 1: Key characteristics of a customer-centric approach in an industrial SME [10]

Characteristics	Explanation	Implications
Organisation geared towards results for nurtured clients		
Defined customer set	Understand, articulate and communicate attributes of appropriate customers, ensure only those customers are acquired and retained.	On-going customer research, evaluation and assessment in formal review process. Involvement of customer-facing employees in process, ensuring clear and frequent communication of results.
Closely managed "nurtured" customers	Once acquired, establish close relationships with customers, with attention to monitoring, measuring and controlling inputs and outputs of interaction.	Frequent and meaningful customer interaction, formal monitoring, measuring and controlling systems and processes.
Organisation oriented towards the needs of those customers	Ensuring organisational attributes are compatible with customised approach to meeting customer needs, including culture, structure, resources, assets, skills, competencies and capabilities.	Effective leadership, identification and procurement of sufficient and appropriate physical, financial and human resources.
Results orientation for those customers	Attention to both process and outcomes: negotiating and agreeing outcomes and how these might be achieved and measured.	Creating culture of results, with implications for motivation and reward systems and internal communication.
Culture that embraces specific tailored c.f. general solutions		
Applications orientation i.e. applied technologies c.f. technologies alone	Attention to understanding current and emerging technologies, the general business environment, and how technologies impact on business processes.	On-going upgrading of general business and technical knowledge.
Culture that thrives on lasting relationships		
Long-term perspective / customer LTV view	Adapting organisational sensibilities and measurement systems to longitudinal c.f. "snapshot" view of customers.	Shareholder/ management education, adaptation and/or reinvention of information systems people and processes.
Systematic pursuit of reciprocal customer relationships	Identifying compatible and appropriate customers, investigating and confirming "fit", establishing processes for securing relationship.	Need for in-depth and detailed customer research, self-understanding, development of formal relationship acquisition, retention (and dissolution) protocol.
Superb understanding of the customer's business		
Substantial investment in developing strategic and operational view of selected customers' businesses	Resources (time, energy, dollars) budgeted for general and specific customer research, on both general business issues and business processes.	On-going involvement of both customer-facing and support personnel in customer businesses. Once identified and selected, commitment to protocol.

in order to achieve this applications perspective. Knowledge therefore assumed a more important role as staff were required to interact with customers above a solely technical level. For example, human resource requirements changed from "electronics engineer" (in short supply) to "electronics engineer with general business knowledge and excellent inter-personal skills" (in even shorter supply). Investment was made in customer service, in multiple points of customer contact (including a call centre), in general and technical training, and in information system support.

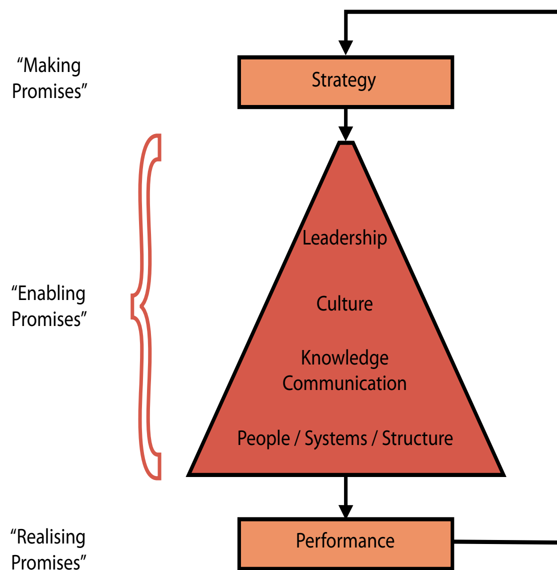
The change in strategy therefore had significant implications for the firm's resource base and its business processes. Investment was required in people, knowledge and systems. The key challenge was in recruiting, retaining, up-skilling and motivating staff, crucial in a knowledge-based enterprise.

Next, we explore how the firm approached these challenges – i.e. how an enabling environment was created.

Enabling promises

We found seven aspects of promise enablement, shown in Figure 2:

Figure 2: Key elements of promise enablement (adapted from Aaker[11])



Leadership is the spearhead of promise-enabling, supported by organisational culture, created by knowledge and communication, in turn predicated on the firm's people, systems and structure. The diagram highlights the role of the firm's core resources (e.g. people, finance, equipment), which enable the organisation to make and keep promises.

Effective leadership was critical. The firm was led by a father and son team, each of whom had complementary skills. The Managing Director (father) had led the firm in the more protected environment of the 1980's, however in the new environment a different approach was required, as he points out:

"… having [CEO (son)] in the business is like a breath of fresh air … because he has that fire of youth that will go out there - just like I did ... [he's] come in with a youthful set of eyes and grown up and experienced in the newer age, which is different from where we've come from."

The new CEO initiated considerable change in strategy and culture over a five year period. The firm changed rapidly from a quiet family oriented culture, to a more aggressive entrepreneurial culture, with consequent movement of staff who were uncomfortable with the transition.

Perhaps the greatest change was in the area of knowledge. Knowledge was the key resource underpinning the business, as a product manager points out:

"... I'd say [our core competence is] knowledge, if you had to pin it down to one single word, one single theme, to me it's that."

We identified five distinct kinds of knowledge: technical, customer, industry, institutional and applications, the latter formed as an amalgam of technical and customer knowledge.[12] Developing and delivering the right kind of knowledge was key to enabling promises, as a senior product manager points out:

"The way to deliver value is to be able to answer questions expediently, give them the information, create value by being able to offer input ... if you're unable to offer input, then you can't deliver value... So by creating [knowledge] value in yourself you can actually deliver more value."

To develop its knowledge value, the firm embarked on an ambitious training programme. The programme incorporated both formal tertiary study, and in-house technical training. The in-house training responded to an internal knowledge audit, and was aimed at up-skilling front-line personnel very quickly in new complex technologies:

"I put together a 26 week project, and [CEO] says "Make it 13!" So it's not just accelerated learning we're putting them through, it's accelerated-accelerated learning!" Senior Product Manager.

The nettle was grasped by most, however, not without personal cost, as the National Support Manager explains:

"The first test ... was 53 questions long, we had one week to do it, and it was worse than somebody throwing you in the deep end - it's like somebody throwing you in the deep end and there's no water in the pool! You know it's like PHEW! - you hit real hard. It was really stressful."

These difficulties had been foreseen by the Managing Director:

"... I've always wanted to do [the complex products] because for me they were exciting. I just didn't want to take the organisation there with everybody in it, because I knew nobody could keep up. But now we're doing it, and of course nobody did keep up very easily and they've blown it to bits! But the organisation's better for it ..."

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There was clearly a strategic imperative to develop knowledge quickly. However, it was equally clear that an "accelerated, accelerated learning" process placed strain on individuals. Furthermore, while technical knowledge is necessary, it is insufficient, as the Managing Director pointed out:

"Once you've got the [technical] understanding you've still got to present it to the customers and you've still got to have the relationship ... and be able to deliver all the things that are necessary, like training and support ... Being a technical business the technology's central, but that's not all there is, there's a lot more to it than that."

Formal tertiary study aimed at development of general business knowledge complemented the technical knowledge development programme. Managers thus gained an insight into higher level customer needs, and also gained increased personal and job satisfaction. Each of these programmes represented considerable investment by the firm, and its people, however without this investment the firm's strategic aspirations could not have been realised.

Realising promises

Promises can be "realised" in two senses: customers "realising" or perceiving that value has been delivered and firms realising financial returns for stakeholders.

Ensuring customers at all three organisational levels (strategic, functional and front-line) realise value has been delivered is essential. However, as a consultant to the firm pointed out, at senior management level, value delivered can be invisible:

" ... you create value propositions at the [strategic] level, because that is the value you're trying to articulate and be valued for. The problem is when it comes to service delivery time ... guess what people put in place for measurement? Service level agreements. And if you ever go and look at service level agreements, what do they measure? They measure availability, reliability, delivery on time, accuracy of invoice …But they're not [strategic] metrics."

The result of this lack of "realisation" can be an incorrect evaluation of supplier performance:

"So we promised to [strategic / senior] people and delivered to [front line] people. Now these people might be quite happy ... if they weren't happy the execs would know about it ... and everything's going hunky dory. But what's happening up [at strategic level] is this thundering silence. And going through the guy's head is "Why have I selected [firm] as my strategic IT partner? It was because of a whole lot of things I remember. Is that happening? I don't think it is."

As the consultant suggests, failure to manage customer perceptions of value delivery may jeopardise the business relationship, despite excellent performance. Promises must be honoured and be seen to be honoured – "perception is reality."

The consultant and senior management of the firm addressed this issue by developing a systematic value measurement and communication process, as he explains:

"We said "To make sure it'll happen, let's put it in the agreement, so that it has to happen." So [there's] a commitment that both parties must jointly plan the business, which includes

the success measures of the relationship for both parties. They have to agree who and how that's going to be measured, and they have to meet quarterly to review the performance of the relationship. Now it doesn't mean to say it'll work, but it will increase the chances that it will happen. I've got to [sell at all three levels,] articulate value at all those levels, but I also have to measure and manage that value, and have it visible and agreed at all three of those levels."

Thus the nature of the relationship and the value created was jointly agreed upon by supplier and customer, then articulated, delivered and measured systematically at all three levels. In this way customers perceived that the firm was delivering on its promises both operationally and strategically.

PATRICK LUNDBERG, *Untitled*, 2005, Oil, Acrylic and Enamel on canvas, ELAM School of Fine Arts

The second element of promise realisation relates to financial returns for stakeholders. Managers perceive strong linkages between delivering value to customers and returns for the firm as the CEO indicates:

"We certainly believe there are margins to be had, and without the value you can't make the margins, and without the margins then we can't make the profit."

However, the CEO pointed out that profit is also contingent on careful management of resources, and achieving a satisfactory return on assets employed:

"W*e have to have a low cost attitude, which means highest performance for least amount of money invested. And it's not just the money, profitability comes from being efficient in managing funds, capital, stock and time."*

The new approach was realising value for the firm's stakeholders, in contrast to previous practice:

"[We've achieved growth rates] which we just don't see in the kind of mature industries that we're playing in ... thousands of percents across customers." CEO

Higher sales levels and lower costs to serve were achieved through increased monetary value of product solutions, and through aggregating volume from small customers through an intermediary. Investment in fewer customer relationships resulted in more productivity from those relationships, and more rapid conversion of that investment into sales. Debt collection was also improved with the aggregation of many low value customers into one large customer. Larger share of customer encouraged more frequent sales of a wider variety of products and services. Risk was lower owing to closer relationships, more frequent communication, raised switching barriers and therefore decreased likelihood of "strategic surprises". Also, reliance on exclusive brands or single product sourcing was decreased with the solutions or bundling approach.

Overall, we found that the firm's systematic approach to promise realisation resulted in a return on investment on promises made, kept and enabled.

Discussion

The aim of any strategy is to achieve four key outcomes: higher levels of cash, cash in sooner, more often and at less risk.[13] These outcomes can be viewed as the realisation of promises – or the result of effective promise making and keeping. We found that the firm's promise making activities (i.e. the new strategy based on focus on few rather than many customers, customer intimacy, and customised solutions) were productive.

However, while returns per customer were appreciably higher, the investment required to generate these returns was also high. Main sources of cost were in relational selling and knowledge development, including salaries and wages, IT systems, and training and development. These were crucial investments, as they enabled the firm to customise its value proposition to specific buyers, thereby increasing customer value and its position of competitive advantage.

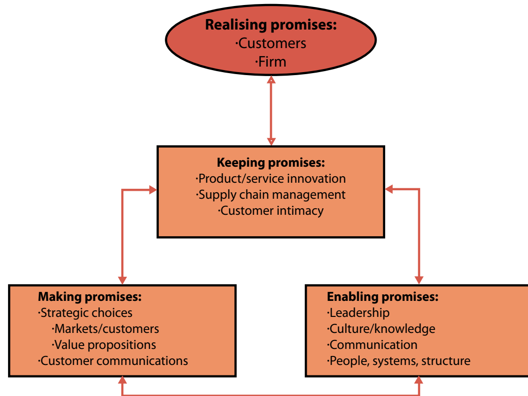
Compensating for the higher investment in knowledge and relationships, other costs decreased owing to economies of scope and scale. Effort could be directed where best returns were achieved, important in an SME environment where there are relatively few resources. The firm's margins improved, as it could substitute scarce technologies and employ a bundling strategy rather than be a price taker in the commodities market. Economies of scale were achieved by aggregating demand from many small customers to an intermediary: higher cash flows at less cost.

We found that transforming promises made into promises realised (i.e. linking strategy and performance), presented a number of managerial and organisational challenges. The firm grappled with realigning key processes and entrenched organisational routines to the new strategy. A new customer and solution set required different enabling resources: new

people and new knowledge, and information systems and a culture aligned to customer intimacy rather than an arms-length transactional approach. The nature of knowledge changed significantly, from a tacit resource resident at senior management level, to a resource that was consciously managed, and resident at all levels of the firm. Relationship building and maintaining processes were also managed, creating a forum where technical and general business knowledge could be leveraged to create value for customers. The time, energy and financial investment required to develop these resources was considerable.

We revised the Grönroos[14] framework presented in Figure 1 in accordance with our learnings:

Figure 3: Revised promises framework



The original Grönroos[15] framework summarised three key entities (customers, corporate and contributors) and three key promises (making, keeping, and enabling). We added a fourth promise to the Grönroos original – realising promises – recognising that businesses need to achieve returns for stakeholders in order to reinvest in promise-related activities.

The new framework presented in Figure 3 focuses on business processes rather than entities, as our study highlighted the importance of processes in creating and delivering customer value. Making promises was concerned with strategic choices, and communicating the firm's value proposition to customers. Keeping promises was concerned with the firm's three core value producing and delivering processes. Enabling promises was concerned with internal managerial concerns such as leadership, culture and stakeholder communications. Realising promises is generally conspicuous by its absence in marketing literature: much is written about investment or inputs to the selling process (e.g. developing personal selling skills, or the characteristics of effective brochures and websites). However, the outputs or returns on marketing investment are considered less often. We found that in addition to the return on marketing investment for the firm, measuring and communicating value received to the customer was also crucial to the firm's

competitive performance.

We encourage managers to use the framework as an audit tool for their business' customer value creation and delivery performance. The first step has been taken, that of identifying important factors. The next step is to create criteria for analysis, for example, when considering customer communications, criteria might include consistency of brand message, and percentage of customers effectively reached. When considering customer intimacy, criteria might include depth and width of customer knowledge, and RFM (recency, frequency, monetary) performance per customer. Once these criteria are developed, information can then be gathered regarding the firm's capabilities vis-a-vis these criteria, strengths and weaknesses identified, and appropriate actions taken.

Conclusions

Our study found important linkages between the resources and business processes of the firm, and the firm's ability to create and deliver customer value. The revised promises framework highlights the actions required to support customer value creation and delivery, and for the firm to create and maintain a position of competitive advantage.

We found that effective customer value creation and delivery required effort from everyone in the business. While marketing promises focused on selecting served markets, and creating and communicating a competitive value proposition, realisation of these promises required the support from top management, and from colleagues in other departments. Overall, managers needed to consider business processes and performance with respect to each of the four types of promises, and as a whole. Any weaknesses or inconsistency jointly or severally resulted in an undermining of customer value, of the firm's competitive position, and ultimately of its financial returns.

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PATRICK LUNDBERG, *Untitled*, 2005, Oil, Acrylic and Enamel on canvas, ELAM School of Fine Arts

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