From product through service and solution to performance: Value propositions, interaction patterns and capabilities

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Purpose – This paper explores differences in inter- and intra-organizational interaction patterns depending on the nature of customer value propositions. It also discusses capabilities related to these value propositions.

Design/Methodology/Approach – We perform a case study of the evolving value propositions of a Swedish truck manufacturer. Interviews are conducted with key representatives of the manufacturer, dealers, customers, and customers' customers. We draw on literature in the business marketing and purchasing area.

Findings – The manufacturer makes four types of value propositions (cf. Anderson et al., 2006) associated with different interaction patterns. (1) A first type involves a basic product, i.e. a vehicle along with basic services, such as a warranty. The sales process represents a short dealer-customer negotiation to determine truck customization and price and is a general solution to a general problem. Interaction remains simple throughout the truck's operating cycle; feedback to the product development and manufacturing function comes mainly from the manufacturer's service organization. (2) A second type of value proposition involves optional add-on services that support the use of the product, such as repairs and maintenance, tire replacement, financing, and insurance. Although each service component is standardized, the package of services is selected by the buyer based on its needs. Interaction in regard to purchase and use is therefore more complex and ongoing. (3) In a third type, the customer buys truck(s) and services as an integrated solution to its specific sourcing problem. This requires a deeper understanding of how the customer uses trucks. Such an analysis relies on

interaction between the manufacturer's sales representatives and various functions at the customer. As the truck is used, interaction between manufacturer and customer is continuous. E.g., driving patterns can be analyzed and driving training be tailored to the needs of the customer; service needs are monitored, etc. (4) A fourth type involves not only a solution to a sourcing problem, but a co-created solution to support the customer's value-creation. The customer buys solution *performance* that supports its revenue generation, not just its efforts to reduce costs. A deep understanding of the customer's business is required with a focus on how the customer uses trucks to support *its* customers' value creation. As payment is based on uptime (or other form of utilization), knowledge of truck usage is also needed by the manufacturer to determine price per km and to set service level agreement. Interaction is continuous and complex, with the manufacturer's service organization taking over part of fleet management from the customer. These value propositions exist simultaneously and place very different demands on capabilities, which increase in number and particularity with more complex value propositions.

Originality/value – We empirically identify four distinct value propositions that rely on different inter- and intra-organizational interaction patterns and require different capabilities.

Key words – interaction, relationship perspective, solution, value proposition, business-model transformation

Paper type – Research paper

1. INTRODUCTION

Much of the business-to-business marketing literature indicates that the nature of customer offerings is changing on many markets. From a focus on physical aspects there is increasing emphasis on service components. Indeed, boundaries often blur between products and services and some scholars even argue that the distinction is losing its much of its relevance (Araujo & Spring, 2006). The term "solution" is frequently used to indicate that the supplier provides a package or bundle of components aimed at solving a customer problem. Another term often used is customer value proposition, implying that the value to the customer of a particular solution takes the center stage (Anderson et al., 2006). Various methods of categorizing or dimensionalizing value propositions are suggested in the literature. Some relate to degree of customization (e.g. Anderson et al., 2006); others concern the degree of integration and allocation of activities between customer and supplier (e.g., Helander & Möller, 2008).

These categorizations indicate that patterns of interaction between buyers and suppliers will look quite different depending on the nature of what is supplied. The sale of a standardized physical component with little buyer-supplier integration will be a very different process than the sale of a performance-oriented solution. While the former may be performed without extensive knowledge of the counterpart's business processes, the latter may require significant inter-organizational analyses and even co-development. As inter-organizational interaction patterns become more complex, intra-organizational interaction may also change in nature, e.g. when co-development involves cross-functional teams. Firms that employ new value propositions and, e.g., go from being suppliers of standardized materials and services to becoming performance providers may therefore find themselves facing significant organizational challenges (cf., Storbacka, 2011; Salonen, 2011).

It may, however, be somewhat simplistic to assume that firms naturally progress along a path from being suppliers of "nuts and bolts" to becoming performance providers, abandoning "simpler" value propositions as more complex ones are adopted. For example, customers' needs and wishes may not develop similarly and all do not necessarily share suppliers' ambitions. Therefore, as more complex value propositions are launched, suppliers may simultaneously have to engage in simpler ones. In other words, as new value propositions emerge from old ones, suppliers on business markets may simultaneously need to occupy several positions on the market. Each position may be associated with very different interaction patterns. This means that suppliers need to design sales functions that are simultaneously capable of handling very different types of sales process and various forms of customer interaction, requirements that may also translate to, e.g., production development, production, and after-sales service functions.

There is comparatively little research dealing with these challenges, though. In the words of Evanschitzky et al. (2011), "[t]*he evolvement of the product offering into a solution has received much less attention and it is important to realize the diverse market offerings which are steps between a pure manufactured good and a complete solution as well organizational capabilities that favor each path*. Few studies thus look at how interaction patterns change as new value propositions evolve in spite of the fact that, as Grönroos and Ravald (2011:11) argue, [u]*derstanding the nature of suppliers' value co-creation opportunities and the customer's role in this process require an in-depth understanding of the interaction concept and the role of interactions in value creation*. Consequently, the purpose of this paper is to investigate how inter- and intra-organizational interaction patterns vary between customer

value propositions. The paper will also discuss how the capabilities needed differ between simpler value propositions and more complex ones adopted over time. We investigate these issues in the context of the heavy vehicle market, focusing on four value propositions of a particular manufacturer. Our discussions are grounded in the industrial marketing literature on organizational interaction (e.g., Ford et al., 2002; Håkansson & Snehota, 2006). We discuss this in the following section of the paper. Section three presents the method of our empirical investigation of the challenges faced by a truck manufacturer and its organization of sales depending on the nature of the value proposition. In section four and five key findings are presented and discussion. The final section raises some implications for practice and future research.

2. FRAME OF REFERENCE

Firstly we discuss interaction and capabilities, subsequently the concept of value proposition related to interaction. These discussions yield three research questions.

2.2 Interaction and capabilities

From an industrial marketing and purchasing perspective, business markets are made up of interrelated companies that have relationships with each other (Håkansson & Snehota, 1995). Over time, in what may be described as different interaction episodes, business relationships take shape. The nature of business exchange and solutions are therefore not determined solely by the seller or the buyer, but are often modified in content, design, production and delivery in a joint process involving both buyer and seller. Individuals from different functions of both parties are more or less involved in this *process of interaction*. In other words, the buyer-seller relationship takes shape as parties interact, and the relationship generates certain interaction patterns in what may be described as a continuous cycle (Ford et al., 2002).

Interaction patterns can be analyzed along several dimensions. They can be *formal* or *informal* in nature. Formal interaction may follow a script or take place at pre-determined intervals, may involve dedicated staff and take place at specified arenas. Formal interaction may not be sufficient to manage exchange or a relationship, though, and much of the interaction between firms takes on a more informal nature. Informal interaction is not only undertaken for social reasons, though, and may play a crucial role in, e.g., technological development. Interaction can thus be defined according to the individuals or groups involved, e.g. if it involves top management or operative staff. Interaction can also be defined as strategic when it concerns issues explicitly regarding the long-term development of the relationship or regulation of the exchange, while operation interaction is more concerned with day-to-day relationship management and exchange tasks (Agndal & Axelsson, 2012). Another dimension of interaction concerns temporality, e.g. whether it is continuous or incremental. Temporality also concerns whether interaction is limited to a particular period or if it is ongoing.

The interaction process is central to the development of capabilities (Ford et al., 2002; Salonen, 2011); it is through interaction that buyers and sellers develop the capabilities needed to better employ various resources such as physical, managerial, financial, and technological resources needed for exchange. Some capabilities are more significant than others, for example when they can be drawn upon to reduce costs. They can also be *particular* in nature, for example when they lower costs only when certain resources are combined in a particular relationship. Some capabilities may be transient in nature, e.g. limited to a particular exchange episode, whereas other are more consistent over time, allowing the parties to develop confidence in the continuity of their exchange (Ford et al., 2002).

A buyer may interact with the seller because of a single significant capability or because of the combination of capabilities that the counterpart possesses. Figure 1 is generated when number of capabilities is combined with their particularity. One specific capability of little particularity might be easy to replace, while several co-created capabilities are often a result of common investments and interaction that have taken place over time. Business relationships are often developed through repetitive interaction, in order to yield a number of capabilities. If these capabilities are particular in nature, they represent mutual interest and commitment to the relationship; they are customized in nature. A consistent interaction process and mutual adaptation increases number of capabilities and makes them increasingly particular in nature. Indeed, in the context of co-developed solutions, the interaction process can also be regarded as a customization process in which a particular capability is developed as buyers' and suppliers' resources are combined. Interaction processes may not be consistent if the relationship is more important to one party than the other, though. The potential for development of particular capabilities is related to the interacting parties structural fit and knowledge of each other (Håkansson, 1982).

		Particularity: Great	Particularity: Small
Number of capabilities	One	One dimensional interaction	Easy to change partners
	Several	Extensive well-developed interaction	Common well-developed interaction

Figure 1. Capabilities. Source: Ford et al., 2002

Since knowledge of the counterpart is a crucial aspect of capability development, learning is often raised as a key aspect of relationship development; mutual learning enables actors to identify ways in which they can best take advantage of the relationship. The development of capabilities also rests on a consistent willingness to invest the requisite resources, however, since capabilities may not materialize in the short term (Håkansson, 1982).

The above conceptualization of the interaction processes and capabilities relates to dynamic aspects of relationships and is particularly relevant to the analysis of idea generation and development processes, such as the development of customer value propositions. Different value propositions may be related to different interaction patterns and rely on a different set of capabilities. Past interactions and capabilities will be the foundation of new value propositions, which may take shape in processes characterized by particularity and mutuality. This does not mean that the development of value propositions represents discrete stages or life-cycles, though; rather this development takes that shape of ongoing, evolutionary and at least partly emergent processes.

2.2 Value propositions and buyer-supplier interaction

The concept "customer value proposition" captures the benefits that a solution will provide a customer. Anderson et al. (2006) argue that there are three categories of customer value propositions made by suppliers in business markets, each requiring different levels of understanding of the customer's business. A more "trivial" form of value proposition focuses on the general benefits provided by the product or solution without any particular reference to the customer in question or any situational understanding. A "cascade" of such general benefits may dilute the effects of any genuine relative advantage that the solution may bestow, however. A second form of value proposition emphasizes the benefits of a solution in relation to competing offers. Such an approach also requires only limited understanding of the value to the customer in question, although requires greater understanding of other firms' value propositions. A more effective customer value proposition, however, is concerned with the particular benefits of the product for the specific customer. This approach involves not only an understanding the relative benefits of the solution, but relies on a profound understanding of the customer's business, e.g. to deal with any disagreements over the value of the offering (Anderson et al., 2006).

Value propositions in the form of customized complex offerings, also referred to as solution selling, has been a key topic in the business-to-business marketing and sales literature for decades. In 1973, Mattsson (1973:106) distinguished between product selling and system selling, arguing that "[t]*he individual supplier to the firm does, at one extreme, supply one of the system's components. Let us call this traditional 'product selling'. At the other extreme, one individual supplier supplies the whole system including the software components. This is systems selling in its extreme form."* Mattsson's (1973) definition thus implies that there may

be different "levels" of systems sales. In line with this argument, Helander and Möller (2008) point to three roles of a system supplier (see also review by Salonen, 2011). As a *provider of equipment or materials*, only activities needed to support these are performed by the supplier. When the supplier becomes *solution provider* a broader range of supporting services may be required. When acting as *performance provider*, though, the supplier takes over some of the customer's business processes. The three system supplier roles give rise to different implications regarding the boundaries of the firms and subsequently for coordination of processes (see Figure 2). Indeed, when the systems sale involves provision of performance, *"*[t]*he two parties operate inside each other's processes"* (Grönroos, 2011:290). This means that interaction processes may look very different and involve people at different levels and in different functions. While a system supplier focusing on products and support services may interact with the customer at a product level and on arenas where particular problems arise, in solution sales involve interaction with customers' business processes; performance sales may even involve significant interaction with customers' customers' processes.

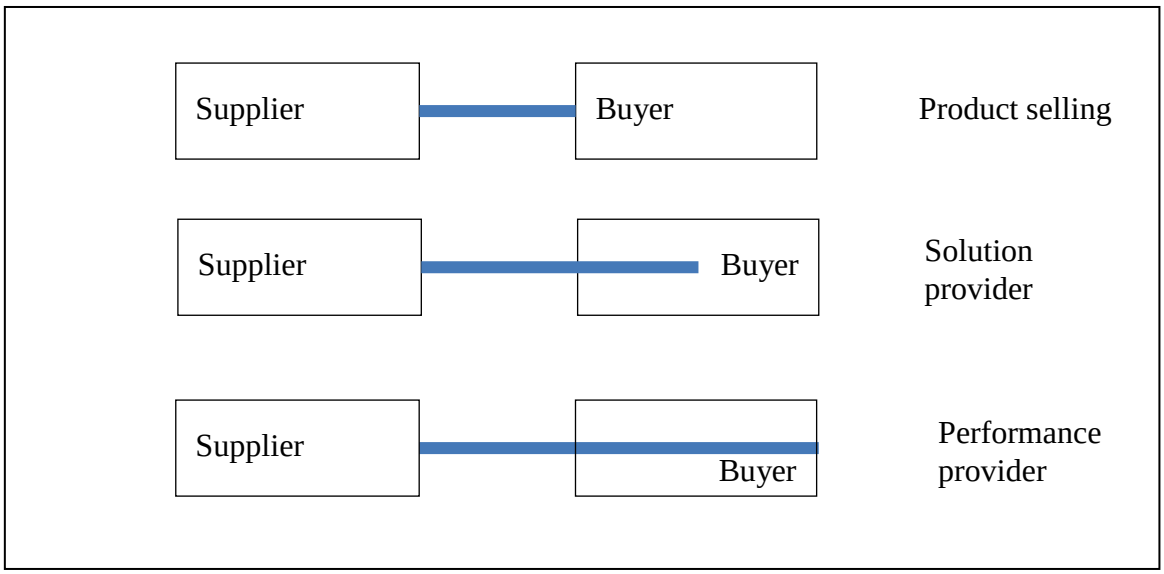

Figure 2: Integration of processes in different system supplier roles

Clearly, system selling-related value propositions require more knowledge about customer's operations than product selling; "[i]*n systems selling the seller's knowledge of the customer needs is more extended and deeper. The seller presumably also has to cover a greater number of technological disciplines",* Mattsson (1973:109) argued. To present a compelling value propositions, knowledge is required not only of the supplier's product and competing offerings, but of the customer's business model. The different roles – i.e. the nature of the value propositions – may place different demands on the knowledge required by the supplier, however. When acting as solution provider, more knowledge is required regarding the customer's needs and situation, and the customer may rely to a large extent on the supplier's expertize (Helander & Möller, 2008) throughout the sales process. When acting as performance provider, though, a profound understanding of the customer's business, value creating processes (involving *its* customers) and challenges is required, not only to design a system that can deliver performance, but to safe-guard the supplier from taking excessive risk. Also, understanding the customer's preferences may bring valuable insights into which capabilities they value (Kapletia & Probert, 2010).

Knowledge of the counterpart is acquired largely in interaction processes. These may take the character of formalized joint analyses of needs and co-development of solutions. Solution-oriented value propositions may entail significant service content and the business service literature emphasizes the role of the customer in service development, looking at service development as a co-creation process. Sampson (2000) terms this customer-supplier duality, arguing that service development is a bi-directional process in which customers provide their bodies, minds, belongings, or information as inputs to the service processes. This is in line with Grönroos (2011:290) who argues that "[f]*or firms/providers, service means supporting customers' practices with resources and interactive processes in a way that enables the*

customers to create value for themselves in those practices". Thus, in the context of developing and implementing solutions, buyer-supplier interaction represents a process where the role of the supplier is not really to create customer value, but to co-create the conditions that enable buyers to create value.

When discussing determinants of firms' capabilities and willingness to engage in the development of value propositions in the form of integrated solutions, the literature may have favored the perspective of the supplier (Maull et al., 2012). E.g., Salonen's (2011) study of two transition processes towards a solution provision points to critical issues, namely reorienting organizational product culture to solutions culture, building external effectiveness at the customer interface and achieving internal efficiency of operations. Many factors may relate both to suppliers and buyers, though, such as the strength of the relationship, the firms' positions in the network, the solution's impact on existing internal activities and the solution's impact on customers' core processes may be particularly important (Windahl & Lakemond, 2006). Some customers may thus resist co-provision of solutions. Spring and Araujo (2009) argue that a negative attitude towards co-producing solutions may depend on the capabilities of various actors as well as the maturity of actors and their networks in understanding their own capabilities and those of others. Buyers as well as suppliers may also have to manage several, parallel interaction processes, which places far-reaching demands on coordination capabilities. Storbacka (2011) argues that capabilities relation to solutions sales the development of the solution, creating demand, and selling and delivering solutions.

2.3 Research questions

Interaction patterns can be analyzed along several dimensions, including level of the actors and issues involved, formality, and frequency and time horizon. As a first research question, we ask:

1. How and why do interaction patterns changes with new value propositions?

Different capabilities may be needed to produce, source and implement different value propositions. The value propositions implying more cooperative modes of exchange may require different interaction capabilities than an exchange process involving a simply, off-the-shelf product. As a second research questions, we ask:

2. How do capabilities relate to different value propositions?

3. RESEARCH METHOD

This study is a largely exploratory, qualitative case study, justified by our aim for deeper understanding of organizational interaction and the emergence of new value propositions (cf. Saunders et al., 2009). Research questions emerged in parallel with empirical observations (cf., Hyde, 2000) and our increasing understanding of the context and social realities of study participants (Maxwell, 2005; O'Leary, 2010). The case as such represents the evolving business model of The Manufacturer and the interaction processes surrounding its development. I.e., we sought multiple perspectives, including in our research The Manufacturer, local vehicle dealer/workshop (retailers), and customers.

Primary data were collected through personal interviews in Sweden, Poland and China (see Table 1). Although most interviews were performed with top managers, also operative sales and customer staff were interviewed. Typically, interviews lasted for 1-1.5 hrs. All were transcribed verbatim. A workshop with c.20 participants was also performed involving customers and representatives of The Manufacturer. Proceedings of the workshop were recorded and transcribed. Secondary data were also collected, including protocols meetings, company reports and external and internal promotional material.

Table 1: Primary data

Interviews with representatives of the Manufacturer	21
Interviews with representatives of dealers (retailers)	4
Interviews with representatives of customers	6
Other primary data collection	Workshop with customers

The analysis process focused on several issues and partly overlapping phases. Firstly, a general understanding of The Manufacturer's offerings was created resulting in a categorization of four major types of value propositions. By coding the interview transcripts, the empirical material was subsequently reviewed for indications regarding how the interaction processes relate to these value propositions, as well as related capabilities. Throughout, multiple perspectives including several company representatives, dealers and customers were sought to allow us to generate a rich picture of the phenomenon. Misunderstandings were reduced as multiple interviewers (at least 2 but often 4) were present at each interview.

4. EMPIRICAL STUDY

We have studied the development, marketing, sale and distribution of value propositions offered by a large manufacturer of heavy vehicles (henceforth known as The Manufacturer). The unit of analysis is the offering as such, which we look at from the perspectives of both buyers and the various actors involved in providing the product.

Offerings in the heavy vehicle market have developed significantly in the last decade, a development spearheaded by The Manufacturer. The head of Market and Business Intelligence describes a development where the firm moved from a strong product and production focus. He says, "*The sales and marketing part of the company has developed dramatically in last 10 years when it comes to having ideas about strategy, intelligence, sales organization, segmentation, marketing and communication."* Other top managers echo his view and typically present this development as a journey towards increasingly complex offerings. When analyzing the situation presented by members of the sales organization, a somewhat more mixed image emerges; several types of partly overlapping value propositions co-exist. We distinguish four broad types of value propositions, which we term basic product, add-on service, integrated solution, and performance solution. We discuss the content of each as well as its sales process below (see Table 2 for a summary). Each type might be described in terms of interaction patterns and capabilities in use (see also section 5).

4.1 Basic Product

The basic product is highly complex in a technical sense. As such it does not represent an off-the-shelf product; rather, all products sold by the manufacturer represent an integrated system, where the manufacturer provides the chassi, a specialist builder delivers a body, and other

suppliers deliver components needed to make complete vehicle. In that sense, the dealer becomes an system integrator. Even a basic product also contains service components such as warranty and usage instructions.

The sales process typically comprises a discussion between salesman and buyer regarding the customer's wants resulting in a vehicle specification. Specifying a vehicle requires significant vehicle expertize (due to the many interacting systems) and there is an almost endless variety of vehicles allowing for significant customization. As one salesman put it *"I have sold over 2,000 trucks; no two of these are identical."* Vehicle specification, in turn, results in a negotiation focusing on vehicle price.

This sales process does not necesitate in-depth knowledge by the dealer of the customer's usage patterns, although salesmen will typically be quite familiar with their customers' operations and may also initiate the sale of new vehicles, sometimes even providing customers with complete unsolicited offers. A dealer notes, *"We have our list of customers and we socialize with our customers. I mean, we know that 'Charlie' needs to change trucks next year and he needs five new trucks, so you call him and say 'let's do it like this' and we go have a coffee for a while and pay him a visit. That's the fun part of this job, the long term relationship that makes you part of a family.*" Several salespeople emphasize their long-standing relationships with customers and knowledge of customer wants. They typically also call customers at regular intervals to inquire if the vehicles are operating well. Feedback from customers may be recorded and forwarded to The Manufacturer, although the feedback process is often more informal in nature. For a basic product, the purchase of vehicle servicing and spare parts represents separate transactions, even if the dealer keeps a service record of each truck (although not all servicing is necessarily performed at the dealer).

4.2 Add-on services

In addition to vechicles, through its distribution network The Manufacturer offers a range of services that support the vehicle. These services represent modules that are added to the vehicle, allowing for a higher degree of customization and customer involvement. Add-on service modules include extended warranties, repair and maintenance contracts, services connected to parts, uptime services (break-down, pick-up services, short-term rentals), driver management, financial services, and security management. The customer pays a standard price for each service module added to the vehicle.

Salespeople will often propose different services to different customers from a list of standardized options. The salesperson also educates the customer regarding which options are available, since customers may not be aware of all options or which options may combine bettwer with certain vehicle specifications. The sale of add-on services thus represents a greater challenge than provide a basic product, and customers may be quite skeptical of service-based value propositions. As a Region Coordinator notes, "*'These add-on services aren't new, but they are a matter of maturity – maturity of the market".* When the salesperson lacks expertize reagrding a particular service option, a service specialist may be called in. Although service options represent largely standardized bundles sold on-demand, salespeople thus strive to ensure that the resulting package is be more customer adapted.

4.3 Integrated solution

An integrated solution represents a vehicle sold as an integrated package. I.e., vehicle and service components are sold as one unit as a response to a particular customer's specific problem. Therefore, the sales process is different since the salesperson needs to more fully

understand how a vehicle is actually used. According to a Sales Director, "*Sales are relations, understanding customer operations. Therefore one needs to go down and discuss the customers operations and try to see how they are operating, when do they do service, when is the truck standing still*". Specialists may also help in analyzing data about truck utilization, and specify and optimal solution, e.g. to make sure that engine is not over or underspecified. Educating the customer, e.g. in the form of driver training, can be an important component of an integrated solution. According to the Director of Strategic Planning "*It can be modularized for tailoring specific training in the areas needed. It can be based on the date and then changed and focus on problematic areas*". In the sales process, the focus is thus on customer needs rather than customer wants.

The Manufacturer strives for a "team selling approach", involving not only a salesman integrating and a service organization maintaining a vehicles, but also a an extensive back-office organization managing finance and insurance issues, driver training, IT systems relating to thevehicle, and the resale of the vehicle once the contract period ends. Ecological and social concerns may play a key role in designing such a solution, although several respondents – both from customers and The Manufacturer, note that this will typically happen only when customer's customer make such demands.

Several respondents from The Manufacturer emphasize the importance of ensuring that solutions are economically competetive in a life-cycle perspective. As a Sales Director notes, "*there are many many areas where you can help the customer to improve business instead of focusing on price. If problems with accidents, then you should focus on avoid having accidents* [i.e. driver training], *because this you can measure. The target can be set minus 5-10% and then it is easy to calculate – that is solution sales instead of just discussing price*".

The long-term perspective is also stressed. As noted by the Director of Strategic Planning, *"The company's profitability comes from customers' profitability. If the customers don't have money for investments, they are not growing and therefore will not buy more".* When designing such a solution, the dealer thus needs to make sure that, e.g., repair, maintenance commitments and insurance are reasonable in relation to the price charged. An example of the increasing attention directed towards customer profitability, when customers uses less repair services than anticipated, the price will be revised and customers will receive a kick-back at the end of the contract period. In the communication with customers, life-cycle cost is thus the key concern rather than the up-front cost of the vehicle.

Solution selling also places much greater demands on the internal organization, e.g. since price calculations are more complex. According to the Executive regional director Sales and Services Management, *"*[s]*olutions do not always generate higher revenue. In the good examples the life cycle revenue never ends, because the customer involves the company in its continued business. The bad examples are the deals were the calculations were wrong."*

4.4 Performance Solution

A performance-oriented solution is, in many ways, similar to an integrated solution; it involves a customer-adapted product and service bundle intended to solve a particular problem, thus requiring significant knowledge of truck usage patterns. The "package", however, is sold with a speficied performance agreement. I.e., the payment model is different in the sense that the customer typically pays for factors that drive its revenues, such as uptime (availability) or utilization (e.g. kilometers driven or tons transported per kilometer). Such a payment models means that much of the risk is shifted to the manufacturer and the dealer, who may become responsible for customer misuse or unpredictable events resulting in

downtime. The performance solution often requires deeper involvement with the customer and the assumption of formal responsibilities regarding the customer's customer interface. This means that The Manufacturer and its customer must be able to act as complementary functions in a joint organization. The supplier must thus both help the customer fulfil its obligations, and manage its own risk levels. There are challenges in convincing customers about this type of value proposition, though, and they may, e.g., be unwilling to give The Manufacturer access to sensitive information that may be needed to design a performance-solution. As a Franchise Manager argues, there is also internal resistance to this type of value proposition, "*Uptime; it's a problem to convince our organization".* One reason is unfamiliarity with this type of value proposition, and the fact that the internal organization needed to support it still needs to be strengthened. Although the functions needed - such as vehicle analysts and qualified salespeople – are in place, an important challenge relates to coordinating their activities internally to develop the confidence needed to adopt a higher level of risk.

A performance-oriented solution is not only a solution to customer's sourcing problem, but a co-created solution to support the customer's value-creation. This means that the customer buys service performance that supports its *revenue* generation, not just its efforts to reduce life-cycle costs. A Senior Vice President argues that performance-based solutions require greater understanding regarding cost and revenue drivers among customer, or as the Executive Regional Director Sales and Services Management put it, *"*[the n]*ext step in the evolution is to talk to the customers' customers."* Like integrated solutions, performance-oriented solutions may involve components other than just economic performance. The customer's customers may, e.g., state far-reaching requirements regarding environmental and social performance.

Table 2. Content and sales process of value propositions in use

	Basic Product	***Add-on service***	***Integrated solution***	***Performance Solution***
Content of value propositio n based on a) object of exchange, b) payment model, and c) degree of customi-zation	*Truck incl. basic services such as warranty Customer pays basic price for truck. Truck specification according to customer's wishes and dealer's suggestion.*	*Truck incl. standardized services as selected by customer. Customer pays basic price for truck and for each service added As previous but with addition of services chosen by customer*	*Truck incl. maintenance/repair contract and other services as a customized solution. Customer pays basic price for truck and monthly charge for contracted service. If at end of contract service needs were lower than predicted, customer gets kick-back. Joint development of solution to suit customer's needs*	*Uptime, driven kilometers, or tons transported per km. Customer pays according to service level agreement. Joint development of solution as basis for partnership*
Sales process	*Either the customer or the seller initiates the sales process. An interaction regarding truck specifications and services as an add on is between the individual seller/buyer of the truck. There is a back-up for the seller from its organization in order to construct an offer*	*The seller introduces a service portfolio in order to capture a wider portion of the spending of the customer. There is a huge interest and managerial attention from the seller organization in this one-stop-shopping alternative.*	*On the basis of a problem that the customer faces, a solution is created. Problems with accidents, unplanned stops and need of repairs during transport operations etc. truck manufacturer organization of service support, on-raod assistance, training are needed to solve the problem. The buyer organization is not engaged on a wider basis although the relationship to the supplier has premises to be long term*	*Many simultaneous interaction processes in between different functions. The parties organize as if they belong to the same organization and serve the same customer (i.e. the customer's customer). The truck manufacturer becomes a function in the buyer's organization and interacts with top management about strategic directives and coordinates with other functions.*
The interactio	*The general ability that*	*Higher degree of specialization*	*Low cost as well as differentiator*	*Innovation in terms of*

n process(es) results in capability	*usage of a premium truck and premium service network are resulting in*	*of the truck user*	*capabilities are sustained. It depends on which function/business process that the truck manufacturer collaborate with.*	*developing customer's resources to better match customer's customer*

5. INTERACTION PATTERNS AND CAPABILITIES

Top management likes to present The Manufacturer's evolving value propositions as a journey, starting with the sale of basic products, progressing via add-on services and integrated solutions, and ending with performance-oriented solutions. In practice, however, all offerings are available – in one form of another – at the same time; the same sales people sell basic trucks to some customers, add-on services to others, construct integrated solutions to some customers' specific needs, and have to develop performance solutions. In other words, a range of different interaction patterns have to be managed simultaneously and capabilities have to be added to enable these parallel value propositions. Below we discuss differences in interaction patterns as well as the capability needs they give rise to.

5.1 Interaction patterns

Clearly, interaction patterns – both inter- and intra-organizational – differ significantly between the value propositions, and are not just a question of which actors are involved, but also how they are involved. When selling a basic product or a basic product with add-on services, the salesman interacts with a customer representative in the form of vehicle specification and price negotiation. The dealer subsequently handles contacts with component suppliers and presents an integrated product to the buyer. Subsequent interaction takes two forms: operative contacts when the truck driver brings the truck to be serviced or repaired, as well the salesman's informal follow-up with the truck buyer (in case of smaller firms often the

owner; in the case of larger firms e.g. the purchasing manager). Contacts are fairly infrequent, largely operative in nature and of informal character.

The development of an integrated solution involves many more contact surfaces between manufacturer, dealer, and customer. Since the solution is tailor-made to the customer's needs, the development is interactive in the sense that an analysis of the customer's operations is needed. This involves not just a salesperson but analysts and support staff from many different functions. The development process also follows a somewhat more formalized script. This relates also to the usage phase, after the vehicles have been delivered. Follow-up is regular to ensure that the solution works as intended. Ongoing activities thus include follow-up at strategic levels at the customer (e.g. fleet managers), in addition to operational interaction between driver and the service organization.

Integrated solutions are often evolutionary in nature in the sense that they continue to be developed over time. A solution is typically not limited to the delivery of one or a few vehicles at a particular point in time, but represents an ongoing negotiation or relationship management process where, for example, components of the solution can be added, taken out, or changed.

The development of a performance solution represents an even more formalized interaction process, where The Manufacturer needs more profound knowledge of vehicle usage patterns, both to design a good solution as in the case of the integrated solution discussed above, but also to allocate risks.

5.2 Capabilities

Traditionally, The Manufacturer and its dealers have possessed significant capabilities in regard to creating low-cost solutions regarding truck usage, i.e. basic products and add-on service value propositions. A different set of capabilities are needed to support the development of solution-oriented value propositions that can help the customer achieve differentiation, though. Such solutions represent co-created "products" relying on integration of resources, in turn requiring significant capabilities to analyze and understand the customer's business. In other words, solutions require the capability to interact at a deeper level. It is often also necessary to assist the customer in achieving greater understanding not only regarding life-cycle cost drivers but how a solution can be a revenue driver, in other words assist the customer in becoming more "professional" or "mature". As a Sales Director notes, "[t]*he more mature the market is the easier it is for us to be competitive in a broader range, in all our applications*". This means that the structural fit between the parties increase (Håkansson, 1982), and that the buyer specializes. The ability to drive this development may be seen as educational capability. However, adding new value propositions and developing capabilities to support these is a two-way process; also The Manufacturer is influenced by its interaction with customers. Ideas regarding new value propositions arise and mature when interacting with customers and customers' customers. This requires an organization responsive to customer input, an organization that can both collect, systematically store, disseminate and utilize external input, a complex but nonetheless significant capability.

The Manufacturer and its dealers thus possess significant knowledge regarding the vehicle as such, which is formalized into various information management systems, etc. Knowledge regarding truck usage may often be more informal in nature and is not always systematized in the same way. Selling solutions that rely on experience regarding truck usage requires the

capability to systematically collect, analyze and make available this information to all parties involved in providing a vehicle.

In the implementation of integrated and particularly performance-oriented solution The Manufacturer and its dealers can take over functions traditionally performed by the customer. While the technical capabilities needed to perform these activities may already be inherent in the providing side's palette of services, the outcome of the interaction process depends on reorienting organizational product culture to solutions culture, building external effectiveness at the customer interface and achieving internal efficiency of operations (cf., Salonen, 2011). In such interaction processes, the strength of the relationship, the firms' positions in the network, the solution's impact on existing internal activities and the solution's impact on customers' core processes are arguably central feature (cf., Windahl & Lakemond, 2006). According to a Sales Director, "[y]*ou have to start with the relations. You need to understand the problems of the customers in his operations. If you can solve some of his problem, then you will have a friend in a relationship, he trust you as a partner in business. When you have the trust you can start talking*".

Performance-oriented solutions are still rare, though; according to the Executive Regional Director Sales and Services Management, "[i]*t might put a good vision on the board, but bread and butter it is not."* Respondents indicate that although The Manufacturer may have in place the various functions (and related lower-order capabilities) needed to develop these, the higher-order capability of coordinating these functions may not yet be established and performance-oriented queries from customers may face resistance among dealers and representative of The Manufacturer. In the words of the Executive Regional Director Sales and Services Management, "[i]*f we look on evolution of services, the problem is that all* […]

functions are not aligned and happen at the same time". Secondly, there appears to be a perceptual gap between top management at The Manufacturer and its dealer network regarding which value propositions to emphasize.

The different value propositions may also be understood in terms of the particularity of capabilities and their numbers (cf., Ford et al., 2002). Products and add-on service packages rely on fairly limited particularity of capabilities, i.e. the capabilities are general in the sense that they do not relate to specific customers. Apart from the capabilities needed in manufacturing the vehicle and developing add-on services, capabilities are also relatively limited in number compared to the capabilities required for integrated solutions. The capabilities for integrated solutions are also more particular in nature; however, both particularity of capabilities and their number increase with performance-oriented value propositions.

6. CONCLUSIONS AND IMPLICTIONS

We have performed a study of the evolving value propositions of a heavy vehicle manufacturer focusing on how interaction patterns change between value propositions and the capabilities needed to manage interaction. As value propositions become more complex and customer-oriented in nature, they involve more formalized, strategic, continuous and long-term oriented interaction between manufacturer, dealer, and customer. Internal interaction also becomes more important, as input of more internal actors is needed in the creation of solutions. Solution-oriented value propositions also place more far-reaching demands on capabilities than the sale of basic products and add-on service. Such capabilities relate to the analysis of customer operations, management of information about vehicle usage and drivers of customers' value generation, and relationship management. Demands on internal

coordination and cooperation capabilities also increase. The exchange of integrated and performance-oriented solutions also requires a different set of customer capabilities; while customer may no longer need to perform some activities relating to vehicle management, they instead must become more adept at relationship management. When some of these capabilities are missing, customers may not be willing or able to buy solutions. In other words, capabilities determine "structural fit" between customers and suppliers and which value proposition may be most appropriate.

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