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The different roles of Total Value of Ownership in the customer interface

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Abstract: Current customer accounting (CA) practices help companies to measure and manage customer relationships (Cäker & Strömsten 2010). This study investigates whether the accounting concept Total Value of Ownership (TVO) can be used to expand this traditional role of CA. By investigating whether TVO can be used in the customer interface and what roles TVO can play in this context, this thesis aims at exploring if TVO can be used to influence customer value and thus the value of the customer relationship. To investigate this, an in-depth study of the sales argumentation in a specific customer deal was conducted in GlobIT, a large multinational corporation in the IT industry. It was found that TVO argumentation, in line with the developed definition of the concept, was used in the case. This case could thus be used to identify what type of roles that TVO can play in the customer interface. We identified three main roles that TVO argumentation can play in the sales process i.e *an aligner of internal resources, a sales engagement tool* and *a trust enhancer.* The first role confirms the current function of CA, whereas the latter two are found to expand the traditional role of CA.

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1. Introduction

***"If we [author's note: vendors] can prove that we can generate value for our customers, it is much easier to share that value*" (Internal Consultant at GlobIT, 2012).**

This quote is a reflection of the on-going change in mind-set amongst today's IT vendors, a development induced by the difficult situation that these suppliers are currently facing. The increasing price competition has lead to diminished margins while the need for research & development (R&D) investments remains high. Evidently, something needs to be changed in order for companies in this market place to survive. The solution has been stated to put more focus on providing customer value.

During the last decades, there has been a noticeable increase of emphasis on customers within both academics as well as in the corporate world (Boyce 2000, Guilding & McManus 2010). In the field of management accounting, this development is reflected in the rise of the concept Customer accounting (CA) (Guilding & McManus 2002). CA is today seen as a tool to measure and manage customer relationships, either in terms of profitability or life-time value (Pfeifer et al. 2005, Cäker & Strömsten 2010). However, no literature explores the role of CA when it comes to actually influencing the value of the customer relationship. This is demonstrated by for example Roslender & Hart (2010), who criticize the concept of CA for being too focused on controlling customers instead of engaging and learning from them so that customer offerings can be improved. Boyce (2000) further criticizes that the accounting calculations of customer value have shifted firms' focus from *"providing value to the consumers and ensuring their satisfaction"* to *"extracting value from the customers to ensure the satisfaction of shareholders and managers"*. Through this shift, customers are no longer viewed as firms' raison d'être but rather as consumers of the organization's resources (Boyce 2000). At the same time, Martin (2010) strongly critisizes shareholder value's short-term focus and instead suggests that companies need to put customers first in order to reach sustainable profitability. In other words, this indicates that creating value for the customers and making them satisfied influences the value of the customer relationships. Thus, we can conclude that CA has its merits when it comes to evaluating and controlling the customer. However, we find a gap within the literature of what CA's role could be in actually creating customer value and thus influencing the value of the customer relationship. In other words, we have identified a knowledge gap within CA literature when it comes to exploring its potential of actually influencing the value of the customer relationship, not only evaluate and manage it.

The accounting concept of Total Value of Ownership (TVO) is an extension of the concept of Total Cost of Ownership (TCO), which is described as a supplier selection tool. We argue that it is relevant to study TVO in the customer interface because the customers are already using it, proving the applicability of the concept in this kind of relationship. As TVO is an accounting concept and we aim to bring it into the customer interface, we argue that we thereby bring TVO into the context of CA as the latter focuses on accounting in the customer interface. By investigating from a supplier perspective how the concept of TVO is used in the interaction with customers, more specifically in the sales process, we thus aim to contribute to CA literature by investigating if the concept of TVO can be used to expand the function of CA and fill the above identified gap. In order to do this, we aim to explore the concept of TVO in three ways. Firstly, TCO has been widely researched but very little has been written about TVO and no clear definition of the concept can be found in the literature. Hence, by conducting our study we firstly expect to develop the theory around TVO. Secondly, up till now, there has actually not been a single study investigating how TVO is used in practice. By conducting an in-depth case study of how TVO is used within a large multinational corporation (MNC), we will provide insights regarding how TVO can be used in practice. The IT industry provides a dynamic and complex setting for this. Furthermore, the majority of studies about TCO and TVO take a customer perspective to describe how these concepts are used as supplier selection tools. However, Wouters et al. (2005) suggest that TVO potentially can be used successfully as an argumentation tool towards customers which is shown in the following quote: *"Having a TVO analysis of alternative buying opportunities related to different end products is not only relevant for the sourcing decisions, but also for negotiating an equitable return for this superior performance provided to customers" (p. 186)*. Anderson et al. (2007) express a contradicting view when stating their skepticism towards using TVO in the sales process. Thus, we lastly want to investigate which of these theoretical standpoints that holds in practice i.e. whether TVO is suitable to use in the customer interface or not.

<u>This leads us to our research questions:</u>

- *How can the accounting concept TVO be used as a value argumentation tool in the customer interface?*
- *What roles can TVO argumentation play in the customer interface?*
- *How can TVO argumentation's roles in the customer interface contribute to the extension of the CA literature?*

1.1. Delimitation

In order to understand how TVO can be used and what role it can have in the customer interface, we have decided to conduct our research in one chosen case company. This allows us to gain a deep understanding of our research questions. Given that this is the first study investigating how the concept of TVO can be used in the customer interface, we argue that gaining a deep understanding of the concept in one case company is preferred to a broader scope where a less deep understanding would be obtained. Thus, the study takes place in a large MNC in the IT industry, hence after called *GlobIT.* As mentioned earlier, the focus will be on how TVO is used in the customer interface, which means that the traditional role of TVO and its predecessor TCO as supplier selection tools is outside the scope of this study.

1.2. Outline

Chapter 2 of this thesis presents the previous research relevant for our study, mainly within the area of Customer Accounting and the development from Total Cost of Ownership to Total Value of Ownership. Chapter 3 describes the empirical method and research approach used as well as the selection of case. Finally, the research quality will be critically examined. Chapter 4 consists of our empirical findings. In chapter 5, we analyze how the empirical findings relate to the earlier described theory. Finally, chapter 6 presents our concluding remarks. This chapter includes conclusion, managerial implications, a discussion of the findings and the limitations found as well as suggested future studies.

2. Previous research

This section begins with an overview of the literature within the area of CA, followed by an elaboration of the critique against it. Thereafter we will describe TCO and how it has developed into the concept TVO. Based on previous research, we will lastly introduce our definition of TVO and theoretically explore the three main dimensions of it.

2.1. CA literature

2.1.1. The purpose of CA

Ever since the "customer revolution" during the 80s, mantras such as "customer is king" and "creating value for customers" have become wide-spread both within academic literature and in practice within corporations (Boyce 2000). In marketing and management literature, countless studies can be found on how concepts such as customer satisfaction, customer retention and customer relationships affect corporate strategies and profitability (Kaplan & Norton 2004; Ittner & Larcker 1998). Within management accounting, CA can be seen as the most customer-oriented area. The holistic definition of CA is that it "*includes all accounting practices directed towards appraising profit, sales, or present value of earnings relating to a customer or group of customers*" (Guilding & McManus 2002, p. 48). Cäker & Strömsten (2010) further describe CA's operational function "*as an internal tool that firms use to measure and manage their customer relationships*" (p.151). In other words, customer accounting focuses on the financial measurement of customers and the value of the customer relationship is thus in this context seen as the financial worth of the customer (Lind & Strömsten 2006).

2.1.2. Two streams of CA literature: Customer profitability vs. Customer lifetime value

According to Pfeifer et al. (2005), customer profitability (CP) and customer lifetime value (CLV) should be seen as the two main streams within CA. Cäker & Strömsten (2010) describe CP as *" an accounting concept, where the difference between revenues and costs for a customer relationship is calculated for a specific time period" (p. 154).* This CA practice of identifying the accrued profit of specific customers is the most widely researched but is also considered one of the least sophisticated. Guilding & McManus (2002) identify customer segment profitability analysis and lifetime customer profitability analysis as further dimensions of CA, which also are closely associated with the profitability of customers. Customer segment profitability analysis extends the unit of analysis from the individual customer to a customer segment but is otherwise similar to CP. As suggested by the name, lifetime customer profitability analysis takes into consideration the future profitability projected over the lifetime of a customer relation. This has mainly been researched within the life insurance and banking industry (Guilding & McManus 2002). As earlier stated, the second main stream of CA literature is embodied by CLV. The word "value" is directly linked to the same word in the concept of "present value", which reflects the view that customers are seen as assets (Pfeifer et al. 2005; Cäker & Strömsten 2010). CLV is defined as "*the present value of the future cash flow attributed to a firm's customer relationships*" (Cäker & Strömsten 2010 p.154). In other words, CLV takes into account the time value of money by using discounting and present value techniques (Pfeifer et al. 2005). The largest difference between the two streams is that the profitability of a customer is based on the accrual-based profit during a specific period while the value concerns the cash-equivalent price today that a buyer would be willing to pay for infinite future cash flows. This means that although a customer looks unprofitable today it can have a positive CLV if it is believed to generate positive future cash flows and vice versa (Pfeifer et al. 2005).

According to Cäker & Strömsten (2010), there is limited interaction between the two streams of literature. Research concerning CP is mainly done by accounting researchers, who conduct case studies in the customer interface. However, CLV-research is mostly performed by marketing researchers who focus on consumer markets. In these studies, researchers often apply mathematical models and use quantitative methods (Cäker & Strömsten 2010). Cäker & Strömsten (2010) suggest that the CLV-research would benefit from being extended to include non-financial information, such as customer satisfaction, when conducting studies regarding the practical application of the concept. The reason being that *"many CLV models have been developed with consumer markets in mind and the complexity of B2B markets may further call for less deductive, more qualitative approaches" (Cäker & Strömsten p. 176).*

2.1.3. Interorganizational interfaces as predictors of CA techniques used

There is limited literature investigating when and why certain CA techniques are used. Lind & Strömsten (2006) conclude that the type of customer relationship should determine the CA technique used. The level of adaptation of a supplier company's organizational and technical interface towards a specific customer is used to assess the nature of the customer relationship (see Figure 1). For example, a connective customer relationship is characterized by a low degree of organizational interface adaptation but a rather high degree of adaptation in the technical interface. As the technical adaptation demands a lot of resources and investment without immediate corresponding revenue streams, a customer valuation approach is needed since the customer may prove to be profitable in the future or it is an assigned lead user.

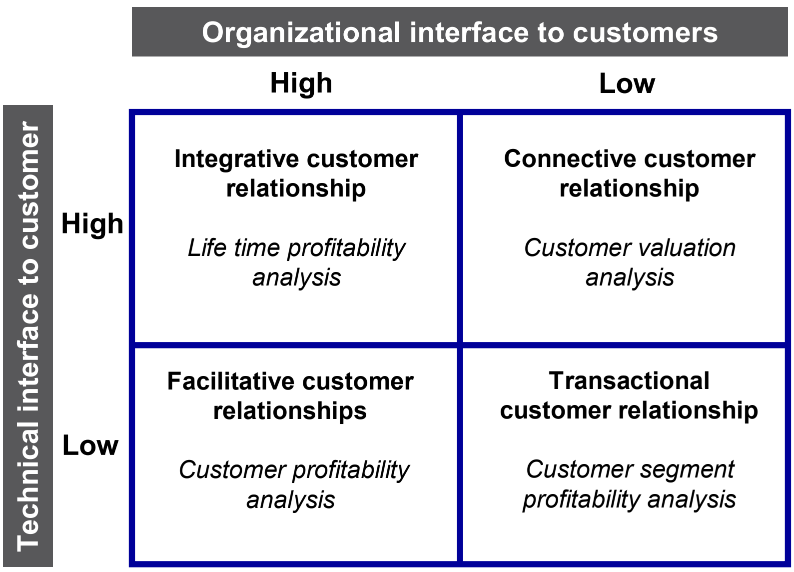

Figure 1 Combining visualization of Lind & Strömsten's (2006) models that shows which CA technique should be applied given a type of customer relationship

2.1. 4. The development of customer-related techniques within CA

Cäker & Strömsten (2010) suggest that customer accounting would benefit from reducing borders between different streams of research. *"We believe that this might happen sooner if the accounting and marketing disciplines acknowledge both the possibilities and limitations of their respective fields" (Cäker & Strömsten 2010, p. 177)*. The amount of customer-related research within the field of management accounting is rather limited. However, an increase in performance measurements that focuses on the customer can be seen (Guilding & McManus 2010). The Balanced Scorecard, Target Costing, Attribute Costing and Brand Management Accounting are all examples of customer-related techniques that have emerged (Kaplan & Norton 2004; Roslender & Hart 2010). Roslender & Hart (2010) see these customer-related techniques as developments within the field of CA and describe them as efforts to bring the customer more into customer accounting. The customer-centricity is demonstrated by for example the use of attribute costing, in which the benefits that the customer is experiencing are seen as the ultimate cost drivers. This differentiates the concept from more traditional cost management techniques by taking customer attributes as point of departure, instead of the internal value chain which in the end delivers value to the customer. However, attribute costing seems to be more of a conceptualization than a technique operationalized in practice (Roslender & Hart 2003).

2.1.5. Critique towards CA – Self-centric rather than customer-centric

Boyce (2000) discusses that making valuations of customers can lead to better integration of accounting within the operational side of the organization. The accountant can then fill the role of bringing together information from marketing, finance and operations into a holistic analysis. Although expressing this positive side of customer accounting, Boyce (2000) is rather critical towards the role of customer valuation. According to Boyce (2000), there is only one single reason why companies adopt a customer focus and that is to create profit for the company itself. In this context, customer valuation shapes the organizations actions by calculating the value of the customers and thus make some customers more visible and some less visible with the end-goal of maximizing shareholder value. Boyce (2000) strongly criticizes the rationale of emphasizing customer focus as a means to create shareholder value and customer valuation's role of helping to extract value from customers instead of enhancing customer value. Although not being as strong in their critique towards customer accounting, Roslender & Hart (2010) argue that CA techniques have failed to take the customer into account in an adequate way. Companies "*construct the customer in an effort to control them, with little interest in engaging customers and learning from them" (p. 140).* Today, the purpose of the information collected about the customer is mainly there to satisfy the interests of managers and accountants, not to benefit the customers themselves. Although more customer-related approaches to CA like the techniques described earlier, e.g. the balanced scorecard and attribute costing, have been developed they are still characterized as attempts "*to construct the customer in a largely tried and tested fashion" (Roslender & Hart 2010 p.749).* Roslender & Hart (2010) argue that the problem is not that companies are unable to see that customers are important for their success. To the contrary, companies are very well aware of it and the authors further acknowledge that companies do try to take the customers into account. However, *"all they are doing by means of such exercises is to extend familiar and largely successful practices, in the hope that they will continue to prove successful" (p. 743).* Roslender & Hart (2010) state "*that there is a pressing need to take the customer into account in a compelling way if the accounting profession is to retain its own credibility within the organization*" *(p. 739)*. In order to address the problem of companies making inadequate constructions of the customer, Roslender & Hart (2010) suggest that *customer self-accounts* need to be created. By this, the authors mean that companies need to physically bring the customer into the process in order to make good decisions. The key to success is to encourage a dialogue between the customer and the company, where the customer would be the dominant partner providing the company with thoughts about the offerings, which the company can use internally. A strong connection can here be seen to the world of relationship marketing. As emphasized by the authors; future revenue streams will only take place "*if market offerings are what customers seek in their relationships with businesses" (Roslender & Hart 2010 p. 750).*

2.1.6. How customer value can influence the value of the customer relationship

As seen above, Roslender & Hart (2010) and Boyce (2000) conclude that CA and customer valation are too much focused on extracting value from the customer. Boyce (2000) blaims the focus on shareholder value for this narrowsightness in customer valuation practices. Martin (2010) similarly critisizes that companies today are too much focused on creating shareholder value, leading to short-term actions to increase profitability. He instead suggests that companies should put their customers first by stating that *"determining what your customers value and focusing on always pleasing them is a better optimization formula" (Martin 2010, p. 5).* However, Martin (2010) also emphasizes that despite focusing on customer satisfaction, the shareholders will still be better off in the long run and that the profit focus not will be lost in the organization. Ittner & Larcker (1998) also found in their study that customer satisfaction measures are leading indicators of firms' ability to generate for example higher revenue growth and better margins. Given this, we argue that by providing more customer value also the value of the relationship will increase.

2.2. The development of the concept Total Value of Ownership

2.2.1. Understanding the concept Total Cost of Ownership

Companies are working more and more with strategic cost management to control costs in order to ensure profits (Ellram & Siferd 1998). Total Cost of Ownership (TCO) has thus become an important concept, since it provides a broader perspective on costs. The concept was originally applied in IT projects in the late 1980's by the Gartner consulting group, which pushed the development of TCO (Snelgrove 2012). TCO is interconnected with the maybe more familiar concept of life-cycle costing (Ellram 1994). As opposed to looking only at the purchase price, the concept TCO takes all costs associated with the product during its lifecycle into account. It can be described as "*a philosophy, which aims at understanding the total cost of a purchase from a particular supplier. In other words, it strives to analyze and understand the full cost of doing business with a supplier, beyond the price itself*" (Ellram 1993, p. 49). Degraeve et al. (2005) describe the concept in a similar way. According to the authors "*the TCO approach goes beyond minimizing purchase price and studies all costs that occur during the entire life cycle of the item in the organization" (p.4).*

In effect, TCO includes costs that arise during the three stages of the life-cycle of a product i.e. the pre-transaction period, the transaction period and the post-transaction period. Costs associated with these three phases are costs for investigating alternatives, the price paid for the product and storage costs (Ellram 1993; Ellram & Siferd 1998).

There is no established general guideline regarding what specific factors to include in a TCO valuation. However, researchers have made some efforts to try and formulate recommendations by conducting studies on the subject. Ellram & Siferd (1993) made a categorization of six different aspects, which should be included in the TCO concept: management, delivery, service, communications, price and quality (see figure 2 below).

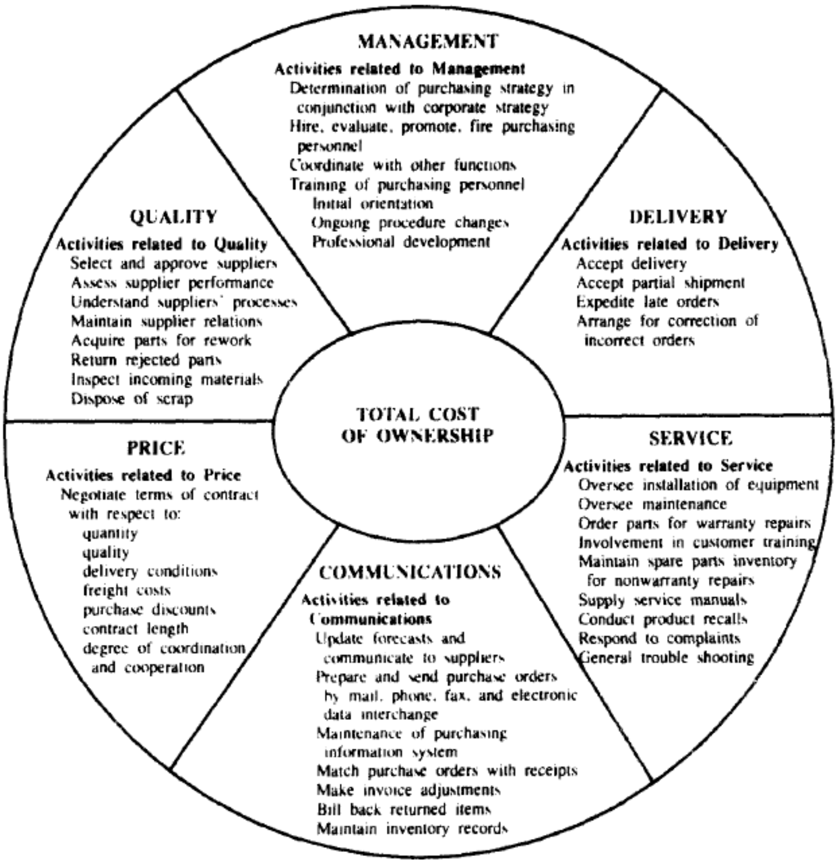

Figure 2 Ellram & Siferd's (1993) categorization of TCO elements

However, Ferrin & Plank (2002) argue that it probably is unreasonable to think that there can be one specific categorization scheme for which aspects to include in the concept, applicable to all situations.

2.2.2. TCO as an application of activity-based costing

According to a major part of researchers, TCO is best measured using relevant cost-drivers (Ferrin & Plank 2002). Hence, many researchers argue that TCO finds its origin in activity-based costing (ABC) in line with the following quotation: *"ABC is an accounting method in which costs are identified with the activities driving them. ABC establishes the all-important link between decisions that cause activities and activities that cause costs" (Roehm et al. 1992, p. 59).*

Ostrenga (1990) elaborated on the relationship between ABC and Total Cost Management (TCM). The author emphasized the importance of having ABC as a basis for good TCM or more specifically that activities should be the focal point of TCM. TCO is about finding the true cost of a purchase from a specific supplier (Tibben-Lembke 1998). In line with the quotation by Roehm et al. (1992) above the same rationale can be found behind the concept of ABC. ABC disassociates itself from arbitrary cost allocations whereas TCO looks beyond the purchase price in order to capture more than just the most visible cost. Hence, both of the concepts aim to provide a more relevant measurement of costs.

Research shows that ABC often is used for calculating the TCO of a product in order to evaluate offers from different suppliers (Degraeve et al. 2000 & Degraeve et al. 2005). In this situation, ABC can be seen as a guiding tool used to identify the relevant costs. Ellram & Siferd (1993) present a more specific methodology for determining the TCO of a purchase by using ABC. *"By focusing on activities and associated cost drivers, purchasing can identify the goods and services that provide the firm with the lowest total cost of ownership" (Ellram & Siferd 1993, pp. 182-183).* One of the main advantages of using ABC as a basis for TCO valuation is that the technique allows for quantification of costs (Degraeve et al. 2000; Wouters et al. 2005).

2.2.3. An alternative view on TCO

The view that ABC would serve as the best way to calculate the relevant costs in a TCO analysis is not shared by all researchers. Some argue that it is more relevant to look at costs associated with supplier failure and delayed production i.e. the economic cost or opportunity cost of a purchase, since these kind of costs have a bigger impact on a firm's profitability (Anderson & Dekker 2009). Irrespective of which is the best way to measure the costs in a TCO analysi s, it is rather clear that the economic costs are harder to foresee and therefore more difficult to include. Hence, this could explain why the usage of ABC in TCO calculations is a more prevalent topic in previous research.

2.2.4. TCO usage in practice

We can conclude that the existing literature suggests that the concept TCO theoretically is a relevant method for calculating the actual cost of a purchase but is it actually used in practice? A study conducted by Ellram & Siferd (1993) showed that TCO was not used to a large extent in practice, at least not in a formalized way. One possible explanation for this was that the concept may be regarded as too complex. Another explanation was that adopting TCO may lead to elimination of jobs and the new concept could thus meet resistance among employees (Ellram & Siferd 1998). In contrast, Porter (1997) showed in his American study that nearly eight out of ten supply management executives used TCO valuation when making purchasing decisions. A more recent study by Ferring & Plank (2002) further confirms that companies are making an effort to use TCO evaluation. Evidently, TCO seems to be used in practice, especially during recent years.

2.2.5. TCO considered as an insufficient method, leading to the development of TVO

Meckbach (1998) argues that TCO is an overrated measure in the IT business pushed by analysts and vendors. The author further claims that TCO does not influence purchase decisions significantly. *"TCO estimates [for personal computers] often fail to account for factors such as user productivity, business benefits, and user satisfaction" (Meckbach 1998, p. 17).* The expressed inability of TCO to capture all relevant aspects has spurred the evolvement of the newer concept known as Total Value of Ownership (TVO).

Today, the concept of TCO is explored rather thoroughly in the existing accounting literature. However, TVO hardly ever appears in academic research since it is a relatively new concept. Moreover, after attending a presentation with Todd Snelgrove, a researcher approaching this research area from a more practical point of view, it was discovered that there seems to be a resistance towards using the exact term TVO within organizations. The reason being that it includes the word "value", which Snelgrove argues has an unpleasant ring in the ears of the employees in the purchasing departments on the supplier side. Instead, Snelgrove suggests a new definition of the TCO concept in which revenue aspects also would be included. He argues that an upgrade of the concept would not cause confusion since the knowledge of the specific aspects included in the former definition was limited within companies (Snelgrove presentation 2012-10-09).

2.2.6. TVO incorporates revenue aspects on top of total cost

TVO can be seen as an extension of the pure cost assessment concept TCO. Snelgrove (2012) argues that *"advanced companies are now looking at both sides of the income statement when making business decisions. How can I reduce my costs using existing TCO methodologies and how can I increase my revenues, thus allowing for a true analysis of what is the best deal" (p.80).* Wouters et al. (2005) describe TVO as a concept *"which captures both total cost considerations in ownership, but also performance advantages gained by the purchasing firm to create value for its customers and receive additional revenues and profits that it otherwise could not" (p.186).*

On behalf of McKinsey, Dempsey et al. (1998) elaborated upon the concept of TVO already in 1998. The consulting firm introduced TVO as a good tool for evaluating the real benefits of IT investments, which is the area where TCO was introduced as well. *"Costs are not the whole story, even when they are projected over the entire life of an investment. Rather, managers need to understand the total value of ownership that an IT investment may represent" (p.128).* According to the authors, the analysis of IT investments should be made "*on the basis of value, using a sound cost/benefit methodology, robust management processes, and mature IT and business judgment" (p. 137).* By going through a real case the authors conclude that companies risk missing great investment opportunities if only cost aspects are considered when making IT-investments. Hurkens & Wynstra (2006) further argue that TVO can be seen as a better evaluation tool than TCO, since the measure considers also revenue aspects that in some cases may be more relevant when determining whether it is a good buy or not.

2.3. Definition of TVO and its three main dimensions

Given the limited research regarding TVO it is hard to find a clear definition of the concept. With guidance from the literature that does exist on TVO and the literature about its predecessor TCO, we have thus defined TVO as:

An accounting concept which quantifies and incorporates all discounted revenue and cost effects over the life-time of an offering

As seen in the definition, there are three main dimensions that are important to further elobarate upon: Discounted revenue vs costs arguments, Holistic picture or specific features and Quantification.

2.3.1. Dimension 1: Discounted revenue vs cost arguments

It is clear from the discussion above that TVO expands the concept of TCO by including revenue aspects on top of the total cost. Wouters et al. (2005) develop this by stating that the concept of TVO is closely related to the concept of the value of a product as discussed in marketing literature. Lindgreen & Wynstra (2005) discuss the numerous definitions of the term value in business markets. For example, Kotler (2000) chooses to define customer delivered value as *"the difference between total customer value and total customer cost"* where the *total customer value* is the benefits that the customer expects from a product or service and the *total customer cost* is the costs that the customer expects to have when evaluating, obtaining, using and disposing the product or service.

Anderson & Narus (1998) and Anderson et al. (2007) define the word value in business markets as *"the worth in monetary terms of the technical, economic, service, and social benefits a customer company receives in exchange for the price it pays for a market offering" (p. 54)*. As discussed by Lindgreen & Wynstra (2005), a major difference between the descriptions of customer value in the literature lies in the view on the relationship between price and value. Kotler (2000) sees price as a factor that should be subtracted from the benefits while Anderson et al. (2007) see price and value as independent of each other. As stated earlier, the definition made in CA between profitability and value is that value takes into account the time value and is thus discounted (Pfeifer et al. 2005; Cäker & Strömsten 2010). Thus, we find it appropriate to also include practice of discounting in our definition as TVO is also dealing with value over time.

2.3.2. Dimension 2: Holistic picture vs. specific features

Anderson et al. (2007) have a skeptical attitude towards using TCO or TVO in the customer proposal, hence in the customer interface. Although it is a good concept, the authors argue that it does not work in practice. The reason for this being that *"customers have limited patience in cooperating with suppliers"* (Anderson et al. 2007, p. 8). Managers at the customer side have less time on their hands due to greater responsibilities and they are also reluctant to share data with their suppliers. "*Each of these facts works against the meticulous, time-consuming process of gathering data to estimate the total cost or, better still, total value of ownership in practice" (p. 8).* The authors argue that pursuing TCO or TVO calculations will end up in compromising shortcuts instead of collecting the right data.

Instead, Anderson et al. (2007) suggest that value argumentation should be approached by identifying value elements which are the most important in terms of reducing costs or increasing revenue for the customer. The authors introduce three kinds of customer value propositions; *all benefits, favorable points of difference* and *resonating focus*. Pursuing the first strategy results in a value argumentation where all benefits of an offering would be listed. There is a risk of "benefit assertion" attributed to this strategy, meaning that certain features of an offering might not be seen as benefits from the customer's point of view. Moreover, some of the benefits might be shared with the next best alternative making the actual few points of difference not as visible. The second strategy, *favorable points of difference* disregards the points of parity with the next best alternative and instead focuses on all points of difference. Although the points of parity are excluded, this type of argumentation can still result in a wide range of benefits. This may lead to *value presumption,* which means that the supplier assumes that certain favorable points of difference must be valuable for the customer. In turn, this may lead to the supplier stressing favorable points of difference that are of relatively little value to the customer. The third strategy, *resonating focus,* focuses only on one or two points of difference and maybe one point of parity that will deliver the greatest value to the customer. Anderson et al. (2007) argue that resonating focus would be the preferred strategy, since value propositions need to be simple but at the same time powerfully captivating. They go as far as to say that *"resonating focus value argumentation should be the gold standard for judging customer value propositions" (Anderson et al. 2007, p.34).* We can conclude that the latter two types of value propositions focus on comparing a company's market offering to the next best alternative in order to convince customers of the value of a product, whereas the first one sees the proposition as separate from the competitors' propositions.

After having reviewed the literature regarding TVO and value in business markets we can conclude that these two represent two different paths within the area. The TCO and TVO concepts are discussed in the accounting literature and the value concept is elaborated on in the marketing literature. Although the two research streams are interrelated, there are some discrepancies between the two. When discussing the concept of value it does not have to be from a total value perspective as in the case of TVO. Rather, as discussed above, specific value elements may very well be chosen to create a more persuasive value proposition. Moreover, an interesting observation is that they generally are viewed from different perspectives. TCO and TVO are described as supplier selection tools for customers whereas value argumentation strategies put emphasis on conveying to customers the value of an offering from a supplier perspective.

2.3.3. Dimension 3: Quantification of arguments

Wouters et al. (2009) highlight the importance of monetary quantification in TCO valuation during new product development, since it for example reduces the uncertainty of a project. Degraeve & Roodhoft (1998), Degraeve et al. (2000), Degraeve et al. (2004), Degraeve et al. (2005) and Degraeve et al. (2005) used ABC and mathematical programming in specific case companies to quantify the TCO valuation and thereby arrive at concrete cost saving figures. Snelgrove (2012) argues that quantification is the key to successful "TVO" argumentation (as explained above Snelgrove does not use the word TVO, but calls it an upgrade of TCO). The author explains that *"If you can prove the value of your product or service <u>by measuring it in 'hard' monetary terms</u> that the customer understands, your price premium can be seen as an investment. However, without the <u>backing of data, financial models and in some cases guarantees of minimum value created</u>, you leave procurement people no choice but to discuss price" (p. 80).*

Kadous et al. (2005) emphasize the importance of quantifying a benefit or cost in a proposal in order to make it more persuasive. The authors state that *"Our model suggests that a quantified proposal can be more persuasive than a non quantified proposal because the former reflects more positively both on the competence of the manager who prepared it and on the plausibility of a favorable outcome" (p. 674).* However, the authors found that if the proposal was based on subjective inputs it was more likely that the quantified proposal would be critically analyzed compared to a non quantified proposal. Critical analysis was in this study defined *"as comments that indicate that participants questioned the accuracy or completeness of the information or the validity of the analysis method" (p. 680).* Hence, subjective inputs were found to decrease the persuasiveness of a proposal (Kadous et al. 2005).

Moreover, Anderson et al. (2007) highlight the importance of demonstrating the value of an offering. Their definition of value, described above, shows that monetary quantification is an essential part of illustrating this value. The authors argue that the potential savings and the added value must be made tangible in order to make the proposition stand out from the competition (Anderson et al. 2007).

3. Method

In this section, we will first describe and justify our choice of empirical method i.e. qualitative single embedded case study. Thereafter, we will elaborate further on the chosen research approach and motivate why we selected our case company. We will continue with describing the data collection and data analysis processes. Lastly, we will conduct a critical evaluation of the research quality in this study.

3.1. Empirical method

3.1.1. Qualitative study

Given the rather broad scope of the research topic and the lack of precedent studies within this area, we have chosen the empirical method of a qualitative single-case study. The qualitative research method aims at understanding the meaning of a certain phenomena by analyzing how all components that build up to the event work together to achieve the whole, as opposed to quantitative research that analyzes a phenomena by decomposing it into a range of explanatory factors (Merriam 1994). In other words, qualitative studies foremost have the goal to understand complex problems rather than to explain them (Anderson 1998). As a consequence of this exploratory focus, qualitative studies enable a broader understanding and interpretation of research results which we believe is essential to truly understand our chosen research phenomena.

3.1.2. Case study research method

Yin (2009, p. 18) defines a case study as an *"empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context".* Moreover, case studies are also characterized by that no clear boundaries exist between the investigated phenomenon and its context. In our case, the concept of TVO is constantly evolving due to the changing context in which it is used and the boundaries thus become blurry. The case study method is favorably used in new topic areas, since it provides the means to develop theory and learn by using in-depth insight of empirical phenomena and their contexts (Eisenhardt 1989; Dubois & Gadde 2002). This suits the nature of our study as we aim to expand CA literature by developing new theory within the area of TVO. Moreover, the case study method also allows the researchers to gain a holistic view and meaningful characteristics of real-life events (Yin 2009, p. 4). As with all research methods, case studies hold a distinct advantage only when certain criteria are fulfilled. Firstly, our research questions focus on the *how* which together with *why,* is the type of question that is best answered through case studies. Secondly, we have chosen to study a present-day deal, as opposed to historical cases, because cases that utilize value argumentation in practice still are quite rare and the result of a recent development. Since we are studying a contemporary set of events, we can benefit from gathering evidence from a full range of sources including direct observations of the event and interviews with people involved in the particular case (Yin 2009). Lastly, also the criterion of not having control over the behavioral event is satisfied since we were in no way operationally involved in the investigated deal. Consequently, we concluded that our research questions could best be answered by employing the research method of a case study. At the same time, we are aware of that case studies often are criticized for not being able to provide results that can withstand generalization (Yin 2009, Dubois & Gadde 2002). However, we concluded that the case study method's appropriateness for analytical generalization, i.e. to expand and generalize theories, better meets the goal of our thesis than statistical generalization that mainly enumerates frequencies (Yin 2009).

3.1.3. Single-case study

Regarding the design of our case study, we decided to conduct a single-embedded case study with multiple units of analysis. There are acknowledged advantages of these kind of studies e.g. being perceived as more robust and provide more trust-worthy results (Yin 2009). However, we still believe that a single-case study design is mores suitable in this case due to the nature of our research questions. Since we are investigating how TVO is used in the customer interface, a large and diverse set of stakeholders within the organization, e.g. product marketing, key accounts and business managers, are involved. The resulting complexity in combination with the lack of previous research regarding our topic and made delimitiations, creates a need for depth in the analysis rather than breath. This is in line with Dubois & Gadde's (2002) recommendation to go deep into one case instead of increasing the number of cases when investigating a problem that is directed towards analysis of interdependent variables in complex structures. Since TVO argumentation in the customer interface is dependent on many mutually dependent factors, e.g. customer relationships and organizational resources, we decided to follow Duboi & Gadde's (2002) recommendation. Furthermore, Yin (2009) concludes that the two rationales for employing a single-case study design are that the chosen case is *revelatory* and *extreme or unique.* Our access into our case company makes it possible for us to study our phenomenon of TVO argumentation in such a way that seldom is possible, leading to revelatory characteristics. Moreover, we identified GlobIT as a unique case of a MNC in the business-to-business market that is focusing on implementing value argumentation due to the strong force of toughening competitive pressure. Given the above reasons, we decided to focus on one single case rather than to conduct a multiple case study.

3.2. Research approach

In order to produce knowledge about the society or organizations, there are two common research approaches, i.e. deduction and induction, which enable scientific conclusions. However, both these approaches view the research process as a linear process and thus fail to fully exploit the potential benefits of intertwining theory and empirics provided by case study research (Dubois & Gadde 2002). Thus, we have decided to instead approach our research in an abductive way which is closely related to the concept of systematic combining. With an abductive approach, research is seen as an iterative process where the researcher goes back and forth between theory and empirical observations in order to constantly expand upon both. Systematic combining further implies that unexpected but related empirical findings can redirect the current theoretical framework and thus shift the direction of future data collection, leading to new empirical discoveries (Dubois & Gadde 2002; Alvesson & Skoldberg 1994). In line with this, we have worked actively with both theory and empirical findings throughout the research process. After investigating the current theoretic landscape within the area of CA and TVO in order to establish our theoretical base, we have carefully been adjusting it in order to match the reality of the case empirics and vice versa.

3.3. Selection of case

3.3.1. Selection of MNC: GlobIT

As we wanted to study the phenomenon of TVO argumentation in the customer interface, it was essential that the case company exhibited a clear focus on this topic. We also found that a good access into the company was key in order to do a revelatory study and break new grounds within our research area (Yin 2009). MNCs as research context can favorably be used when the aim of the research is to validate or expand existing research, in our case the current literature about CA and TVO. MNCs are inherently more complex and heterogeneous than domestic organizations, which provide more opportunities for the researcher to identify additional variables and explanatory factors (Roth & Kostova 2003). Moreover, results from studies conducted in the MNC context are also considered to be more generalizable to other types of organizations (Roth & Kostova 2003). Given the above reasoning, we chose a large MNC as our case company, hence after called GlobIT.

GlobIT is one of the world's leading providers of IT equipment and software as well as of services for IT and business operations. GlobIT has during the last years experienced a steady growth in sales but a negative trend in profitability is evident (Annual Report 2011; GlobIT corporate website). Given GlobIT's large global presence and its dynamic industry, we believed that our chosen case company would contribute with interesting MNC and contextual aspects to our research. The recent negative trend in financial results has also induced more focus on customer value in the organization, creating the perfect conditions for our study. Moreover, the concepts of TVO and its predecessor TCO are mainly used in B2B markets (Ellram 1998; Wouters et al. 2005) whereby GlobIT's concentrated focus on business customers is found to be highly appropriate to investigate how TVO can be used in the customer interface. The company has four main business units, out of which the Product business unit is the largest. The sales function is decentralized to the sales regions, where each region has customer units (Annual Report 2011; Product Marketing manager 2012). The described empirics will depict how value argumentation is conducted within the Product Business Unit and out in the sales regions (see Figure 3).

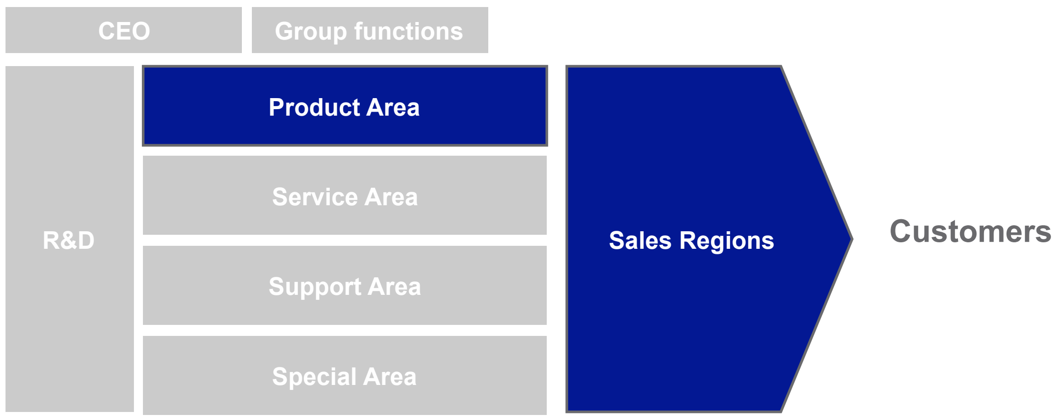

Figure 3 GlobIT's organizationl structure

Source: Annual Report (2011)

3.3.2. Selection of customer deal related to product solutions

Through our access in the Product Marketing department at one of the areas in the HQ, we were convinced that we would be able to gain insight in all the relevant functions in the customer interface process and get a full view of how TVO is used in this context. Within the business unit, there are four main functions: R&D unit, Product area, Marketing and Commercial management (See Figure 4).

Thus, the focus has been put on a customer deal taken place in the Product Area division but been owned by the customer unit in the Sales region. We screened customer deals in different countries and arrived at one case, hence after called Case A, which had taken place in Region 1. This case was chosen since it represents an extreme case, where TVO argumentation was found to be most developed within the MNC. This can be explained by the fact that the IT industry in this region is generally more focused on value rather than price in this particular sales region (Head of Product Marketing Programs 2012). In the selected case, the argumentation has successfully gone beyond price negotiation and exhibited a clear ambition to argue value for the customers. Moreover, extensive documentation of this case was available which could be used as a valuable complement to the interviews conducted, enabling better triangulation as described below.

To gain a more comprehensive and generalizable picture of the organization, we also investigated customer deals in one other region. Since we are investigating how TVO is used in the customer interface, we also felt it important to gain the customer view on this topic. Thus, we also approached two customers in Region 2, i.e. Customer 1 and Customer 2, for their input.

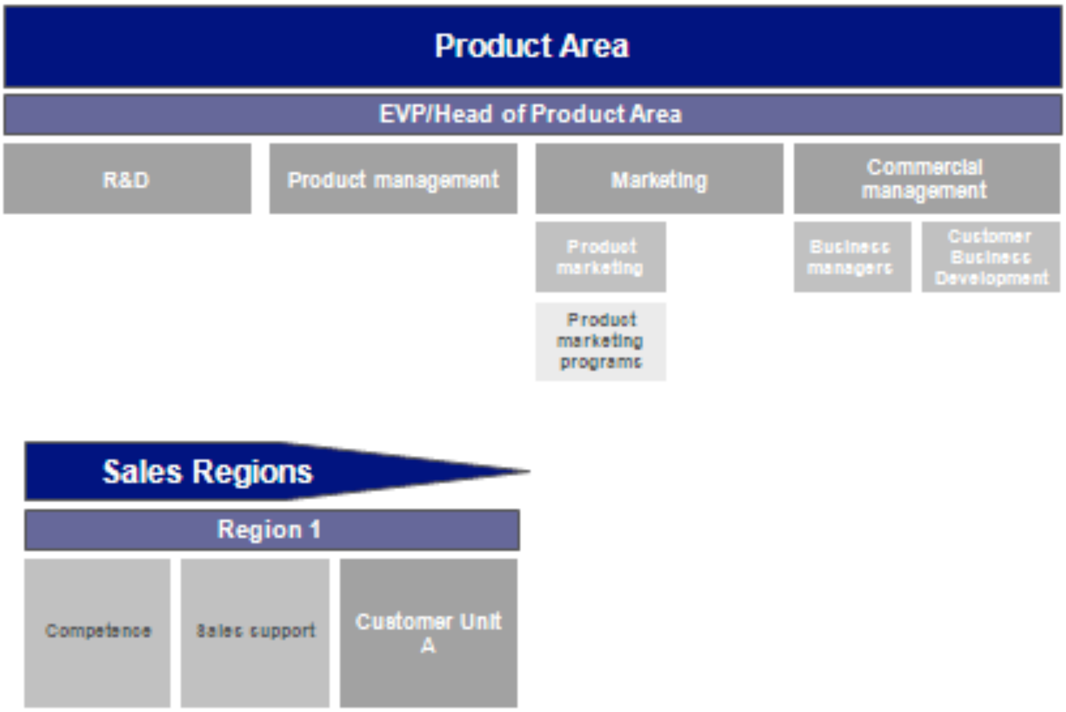

Figure 4 Investigated organizational units within GlobIT

Source: Own summary of the investigated organization (2012)

3.4. Collection of data

The data collection started in mid-September and continued up to the end of November. In order to ensure research quality, we put large emphasis on achieving appropriate triangulation, i.e. using multiple sources to depict and analyze the investigated phenomenon, in the data collection process. Yin (2009) identified six sources of evidence when doing case studies out of which we focused mainly on interviews, documentation, direct observations and physical artifacts as described beneath.

3.4.1. Interviews

Interviews are commonly viewed as the most important source of case study information (Yin 2009), because they allow the researcher to share the interviewees' perspectives (Patton 2002). Since we are investigating the specific phenomenon of TVO through analyzing GlobIT and in particular the identified customer deal, this is also found true in our case. Much effort was put on interviewing many people in different functions within the case organization, in order to obtain as many perspectives and opinions of our phenomenon as possible. In total, we have conducted 19 semi-structured interviews with people both within the global and regional organization as well as with managers and employees. In addition, two semi-structured interviews with the responsibles for the purchasing/procurement departments at two IT customers in Region 2. Most of the interviews have been focused interviews, which are characterized by 1) knowledge about that the interviewee has been involved in a particular concrete situation, 2) Interviewer has conducted a content analysis and formulated a set of hypothesis beforehand that provides the foundation for 3) an interview guide that aims at locating certain data during the interview and 4) focuses on the subjective experiences of the interviewee (Merton & Kendall 1946). Hence, we have before every interview prepared a set of open-ended questions based on our research interest and the particular role of the interviewee in the unit of analysis. Questions mainly focused on the specific deal but also on the interviewee's opinions and attitudes towards the role of value argumentation within the GlobIT organization as a whole. The questions posed in the interviews were continuously developed as our theoretical base was modified according to systematic combining approach (Dubois & Gadde 2002). We tried to keep the interview as conversational as possible in order to establish trust with the interviewees. Hence the interview template was mainly used as a checklist rather than a strict guide. Efforts of avoiding conspirational corroboration were made by asking several people about the same data point and see if the answers corresponded. In addition, we also conducted informal conversational interviews also called in-depth interviews, i.e. interviews which focuses on the interviewee's opinions and insights of certain events and takes place over extended period of time (Yin 2009; Patton 2002), with the responsible for the department Product Marketing and one of the Portfolio Managers. In line with expectations, these people become more of informants than respondents and helped us to initiate contact with key people within the organization as per Yin's (2009) prediction. However, we made sure to also search other sources in order to avoid becoming too biased by their influences.

Most of the interviews were conducted face-to-face in the MNC's Head office, hence after called HQ. These interviewees mainly belonged to the Product Area but also relevant GlobIT group functions, such as the "Value Creation group" and "GlobIT Management Consulting", were represented. The interviews with regional representatives e.g. the Key account manager (KAM) were made per telephone link due to geographical distance and time constraints. The interviews with the customers were conducted face-to-face. The interviews were between 30 minutes to 75 minutes, averaging at 50 minutes. In the cases possible, we recorded the interviews and then transcribed them in order to ensure accurate rendition. However, in situations where the interviewee did not give permission to record we respected their wishes in line with Yin's (2009) recommendation to not record when the interviewee appears uncomfortable. Both authors actively participated in all the interviews because multiple investigators are commonly seen as an advantage since converging observation increase the confidence in the study whereas conflicting observation can help to generate surprising insights (Eisenhartd 1989). The transcripts of both authors were later discussed and merged, eventually builing up the case study database. Moreover, the acquired empirics were continuously analyzed and the findings influenced the questions posed in the following interviews.

3.4.2. Documents, direct observation and physical artifacts

For this study, other sources of evidence mainly consist of documents, direct observation and physical artifacts. Documentary information can take make forms and have the main purpose to corroborate as well as augmenting evidence from other sources (Yin 20009). We used this form of source extensively, including both internal as well as external documents. Through the customer presentations that were actually used in the sales process in the identified deals, we could better understand how the value argumentation was conducted in these extreme cases. Moreover, we also collected the value creation models that have been created within GlobIT in order to understand how value is being quantified and how the value is related to customers' financial situation. Other internal documents, e.g. vision statements, sales processes, proposals, executive summaries and win-loss analysis, have also been gathered to understand how value argumentation is used and promoted within the organization. To understand GlobIT's financial situation, also publically available reports and articles have been browsed. Since we did not have access to the case customer directly, we collected externally available data e.g. annual reports, financial analyst reports and industry analysis, to gain a better understanding of the customer and its situation that forms the context of the case.

During the data collection period, we spent on average at least two days per week at the HQ. Thus, we had the opportunity to make continuous direct observations and discover physical artifacts. We noted in particular how proud GlobIT is over its end-products and the company's technological leadership, clearly shown by the physical artifacts e.g. videos of the vision and the products in the canteen, the exhibition studio with all the products over time and vision statements in the hallways. The interior design is modern and colourful in the customer facing facilities, which indicates that this traditional MNC is trying to rejuvenate its image.

3.5. Analysis of data

Eisenhardt (1989) considers the analysis of the data to be the heart of building theory from case studies. However, he also acknowledges that this part is the most difficult and the least codified part of the process (Eisenhardt 1989). In order to overcome these challenges, we have sought guidance in Miles & Huberman's (1994) analytical practices on how to conduct qualitative analysis. After each interview, we discussed the main findings and reflected upon how they related to our theoretical base so we could continuously revise our interview template. In those cases that we had divergent opinions or perception of the interviewees' statements, we made sure to confirm them during the next interview. When all interviews were transcribed, we coded and integrated the data into our case study database that was structured after our theoretical base and research questions. In this way, we could easier search for patterns and differences amongst the empirical findings. In order to get an accurate picture of the reality, we aimed at having a reflexive approach during the codification of data in line with Alvesson's (2003) recommendation. This implies having a certain scepticism towards the interviewee's statement in case they were affected by e.g. political factors, reproduction of discourse.

3.6. Quality of study

In any research study, it is important to establish an adequate level of research quality. The two main determinants of the above is validity and reliability, which aims at investigating whether the research truly measures what is intended to measure and whether the results are consistent over time as well as if the study is possible to replicate (Golfashani 2003, Merriam 1989). Yin (2009) concludes that tests related to validity and reliability need to be fulfilled in order to establish the quality of a case study.

3.6.1. Validitiy

The most challenging test given our research method is to determine construct validity due to risk of subjective judgments when collecting data (Yin 2009). Construct validity is defined as "*identifying correct operational measures for the concept that are measured*" (Yin 2009, p. 41). By following the recommended principles of Yin (2009), we have strived towards increasing the construct validity in our study. First principle of using multiple sources, i.e. employing triangulation, has been fulfilled in different ways. By ensuring several people's views and opinions on our issues, we exercised so called data triangulation that involves the use of different sources to corroborate the same fact and phenomenon (Yin 2009, Patton 2002, Guion et al. 2009). By always being two active interviewers during all of the interviews, we acheived investigator triangulations and thus could address discrepancies between different investigators' perception of the interview (Yin 2009, Patton 2002, Guion et al. 2009). Secondly, it is recommended to establish a chain of evidence through which it is ensured that the reader always can derive evidence from the initial research questions to ultimate case study observations (Yin 2009). We saw to this by building a case study database where all the data was collected and denoted with the date and place of collection. A codification system in the case study system was established in order to facilitate search for specific data. Moreover, we also ensured that the sources of evidence for all empirics and analysis were clearly exhibited in the final report. The last recommended tactic is to allow for key informants to review the case draft (Yin 2009, Merriam 1994). Since much of the collected data was confidential and sensitive, we made sure that our key informants, i.e. the Head of Product Marketing and the Portfolio manager, read through all the empirics and analysis in order to ensure that no misinterpretations occurred. Moreover, we also sent all quotes to the relevant interviewees for their approval to make sure that we understood the situations correctly. However, we are aware that our construct validity is somewhat limited by the extensive anonymisation that had to to be applied due to the sensitive information included in this study.

The external validity treats the problem of knowing whether the study's findings are generalizable beyond the immediate case study. Single case studies are often criticized because of the small sample size (Yin 20009). According to Eisenhardt (1989), an external validity risk of developing theory from a case study is that the resulting theory might become too narrow and idiosyncratic. Evidently, external validity is an in-built weakness of this kind of study and we admit that there are limitations to the generalizability of our study given the dynamic IT industry. However, as stated before, studies conducted on MNC are considered to be more generalizable than similar ones on domestic companies due to the complex organization. It is even said that studies on MNCs can be considered to be the general case, while research in the domestic context remains to be special cases (Roth & Kostova 2003). Thus, we argue that our choice of case company increases the external validity of our study Moreover, Yin (2000) emphasizes that case studies focuses on analytical generalization instead of statistical generalization. This implies that the researcher aims at generalizing a set of results by looking at it through the lenses of broader theory. To achieve quality in the case study, the analytical generalization needs to have its foundation in what Dubois & Gadde (2002) refer to as logical coherence, i.e. "*providing the reader with sufficient information to evaluate the adequacy of the research processes and empirical grounding of theory*" (p. 559). Consequently, we have consulted our theory base throughout our study and conducted as well as presented our collection of data and the following data analysis as systematically as possible. Everything in order to obtain logical coherence, laying the foundation for the analytical generation to enhance the external validity (Dubois & Gadde 2002).

3.6.2. Reliability

Reliability in a research study aims at determining if a researcher follows the same procedure as described by an earlier researcher and conducts the same case study again, the later researcher should arrive at the same findings and conclusions. Hence, the goal of reliability becomes in essence to minimize the error and biases in the study (Yin 2009). In order to address the critique that case studies have low reliability, it is essential for the researcher to carefully document the procedures in order to make it possible for later researchers to repeat the study (Yin 2009). Consequently, we have throughout the research process documented the process in a structured way. Despite the fact that we have posed semi-structured questions and according to systematic combining modified our set of questions continuously, we have systematically documented the question transcripts, recorded audio files and our written notes. Moreover, we have also documented our handling and use of the other sources e.g. encompassed internal and external documents in our case study database. Merriam (1994) however question whether this traditional and static view of reliability is applicable for case studies since human behavior is ever changing and dependent on the context. Since our study to a large extent is based on interviews, a risk occurs that our study can not be repeated due to changing interview answers given that time has passed and that the context for the interviewees has changed. This risk is inherently present when the case study method is employed and the affecting factors are seen to be outside of the authors' control. However, we have still tried to ensure that our results are consistent and dependent in order to increase reliability as per the recommendation made by Merriam (1994). In addition to carefully documenting the procedures, we have also aimed at clearly stating our position and made assumptions during the research process as well as employed triangulation.

4. Empirics

In this section, we will first give a brief background of the IT industry because it constitutes the context of our case and is an important explanatory factor for the increasing focus on customer value. Thereafter, we will introduce how the concept TVO, or value argumentation as GlobIT calls it, is perceived and used within the case company on a general level. Lastly, we will deep-dive into our customer deal. We will first describe how the argumentation of customer value was conducted, disclose the outcomes of the argumentation as well as identify key challenges and key success factors (KSFs) of the value argumentation.

4.1. Background of the IT Industry

4.1.1. New entrants change the competitive landscape for vendors, inducing price pressure

"*It is tougher times today"* describes the state of the IT industry at the moment. In particular, the quote well depicts the reality that the infrastructure vendors are facing.[1] The IT industry has undergone a large change during the last decade. Only 10 years back, the industry was growing fast and the companies in this market made a lot of money.[2] The competition has since then become increasingly fierce, as the infrastructure vendors are fighting for every customer and the price points on the market have rapidly been lowered. This change of focus in the market is reflected by the Sales support's statement: *"Since the cost-focused competitors came in, the focus on price has become more evident… There has always been a price competition but with these new entrants it is even tougher".* The new entrants have done so well that some of the traditionally strong players have been marginalized, resulting in a consolidation of the market.[3]

4.1.2. Growing end-consumer usage poses new challenges for customers

At the same time, the end-consumer IT industry has grown rapidly due to the IT revolution.[4] However, the immense growth has also resulted in challenges for the customers. As the Head of Procurement and Sourcing at one of the customers stated: *"The biggest challenge for all companies is probably the huge growth in traffic. Thus, the challenge that emerges becomes how can we earn money".* Thus, the growth in revenue is sometimes achieved at the expense of margins.[5] Another evident challenge is that it is increasingly hard for the customers to differentiate themselves, especially in developed countries. The basic offering is already there, leading to that most customers already have the same baseline. In today's challenged IT industry, the customers need to ensure that vendors actually bring value.[6]

4.1.3. Pressured customers increase their financial focus, leading to more emphasis on costs

Evidently, the customers are increasingly pressured and this has induced a larger financial focus within these organizations in order to live up to the shareholder's demands.[7] Even though it is stated by many that it is not a recent development that the customers focus on stock market expectations and money, consensus is still found that the financial aspect has been central for

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[1] VP of Marketing, Product Area, 2012-11-12
[2] VP of Marketing, Product Area, 2012-11-12
[3] Product Marketing Manager 1, Product Area, 2012-09-14
[4] Head of Product marketing, Product Area, 2012-10-16
[5] Head of Sourcing and Procurement, Customer 1 2012-11-13
[6] Head of Product marketing, Product Area 2012-10-16
[7] Head of Product marketing, Product Area 2012-10-16; Sales Support manager, Product Area, 2012-11-12

customers during the last decade.[8] The internal consultant at GlobIT, who previously worked on the owner-side of two customers, describes this development by stating that *"The whole industry is becoming increasingly business-orientated and the customers are leading that development".[9]* The emphasis on the financials has affected the customers' internal organizations. In the past, the main decision-makers regarding purchases of network infrastructure were from the technical organization but now even customers' CTOs need to motivate their choice of supplier.[10] The power has insteead shifted more to the financial organization and the purchasing department since they have profit/loss focus which feeds straight into the financial results.[11] Some customers have even taken the step of forming joint procurement organizations in order to gain more economies of scale. As the VP of Marketing stated *"Some companies are strictly steered by their purchasing organizations. Today, it's the purchasing department that decides which supplier to take in".* The Head of Sourcing and Procurement at Customer 1 shares this view by saying that: *"Purchasing as an area has grown immensely the last couple of years. More and more companies realize the value of having a centralized purchasing function, leading to a stronger position for purchasing".[12]*

The increased financial and cost focus has also lead to that customers have gone from asking *"What does this feature mean?"* to "*What will we get?"*. This reflects a larger focus on the value that the solution can provide, of course translatable into shareholder value, instead of which technical solution is the best.[13] The increased focus on financial metrics is more evident amongst certain customers than others, out of which the customers in Region 2 are the most extreme in this development. The sometimes extreme cost focus amongst customers in Region 2 is questioned by the Head of Product Area. He finds that some customers in Region 2 are focusing too much on short-term financial results and have forgotten the vision of why they are doing what they are doing and what is actually allowing them to earn money. He statesthat "*The customers have forgotten to ask the most important questions. What is it really that makes the end-users spend money? What makes the end-users feel that value has been provided to them? What is it that increases the end-user's willingness to pay?".* This narrow focus takes away resources from the core business and these customers are performing worse.[14]

4.2. Sales argumentation within GlobIT

4.2.1. The emergence of value argumentation within GlobIT

GlobIT is one of the pioneering companies within the IT industry on the vendor side and has always prided itself for being technology leading. A decade ago, the competitive landscape was completely different and GlobIT could focus only on receiving orders and delivering on them. At that point in time, it was not unusual that GlobIT was perceived as somewhat overconfident and customers often thought that the company was charging too high prices.[15] Moreover, the standard way of arguing towards customers why GlobIT was superior was by doing a "technical dump", i.e. talk only about

[8] Sales support manager, Product Area 2012-11-12, KAM A, Customer Unit A 2012-11-15
[9] Internal consultant 1, Service Area 2012-09-27
[10] VP of Marketing, Product Area, 2012-11-12
[11] Internal consultant 1, Service Area 2012-09-27; Commercial Manager, Product Area 2012-10-05; Proposal Manager, Product Area 2012-10-05
[12] Head of Sourcing and Procurement, Customer 1 2012-11-13
[13] Head of Product marketing, Product Area 2012-10-16
[14]Head of Product Area, Product Area 2012-11-22
[15] VP of Marketing, Product Area 2012-11-20

the technical features included but put little focus on the customer benefits.[16] Why this much focus on technology one could ask? For starters, GlobIT was and is an engineering company and the engineers prefer to talk about the things they know, the technology.[17] Moreover, the customers themselves were more technical orientated before. In addition, GlobIT mainly interacted with the technical side of the customer organization due to the generally stronger relationships, making technical argumentation possible. With the increased competition, GlobIT realized that the company needs to work harder in order to keep its position in the market.[18] This development is reflected in the statement made by the Technical Expert: *"Before, GlobIT's market share made it easy for the company to gain business. Today, others are gaining market share so it is harder to defend our position now".* The hardest thing to defend is the price levels, since there is a general increase in price pressure on the market.[19] With the shift of power from the technical to the commercial side of the organization amongst the customers, the technical argumentation is no longer as effective.[20] Customers are more often than not referring to competitors and asking why GlobIT are not better than they are, mostly as a part of the negotiation game. Common arguments are that GlobIT has inferior products with lower performance and that the company offers lower value for the money. Even though this is often not true and GlobIT's favorable legacy relationships with many customers are still well-maintained, it is obvious that the traditional way of doing business, i.e. develop good products, highlight technical features and refer to the strong brand, simply is not enough anymore. In addition, the customers' constant bargaining has put pressure on GlobIT's internal organization to respond.[21] The need of an immediate change is shown by the Product marketing manager's declaration: *"Our profitability and some other financial parameters are not necessarily very good. Somehow we need to get more return because the market itself is growing on the consumer and enterprise side, many of our customers are actually well-doing companies but from the financial perspective we could perfom much better. Because we are in fierce competition, there are manufacturers that claim that they sell the same quality but to a lower price, there is no other way than going into the details and putting a value stamp on them".*[22] Furthermore, the way of arguing towards customers has been identified as key in GlobIT's strive to preserve its market position. This is reflected in KAM A's observation: *"Even if you have the best product, if nobody is giving you credit for that or say that they need it you are at a price war. You basically need to make them aware of what exactly the value is and show what the difference would be in comparison with what they are doing…If you don't do that, it does not matter what the product can do. It is just going to stay as a box".*[23] This has lead to the birth of the concept value argumentation within GlobIT.

Product marketing manager A has been working extensively with value argumentation and defines the concept as *"Value argumentation is about quantifying the value of our products, services and solutions to a customer with what we believe that the customer will get if they would invest in it. Total value equals cost savings and additional revenues".*[24] To be more precise, the value that GlobIT provides to its customers is derived from mainly savings in CAPEX, OPEX and creation of additional revenue. However, other factors, such as faster time to market, reduction of working capital and

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[16] Commercial Manager, Product Area 2012-10-05; Proposal Manager, Product Area 2012-10-05
[17] Commercial Manager, Product Area 2012-10-05; Proposal Manager, Product Area 2012-10-05
[18] VP of Marketing, Product Area 2012-11-20
[19] Sales support manager, Product Area 2012-11-12
[20] Internal consultant 1, Service Area 2012-09-27
[21] VP of Marketing, Product Area 2012-11-20
[22] Product Marketing Manager 2, Product Area 2012-11-06
[23] KAM A, Customer Unit A 2012-11-06
[24] Product Marketing Manager 2, Product Area 2012-11-06

increased penetration, similarly contribute to value for customers.[25] Furthermore, many interviewees emphasize the monetizing aspects more by stating that value argumentation is about putting a dollar sign on the value provided to the customer by converting GlobIT's products and solutions advantages into money.[26] Another characteristic of value argumentation is that it is relative to the competition or second-best options.[27] The increased focus on value argumentation has also resulted in new related concepts being coined, the most common one being value creation. Value creation is defined as "*Value creation and value proposition are however the same things; you create a value by providing certain proposition i.e. prospecting and then you capitalize on that prospecting with a certain customer and then provide them that service".[28]* Within GlobIT, value creation has become an acknowledged methodology to practice and push value argumentation further (see Figure 5). A dedicated team, the Value Creation team, has been created as a result. The need for this team is derived from a realization that GlobIT must bring more value to the table.[29] When the competitor is selling sometimes similar products but to a lower price and GlobIT has higher costs due to the strong focus on technology leadership, the company needs to be able to go beyond selling products and solutions to keep profitability. From a value creation perspective, GlobIT needs to become a valued business partner to C-suite management and to help them with *"the things that keeps the CEO awake at night"* is the way to do so.[30] The biggest difference between value argumentation and value creation is that the latter is not conducted in relation to anything else i.e. competitors' next best alternative.[31]

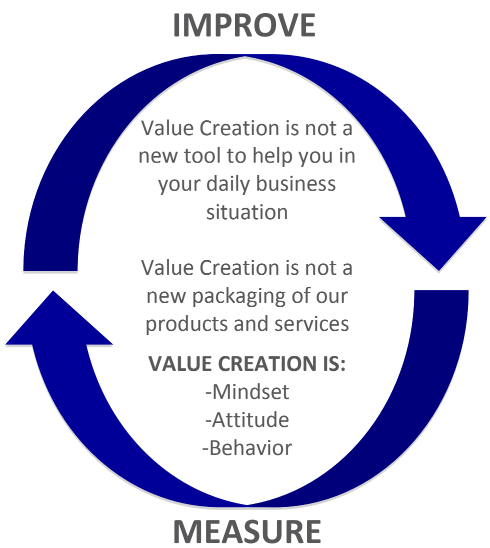

Figure 5 Official description of Value Creation

Source: Internal material – The case, GlobIT

[25] Internal material, GlobIT; Internal Consultant, Service Area 2012-09-27
[26] VP of Marketing, Product Area 2012-11-20; Head of Product Marketing, Product Area 2012-10-06, Value creation team member 2, Customer Business Development 2012-11-12; Engagement manager, Product Area 2012-11-12
[27] VP of Marketing, Product Area 2012-11-20; Head of Product Marketing, Product Area 2012-10-06; Product marketing manager, Product Area, 2012-11-06
[28] Value creation team member 2, Customer business development 2012-11-12
[29] Value creation team member 1, Customer business development, 2012-10-19
[30] Value creation team member 1, Customer business development, 2012-10-19
[31] Value creation team member 1, Customer business development, 2012-10-19

The term Total Value of Ownership argumentation can also be found in some of GlobIT's official presentations on how value argumentation should be conducted, where "*C-suite focused, consultative selling, customer first and value driven premium pricing"* emerge as the key focus areas.[32] However, few of the interviewees recognize the term as such and little distinction is made from value argumentation. According to the VP of Marketing *"TVO is in essence the same as Value argumentation".*[33] The only difference that was found was that *"value argumentation is more of a marketing thing".*[34] When talking about what TVO actually meant, one guess was that it is about including more than just costs i.e. taking into account the upside of it. The value comes in when you have revenue and cost, thus creating a margin.[35] Value creation team member 2 however failed to see anything new with the term of TVO since he considered it the same as TCO. The inclusion of the revenue aspect also in the term of TCO is clearly reflected in the declaration that *"It is always about increasing revenue. They can either decrease their TCO as an added benefit or we can say that the money you will invest (TCO) will be used heighten your revenues".*[36] However, this clearly expands upon GlobIT's traditional definition of TCO as the costs, direct and indirect, that are incurred throughout the lifecycle of an asset. This latter definition also happens to be in line with the one of TCO stated by the customers.[37]

4.2.2. The creation of value argumentation within GlobIT

There are a number of different methodologies within GlobIT on how value argumentation should be formulated. The VP of Marketing explains this by stating that the work with value argumentation was in the beginning conducted rather ad hoc without a set plan, since she believes that this kind of initiative and creativity must come within the organization. This has resulted in a bottom-up structure, although now it has come to a stage where value argumentation needs to be implemented in structural processes as well. The whole reorganization, through which the regional sales offices were created, was done with the aim to create more focus on the customer. The engagement practice organization in the regions that was formed was appointed as responsible for driving value argumentation forward.[38]

The Product marketing department is also making efforts to create value argumentation tools, e.g. product-specific value excel tools and power points, to facilitate the spread of value argumentation within GlobIT.[39] Even within this department, the value argumentation is created in somewhat different ways. The Portfolio marketing manager starts with a macro analysis of the customer and its situation. Thereafter, focus is shifted to what GlobIT can do and what solutions would be relevant before valuing the impact over five years in regards to revenue, CAPEX and OPEX. The product marketing manager 2 has instead as the first step to identify the value propositions by asking the question *"What does product X bring to* the customer". Then it is about *"splitting the whole value into so small and practical pieces in order for them to be able to be somehow quantified".* Thereafter, the next step is to quantify the value in terms of CAPEX, OPEX and revenue impacts. One important dimension of the quantification is to determine the impact from an investor point of view, i.e.

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[32] Internal material, GlobIT
[33] VP of Marketing, Product Area 2012-11-20
[34] Value creation team member 2, Customer Business Development 2012-11-12
[35] Principal Consultant, Sales support 2012-11-08
[36] Value creation team member 1, Customer business development, 2012-10-19; Value creation team member 2, Customer Business Development 2012-11-12
[37] Internal material, GlobIT;a Head of Sourcing and Procurement, Customer 1 2012-11-13 Value creation team member 2, Customer Business Development 2012-11-12
[38] VP of Marketing, Product Area 2012-11-20
[39] Product Marketing Manager 2, Product Area 2012-11-06; Portfolio Manager, Product Area 2012-10-19

calculate net present value of the investment, return on investment and break-even time, since the person that will make the decision on the customer side most certainly will carry some kind of P/L responsibility and have this mind-set.[40] However, the most structured process has been created by the value creation team. The 4-step value creation process is designed to ensure customer relevance and provide the customer with a holistic analysis (see Figure 6). First of all, an extensive customer analysis is made in order to properly understand the customer's business, market situation and challenges with the aim to derive 3-4 key questions that worries the management. Secondly, a set of value propositions are created based on the analysis. After choosing the most important value propositions together with the customer, GlobIT proceed with building business cases where the values are quantified by using assumptions and market knowledge as well as customer data if provided. The main focus is visualizing the impact of the value propositions on the customer's operating financial cash flow over time horizon of 3 to 5 years. Many assumptions are used in this stage but it is crucial to keep the numbers relevant and rational. In the last step, an engagement with the absolute top management is initiated. The value creation team and the account team together walk through the entire process in order to properly engage with the customer. This kind of sales is considered to be more consultative and aims at providing a holistic set of solutions for the customer that fully utilize GlobIT's broad range of solutions within the different business areas.[41]

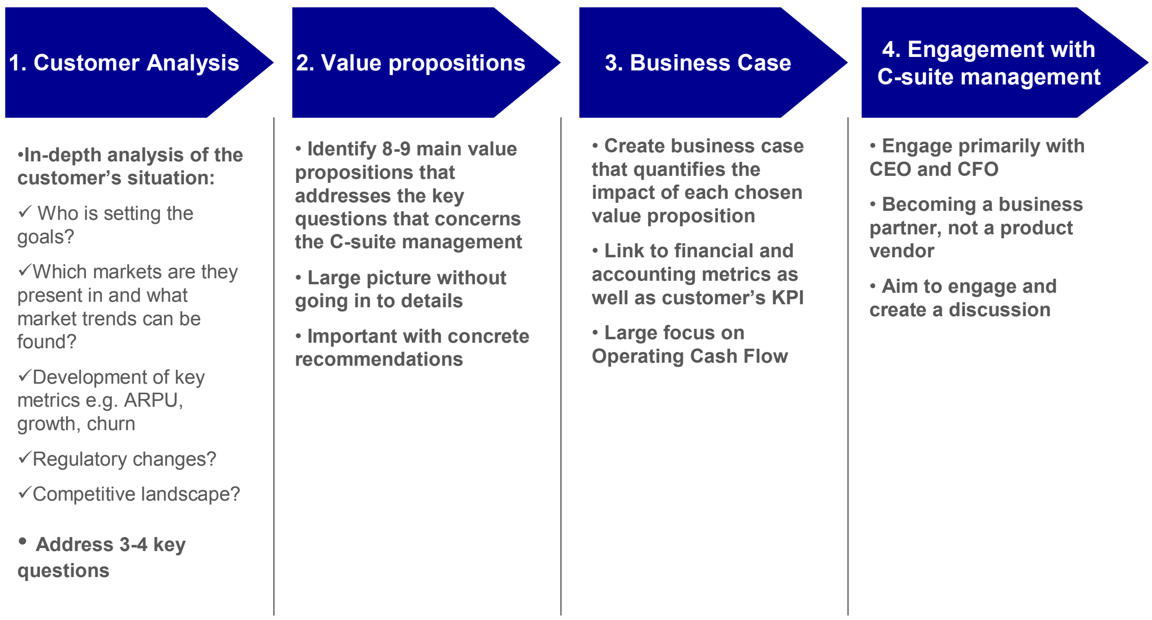

Figure 6 Value creation process

Source: Interview with Value Creation team member 1, Customer business development, (2012)

4.2.3. Crucial decisions when shaping value argumentation proposals

During the interviews, we have found that there are contradictory opinions regarding certain aspects of how the value argumentation within GlobIT should be formulated.

[40] Product Marketing Manager 2, Product Area 2012-11-06
[41] Value creation team member 2, , Customer business development 2012-11-12; Value creation team member 1, Customer business development 2012-10-19

4.2.3.1. Cost vs. Revenue

Value argumentation and TVO argumentation have expanded the concept of TCO argumentation by including the potential of creating additional revenue. For GlobIT, it is attractive to include the revenue aspect since it is the main concern for the whole industry. This is clear in the internal consultant's declaration: *"If the customers would get the choice to put resources on boosting revenues or reducing costs, 100 % would choose to increase the revenues".* This priority is also induced by the fact that customers' main KPI is EBITDA which, as a result of the capital intensity of IT infrastructure, needs to remain in the high 30 %-40 % to generate positive cash flow. Since EBITDA is before depreciation on CAPEX and only a small part of the total OPEX is attributed to the infrastructure vendor, it is obvious that an increase on the top line would impact EBITDA upwards to a larger extent than cost-savings would.[42] Moreover, revenue arguments are also attractive because the increased revenue number is always proportionally much larger than the modeled OPEX and CAPEX savings since it is so expensive to acquire a customer.[43] From an organizational point of view, the focus on revenue can also help GlobIT to gain additional supporters within the customer organization that argue for their feature since CMOs and CEOs are focused often on increasing revenue and thus have incentives to influence the cost-focused procurement.[44] However, there is certain skepticism toward revenue argumentation amongst customers.[45] The Head of Purchasing at Customer 2 firmly declared that *"We never look at the revenue aspect since the revenue is independent on which infrastructure vendor we have…We are much more receptive towards cost arguments than revenue arguments".[46]* The GlobIT representatives have many times experienced that customers react negatively when revenue arguments come up since they see the revenue side as their business intelligence.[47] Thus, it is also harder to get the customer to share information about their revenues than their costs and this kind of information is key when quantifying value propositions. This makes it easier for GlobIT to make reasonable and relevant estimations of the value of cost arguments than of the revenue arguments, which makes them look more credible when talking about cost savings. The credibility on the cost side is of couse also attributed to the fact that GlobIT is more directly accountable for the customers' costs compared to the revenues that depend more on other factors outside of the infrastructure vendor's control. Thus, there is no clear-cut relationship between improving the solution with X and the stream of subscribers.[48]

4.2.3.2. Quantification or not

Quantification is something that is a central part of our definition of Total Value of Ownership as well as GlobIT's definition of Value argumentation. The importance of this aspect is reflected by KAM A's statement that *"If one can not motivate and quantify then one will end up in the commodity category.[49]* This is a legitimized concern since the customers do their very best to commoditize and normalize their suppliers.[50] Quantified value argumentation shows value in an extreme way, which

[42] Internal consultant 1, Service Area 2012-09-27
[43] KAM A , Customer Unit A 2012-11-15; Commercial Managers A, Product Area 2012-10-08
[44] Commercial Manager, Product Area 2012-10-05; Proposal Manager, Product Area 2012-10-05
[45]Head of Purchasing, Customer 2 2012-11-20; Head of Sourcing and Procurement, Customer 1 2012-11-13
[46] Head of Purchasing, Customer 2 2012-11-20
[47] KAM A, Customer Unit A 2012-11-15; Commecial Manager, Product Area 2012-10-08
[48] KAM, Customer Unit 2012-11-06
[49] KAM A, Customer Unit A 2012-11-15; Commecial Manager A, Product Area 2012-10-08
[50] Head of Sourcing and Procurement, Customer 1 2012-11-13, Head of Purchasing, Customer 2 2012-11-20

catches the attention of CEOs and CFOs.[51] Another advantage with quantification is that it makes the intangible value tangible, as demonstrated in the following quote by the Portfolio Manager: "*Everyone is saying that they can cut OPEX and increase revenues. One can very easily say that one can cut OPEX by 30 or 15 % but how much is that really and it says nothing for the customer? If you take a step beyond and try to pull a real number, it becomes more understandable for the listener".* The Commercial manager agrees that there is a need to quantify but also emphasizes that one needs to think about the next steps. In the dynamic IT industry, new features are developed all the time and the benefits change as well. For GlobIT this makes it difficult to ensure that made promises are still relevant and valid over time. Thus, the proposal manager explains that GlobIT needs to be on the safe side as "*We must be vary of what we put in graphs and diagrams. If you put in certain claims and the customers find out that these did not match with their own tests, everything could be lost".*[52] The engagement manager also highlights the danger of over quantifying reflected in the quote: "*In my view, value argumentation is an important tool to demonstrate the value of a solution* or product, *but must be used together with other methods to build a complete story for your customer. If your argumentation is solely based on detailed quantification in Excel sheets, there is a risk that the customer misses the big picture. A small change of the input parameters or assumptions could easily reduce your value and price drastically."*[53]

4.2.3.3. Linking to financial metrics and KPIs

Value team member 1 emphasized: *"If one wants to create value, one needs to understand what actually creates value".*[54] In today's world, customers are strongly affected by their owners and the financial market. Thus, GlobIT needs to move towards more financial argumentation in order to speak the same language as their customers and truly be able to create value for them.[55] That is why value argumentation's characteristic of being more financially biased is appropriate as it aims at "*showing the money or impacting the bottom-line*".[56] The next step for bringing another dimension of financial relevance into value argumentation becomes tying it more closely to the things that is most important to the decision-makers, their own and their corporation's KPIs. As KAM A stated: *"In the end, it is what the CEO and CFO are communicating to the market that is important. If they promised to improve EBITDA by this much, then it is best to decrease OPEX while it is ok to have higher CAPEX during this period of time."* Similarly the Head of Product Marketing claims that most CEOs are measured on the KPI of Operating Cash Flow. Thus, if GlobIT can show how they can impact the CEOs' Operating Cash flow then they are going to listen.[57] That the owners' focus affects the customers' priorities is confirmed by the Head of Sourcing and Procurement at Customer 1, who stated that Customer 1 has shifted focus more from CAPEX to OPEX since their owners changed the KPI on which they measured the company upon from EBIT to EBITDA.[58]

To be able to link to the customer's KPIs, it is crucial to understand what really triggers the customer and what they care about.[59] This requires extensive research through analyzing the

[51] Commercial Manager, Product Area 2012-10-05; Proposal Manager, Product Area 2012-10-05
[52] Commercial Manager, Product Area 2012-10-05; Proposal Manager, Product Area 2012-10-05
[53] Sales support manager Product Area 2012-11-12
[54] Value creation team member 1, Customer business development 2012-10-19
[55] Internal consultant 1, Service Area 2012-09-27
[56] Principal Consultant, Sales support 2012-11-08
[57] Head of Product marketing, Product Area 2012-10-16
[58] Head of Sourcing and Procurement, Customer 1 2012-11-13
[59] Pricing Manager, Customer Unit 2012-10-10

financial reports, asking the financial analyst community, benchmarking with competitors and of course asking the customers with whom the account teams have a relationship.[60] Evidently, this kind of linking to KPIs needs to be customer specific and thus requires a lot of work. Therefore, some argue that it is not for every customer deal.[61] For GlobIT, it is also a huge change to move from technical argumentation to more business-oriented. As the internal consultant stated: "*Our sales people/KAMs speak in such technical terms and these factors no longer make a difference for the decision-makers amongst our customers*".[62]

4.2.4. Outcomes of Value argumentation

The most evident benefit of value argumentation directly addresses why it was created within GlobIT in the first place. Value argumentation helps GlobIT to differentiate itself from its competitors by conveying the value of its solutions, thus enabling the company to preserve its price premium and continue to invest in technology leadership. One reflection made is that value argumentation is more or less where GlobIT can provide added value as *"the customers are usually quite skilled in the products already and it does not help them too much when we tell them about the specific products. That is only one of the reasons that we need to go there and tell them about the benefits and values, quantifying them. That could be the only thing that the customers don't know themselves".*[63] The internal consultant further states that *"value argumentation is important so that we can share with our clients the value which we generate for them".*[64] Some customers however simply do not care about value argumentation, such as Customer 2 who states that *"Value argumentation does not add anything. The infrastructure vendors can not provide us with added value since they do not have the power to affect the end-customers' choice".*[65] In contrast, the Head of Sourcing and Procurement at Customer 1 emphasizes that customers do appreciate vendors that bring more to the table than only technical knowledge by stating "*The vendors that base their argumentation on our challenges proceed the furthest. We appreciate when they proactively try to understand our end-consumers. Some vendors work more like that than others and those who do so, we value more. They are thinking about where we are heading and those are the partners we would like to work with".*[66]

Value argumentation has also by several been mentioned as a good tool for sales engagement with the customers. Even if the customer does not agree with the numbers that are derived, the customer can still agree to the approach and together with GlobIT create more realistic numbers. Thus, value argumentation is a good platform to start the discussion from.[67] The more extensive value creation methodology explained before has historically been used as a last resort because of the high costs that are associated with it.[68] In many stated successful cases, the value creation has won the deal for GlobIT. One big reason is that many customers have been surprised and impressed with the amount of resources that GlobIT has invested into understanding and providing them with a solution. This creates stronger customer relationships shaped by more trust.[69] The value creation methodology in addition changes the way that GlobIT organizes itself. Traditionally GlobIT operates very much in

[60] Head of Product marketing, Product Area 2012-10-16; Value creation team member 1, Customer business development 2012-10-19
[61] Portfolio marketing manager, Product Area 2012-10-19; Product marketing manager 2, Product Area 2012-11-06
[62] Internal consultant 1, Service Area 2012-09-27
[63] Product marketing manager 2, Product Area 2012-11-06
[64] Internal consultant 1, Service Area 2012-09-27
[65] Head of Purchasing, Customer 2 2012-11-20
[66] Head of Sourcing and Procurement, Customer 1 2012-11-13,
[67] Product marketing manager 2, Product Area 2012-11-06
[68] Technical expert, Sales support 2012-11-12
[69] Value creation team member 1, Customer business development 2012-10-19

silos but with the new methodology business and technical people are encouraged to work together across business units in order to provide a holistic solution for the customer.[70]

4.2.5. Key challenges to address in order to establish value argumentation within GlobIT

The main challenges for implementing value argumentation fully are mainly attributed to softer aspects.[71] GlobIT is in essence a technical company but factors, e.g. mind-set of employees and the lack of financial competence, slows down the process of changing into a more customer-centric organization. Some sales people and KAMs are very skeptical towards value argumentation and value creation because they see GlobIT's role to sell products not business development. Thus, they feel very much out of their comfort zone when having to talk to C-suite management about how to improve their businesses.[72] KAM A also highlights the problematic current mind-set amongst the sales people: *"It is hard to make a change, often it involves changing people. Some people can be trained but many can not go from selling product to selling value."* Sometimes it is not a question of mind-set but rather a competence issue, even though these two are sometimes interlinked, since many of the technical people have very little knowledge about financial argumentation and the business people out in the regions are too few.[73] As the Principal consultant stated: *"People with strong consultative sales and financial background that can translate the technology into the business and communicate the potential ROI are lacking".*[74]Also the Product responsibles within the Sub-Product Area are considered to be mainly technically focused and yet there is a need to be able to take softer values into consideration as well.[75] The fact that engineers tend to want to become experts, while one only needs to know how to derive the value when working with value argumentation, is another challenge when trying to implement value argumentation.[76]

Other challenges are of more structural character. Right now, very few people are working with value argumentation and value creation due to limited number of headcounts. Many of the people working with this topic request for more investments in this area, both because more resources are needed but also to get recognition from top management that this is an important initiative.[77] Moreover, currently there is no infrastructure to streamline the value argumentation initiatives. There seems to be many different excel tools and value calculators that have been created by different departments. Moreover, the business cases that have been conducted belong to several different departments within the company. However, there is no effective platform or database that collects all the knowledge that has been developed within GlobIT in the area of value argumentation.[78]

4.2.6. Value argumentation in the future

"Today value argumentation is in the early stages but I think it's going to be critical going forward in terms of competence, driving the industry and growing our business".[79]

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[70] Technical expert, Sales support 2012-11-12
[71] VP of Marketing, Product Area 2012-11-20
[72] Value creation team member 1, Customer business development 2012-10-19
[73] Head of Product marketing, Product Area 2012-10-16; Value creation team member 1, Customer business development 2012-10-19, Principal Consultant, Sales support 2012-11-08
[74] Principal Consultant, Sales support 2012-11-08
[75] VP of Marketing, Product Area 2012-11-20
[76] Product marketing manager 2, Product Area 2012-11-06
[77] Principal Consultant, Sales Support 2012-11-08; Value creation team member 2, Customer business development 2012-11-12
[78] Own observations
[79] Value creation team member 2, Customer business development 2012-11-12

The importance of value argumentation in the future is highlighted by many, as it is perceived as a part of the journey towards customer-centrism that GlobIT needs to undergo.[80] The option of not undertaking it does not exist because then the price tag would be the only differentiating factor, which would hurt GlobIT's profitability and thus upset the company's shareholders.[81] Instead GlobIT needs to become so good at demonstrating the value in their solutions that the customer understands the value and thus see the value for them with the price levels demanded, which today anyway is insignificant to them since the CAPEX attributed to the vendor is so small.[82] Moreover, value argumentation is an essential part towards becoming a more service-orientated company that brings value to its customer by offering full solutions. GlobIT needs to position itself as a business partner not an infrastructure vendor.[83] In order to reach this vision, value argumentation needs to be done per default within the organization. Going forward, the Head of the Product Area envisions that the focus on customer value is integrated along the entire supply chain. The most crucial step is to integrate it as early as during the product development stage, where the value from a customer perspective needs to be articulated more clearly in order to ensure that GlobIT invests in the right things.[84] The Engagement manager agreed by stating that *"some of the functions where we put a lot of R&D effort were not as important as we thought. Where others, having a higher value, are sometimes neglected. Customer value needs to be in the basic thinking and not in the end when you present to customer".*[85] Moreover, off-the-shelf value argumentation is hopefully available for all products before they are launched. In addition, there should also be a step in the post-sales process that forces the KAMs to follow up on the deal after half a year. In that way, an extensive database of customer cases and value argumentation can be built up. This would facilitate best practice sharing across the globe.

Most interviewees agreed that the Product managers within the Product Area need to take more responsibility for value creation in the early product development process.[86] The Head of the Product Area also stated that they should also create the full value argumentations before the products are launched, enabling an inside-out approach.[87] The VP of Marketing would like to see that the sales organization out in the regions took more responsibility for the development of value argumentation while the central Product Area would create tools and spread the best practice created to other regions. This has more similarities of an outside-in approach.[88]

4.2.7. Varying opinions regarding the feasibility of value creation towards bigger customers

One question that arises is whether the value creation is appropriate for all customers. Several people thought value argumentation in it most advanced form might not be suitable for all customers.[89] However, the sales support consultant thought that it should be done for the company's key deals.[90] The technical sales support manager argued that you cannot talk in this way to bigger customers because they are ahead of GlobIT.[91] The Sales support manager argued that "*the*

[80] Value creation team member 2, Customer business development 2012-11-12; Head of Product marketing, Product Area 2012-10-1
[81] KAM A, Customer Unit A 2012-11-15
[82] Head of Product Area, Product Area 2012-11-22
[83] Technical expert, Sales support 2012-11-12
[84] Head of Product Area, Product Area 2012-11-22
[85] Sales support manager, Product Area 2012-11-12; Head of Product Area, Product Area 2012-11-22
[86] Product marketing manager 2, Product Area 2012-11-06
[87] Head of Product Area Product Area 2012-11-22
[88] VP of Marketing, Product Area 2012-11-20
[89] Portfolio marketing manager, Product Area 2012-10-19, Sales Support area manager, Product Area2012-11-12
& Principal consultant, Sales support 2012-11-08
[90] Principal consultant, Sales support 2012-11-08
[91] Technical expert, Sales support 2012-11-12

potential to combine strategy with value argumentation in money really is there. It is sometimes more challenging to influence the large global players since they have a strategy thought out themselves. Other players may not have a clear strategy and are therefore more prone to getting technical expertise from vendors. GlobIT can play on its global expertise to get credibility."[92] KAM A argued that this kind of argumentation could work for all kinds of customers. "*When pitching a deal to a customer your job is always to position yourself as unique as possible. You want to create a monopoly and thereby be able to charge a higher price. The head of procurement will always try to make the vendor look like all the other vendors i.e. treat them as commodity, which means that it will only be the price that matters."* He strongly believes that this methodology can be used for all customers but that one of course has to find the specific customer's pain-points. He agrees to some extent to the fact that the bigger customers often have their own strategy departments, which could make it harder to approach them in this way. However, he argues that GlobIT always can create value for the customer.[93]

4.3. Case A: A new way of building financial and holistic value argumentation

4.3.1. Background of Customer A – A customer in financial distress

Customer A is regarded as a mid-size customer in Region 1.[94] Furthermore, Customer A is described as price sensitive but at the same time they do not want to take short-cuts when it comes to quality as they still strive for leadership within the industry.[95]

4.3.2. GlobIT and Customer A

Many from GlobIT's organization were involved in this deal towards customer A. The "owner" of the customer and Customer A's closest contact person was KAM A in the sales region. He was supported by the sales support in Region 1, where the technical expert provided with his expertise. Moreover, the principal consultant in the sales support team and the value creation team, belonging to the Commercial Management organization, could contribute with the expertise and experience of the value creation methodology. From the Product marketing side, the portfolio manager was supporting as well in this case (see Figure 7).

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[92] Sales support manager, Product Area 2012-11-12
[93] KAM A, Customer unit A 2012-11-15
[94] Business manager, Customer unit A 2012-10-10
[95] Technical expert, Sales support 2012-11-12

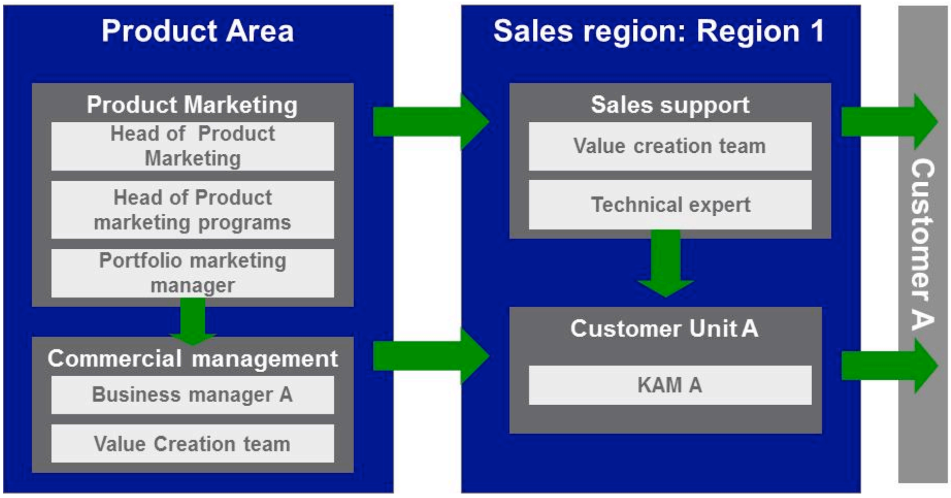

Figure 7 GlobIT's organization working towards Customer A

Source: Own summary of the organization involved in the deal of Customer A (2012)

The case in question took place when GlobIT was loosing market share in the region to its competitors. Mainly one competitor was very aggressive and significantly lowered the price levels.[96] Hence, "*GlobIT had to find a way of getting back to being considered as a valued vendor*."[97] Since GlobIT had lost its position in Customer A's infrastructure network, it became especially crucial from a long-term perspective for the company to win the contracts for the new projects.[98]

KAM A and the GlobIT organization identified four key challenges at the time of this deal, the first one being that the customer had technical challenges. Customer A had to enhance its IT infrastructure and there were a lot of costs associated with this. The second challenge was that the customer had given up on GlobIT and they were sure that GlobIT never would have made this kind of effort to help Customer A, since the customer was too small compared to its larger competitors. Moreover, one of the competitors was very eager to defend its position with the customer, which led to a fiercer competition. The last challenge was that GlobIT was sitting far away from the customer, so they had to move closer in order to be able to work more intimately with the customer.[99]

4.3.3. A need to prove customer value and the potential to create a best-practice case enabled a new consultative sales approach

The need for GlobIT to differentiate itself became evident when GlobIT showed the technical aspects of its new products and solution to Customer A, who simply replied that a competitor had showed them the exact same thing the day before.[100] This problem was highlighted by Business Manager A, who stated that: *"GlobIT finds itself in a situation where they talk about boxes while the customer's business deteriorates; it is as easy as that."*[101] The same rationale was emphasized by a person in the value creation team, namely that it is not about box-selling anymore but about value propositions. Hence, GlobIT decided to try the value creation methodology, as described earlier, on this customer in order to try to open the door a little bit and see whether it was possible to start engaging with

[96] KAM A, Customer unit A 2012-11-15
[97] Technical expert, Sales support 2012-11-12
[98] Principal consultant, Sales support 2012-11-08
[99] KAM A, Customer unit A 2012-11-15
[100] Technical expert, Sales support 2012-11-12
[101] Business manager A, Customer business development 2012-10-10

Customer A. "*If we would start to compete in the tender process where everyone bid, it will become a price war in which everyone lower the price. In the end, the one with the lowest price will win. In order to get a wild card and bypass the tender process, we do something that is called Value creation. The minute we go into a tender process, we will not win."*[102] In other words, GlobIT tried through value creation to position itself as unique in order to differentiate itself from the competition. On the question why value argumentation was used in this specific case, KAM A responded that *"Honestly, using value argumentation, I think is the only way to sell something today".*[103] The Principal consultant explained that when using value argumentation GlobIT move from a commodity discussion to a value-based discussion.[104]

At the same time, GlobIT needed to prove the potential of the value creation methodology for winning business.[105] Consequently, the company was looking to find a key customer, where they could create a case which was as holistic as possible. The scope of this case was not clear from the beginning but the goal was to create something that could be used for deals in the future. Moreover, it was important that they chose a case where this type of sales approach could potentially succeed. The deal with Customer A was found to be suitable for many reasons. Thus, the central value creation team was engaged with the strong support of KAM A and the Principle consultant in the Sales Support organization.[106] The goal was to look beyond the technology/solution dilemma and approach the challenge from a holistic view and seek to expand relationships beyond the CTO office to the other CXO organizations (CMO, CFO, COO, etc.).[107] It was stated by many that it would not have been financially viable to put this much resources on one customer if not GlobIT also had the additional purpose of creating a best-practice case.[108] After having spent 5 months on this case then the next one only took 3 or 6 weeks to do.

4.3.4. The value argumentation process

The project was pitched to the customer as a consulting service and in order to create goodwill GlobIT charged a lot less than they normally would for such a service.[109] The Principal consultant said that *"it is often about winning the deal there and now. However, consultative sales are more about having multiple conversations, communicate stories and build relationships over time. It is more of an indirect soft selling approach and you really have to look at things from the customer's point of view."*[110] Hence, the purpose of the approach was to get a better understanding of the customer's business and challenges.[111] In order to demonstrate value, GlobIT had to think of things that Customer A would have on its mind.[112] Consequently, an outside-in analysis that identified the customer's key challenges, opportunities and strategies from investors'/analysts' point of view was conducted. The customer did not want to share much information, which was the reason for hiring an external consultancy firm to do this analysis objectively. This enabled GlobIT to use this analysis to fuel the engagement. As a result, the account team from Customer A's side gave a few indicators what the cost was to them and where they had been bleeding.[113] Based on the analysis, GlobIT came

[102] Value creation team member 2, Customer business development 2012-11-12
[103] KAM A, Customer unit A 2012-11-15
[104] Principal consultant, Sales support 2012-11-08
[105] Technical expert, Sales support 2012-11-12
[106] Portfolio marketing manager, Product area 2012-10-19
[107] Principal consultant, Sales support 2012-11-08
[108] Portfolio marketing manager, Product area 2012-10-19; Value creation team member 2, Customer business development 2012-11-12
[109] Portfolio marketing manager, Product area 2012-10-19
[110] Principal consultant, Sales support 2012-11-08
[111] Internal material-Case A, GlobIT
[112] Technical expert, Sales support 2012-11-12
[113] Value creation team member 2, Customer business development 2012-11-12

up with sixteen value propositions and after a due diligence narrowed it down to eight.[114] These value propositions targeting the customer's challenges going forward were also defined and quantified in monetary terms.[115] The impact on "Operational Efficiency" and "Revenue Growth" of the value propositions were visualized in a waterfall chart, which in the end built up to the total estimated OpFCF effect of implementing the value propositions. Most of the value propositions were related to the revenue growth, estimating how much additional OpFCF Customer A potentially could get.[116] GlobIT did not specifically pitch any of its products in the value propositions but put the customer hat on and focused on ideas that would improve customer A's business.[117] It was a new thing that GlobIT was not trying to sell one of its own products or services as the main objective but rather to create a holistic solution for the customer.[118]

In this deal, it was much about the potential new revenue streams.[119] The value creation team emphasized that value creation should focus on how much money can be earned rather than the associated costs, which was evident in the following quote: *"We look at today, then we look at the revenue projections at the different stages and then we pile it up over a couple of years. No one gives a damn about costs, costs will always be, only that they are relative."*[120] In the deal with Customer A, GlobIT still looked at both the revenue side and the cost side. They created revenue- and cost tools in excel for the customer to be able to themselves evaluate the value propositions.[121] Moreover, GlobIT built business cases for each value proposition and estimated the impact on Operating cash flow of these investments as well as identified the estimated bottom line impact. GlobIT estimated that the net impact would be about X millions in Operating Cash Flow over 5 years.[122] Customer 1 disclosed that they similarly calculates depreciations on investments over 3-5 years time, as it is the normal contract length.[123] *"If you show this kind of value propositions and business cases to a customer they are going to say that they are not interested in some factors. Hopefully, they will still choose four to five out of nine value propositions that they find interesting. That is when GlobIT starts to engage, not only from a hardware and software point of view but also from a service point of view."* Thus, the value creation team member 2 described this approach more like a sales engagement.[124]

4.3.5. Quantification viewed as an important ingredient but involved a certain level of risk

Most of the interviewed people, who had been involved in this deal, agree that quantification is an important part of value argumentation. Business manager A said that it definitely is important to quantify, since it proves that what GlobIT says is correct.[125] The value creation team member 2 emphasized the importance of putting a number on things i.e. monetizing. *"Value for a customer is when you take a proposition and show why this specific thing is important to the customer. It could be a huge opportunity that the customer had not thought about."*[126] KAM A expressed that he thinks it is very important to quantify because if you cannot translate the value into money, it most probably will be a failure. In the deal with Customer A, the value creation team built an excel model to prove

[114] Value creation team member 2, Customer business development 2012-11-12
[115] Internal material – Case A
[116] Internal material – Case A
[117] Principal consultant, Sales support 2012-11-08
[118] Technical expert, Sales support 2012-11-12
[119] Technical expert, Sales support 2012-11-12
[120] Value creation team member 2, Customer business development 2012-11-12
[121] KAM A, Customer unit A 2012-11-15
[122] Principal consultant, Sales support 2012-11-08 & power-point material for case A
[123] Head of Sourcing and Procurement, Customer 1 2012-11-13
[124] Value creation team member 2, Customer business development 2012-11-12
[125] Business manager, Customer unit A 2012-10-10
[126] Value creation team member 2, Customer business development 2012-11-12

the business cases where the value in terms of cash flow effect was quantified through embedded cost and revenue aspects. Three categories of metrics, i.e. Market, Financial and Network, were identified to have a significant effect on the business cases.

He further explained that "*if you cannot quantify, there are just words and then you can only use the arguments in an emotional way towards shareholders*." He emphasized that *"you have to try and put a value also on the soft parameters, since this is the only thing that works in the board room and that can motivate why GlobIT can have a higher price than the competition."* He acknowledged that some aspects, such as having a supplier you can trust, might be harder to quantify than other aspects. However, it all comes down to doing your utter most to try and monetize arguments, even the things that are bit uncertain e.g. opportunity cost of not going with GlobIT. *"The customer's first reaction will always be that the quantified argument does not hold but as soon as they are convinced they start using GlobIT's arguments to legitimize it internally".*[127] The Principal consultant working very near KAM A during the deal expressed a similar standpoint: "*I think you should always quantify. However, the communication of the quantification depends on the case and the audience."* He further emphasized that "*it is important to always have the competence to quantify, otherwise people will se right through it and you get kicked out of the room".*[128] In the case of Customer A, it did not seem like the customer accused GlobIT of doing incorrect assumptions.[129] Guesstimates were not a problem in the initial proposal. The Principal consultant reasoned that *"if the customer can see that GlobIT has done its homework and tells the right story that makes sense, they pretty much buy the concept."* He further explained that to him it would be a failure if the customer even would ask GlobIT to open up its spreadsheet and ask for the assumptions, because then they would have failed to communicate the value.[130]

The Principle consultant acknowledged that there was a risk of being forced to put something in the contract but at the same time emphasized that you have to look at the flipside as well i.e. that you have to see it as an opportunity too. "*We should know the cause and implications better than anybody else. We can't just sell stuff and hope it works."*[131] It was discovered that the major concern regarding contractual obligations was related to revenue arguments. "*You can make recommendations but you cannot sign up for reduction in churn rate, because those are things outside our control."*[132] Thus, GlobIT only included an estimation of the impact in the proposal and stated that everything would depend on the marketing and thus the go-to-market plan.[133] However, Customer A expressed during the negotiation that they did want GlobIT to contractually guarantee that the equipment lived up to the promised performance. GlobIT said that they were prepared to do that if they could perform all the services associated with the equipment and if they were allowed to be in control of the network planning. GlobIT knew that Customer A would be hesitant towards delegating the responsibility because they wanted to keep the control themselves. As anticipated, Customer A refused the suggestion and GlobIT was thus able to say that they could not guarantee the performance without any concessions from the customer side. Evidently, since GlobIT knew how customer A was going to

[127] KAM A, Customer unit A 2012-11-15
[128] Principal consultant, Sales support 2012-11-08
[129] Portfolio marketing manager, Product area 2012-10-19
[130] Principal consultant, Sales support 2012-11-08
[131] Principal consultant, Sales support 2012-11-08
[132] Technical expert, Engagement practice 2012-11-12
[133] Value creation team member 2, Customer business development 2012-11-12

react, they could avoid a contractual obligation. This shows the importance of being able to foresee how the customer is going to react in different situations.[134]

4.3.6. By visualizing holistic value GlobIT was able to earn trust and multiple contracts

In the end, Customer A awarded GlobIT both a long-term project and several other consultancy projects which aimed at developing the value proposition presented during the value creation process.[135] GlobIT showed Customer A how much they had been able to negotiate down the price for the deal compared to the value that was included in the proposal, yet the price was still higher than the main competitor's price.[136]

Another result of the value creation process was the improved customer relationship. As earlier mentioned, KAM A came in a situation where he felt that the customer had given up on GlobIT and that the company was perceived as less hungry compared to certain competitors.[137] The customer saw GlobIT as just another vendor and did not know that they had the capabilities that they later would show in the sales process.[138] The relationship however gradually improved, especially when Customer A realized that GlobIT was trying to achieve something in customer A's interest. At this point, they started to coach and guide GlobIT more. Hence, *"GlobIT's way of arguing was the key to a better relationship"*.[139] The customer appreciated that GlobIT was looking at their business through their eyes. They felt that GlobIT was not there to make Customer A choose GlobIT's solution but to really try and solve the customer's issues. This made the customer more willing to open up, resulting in that *"The customer is now saying that they no longer choose a vendor, but that they choose a partner."* This positive change in the relationship is also demonstrated by the fact that Customer A's executives approached GlobIT after the deal and asked them to present more ideas on revenue generation and cost savings to help them plan the coming year. The process of earning Customer A's trust is described as following: *"It is not something that happen day one, but when you show that you are able to use the information in the right way they are more willing to open up."*[140] In conclustion, the success of Value Creation programs is not only measured in winning deals. It is about building trust as a strategic partner and engaging in conversations about how best to address the opportunities and challenges in the marketplace.[141]

4.3.7. The buy-in from the C-suite helped move the process forward, enabling the success

In this case, the main target audience for value creation was the C-suite management at Customer A. Consequently, GlobIT used value creation to engage extensively with the Chief Operating Officer (COO), Chief Strategy Officer (CSO), Chief Technology Officer (CTO) and part of the marketing department as well as the purchasing department. KAM A started off by engaging with the CSO, who then put them in contact with the COO.[142] GlobIT spent six weeks on interviewing C-level management and the level below in the customer organization, in order to find out what was on their mind.[143] 80-90% of the time GlobIT was interacting with the procurement department and the technical organization. Considering the size of the deal, the proposal was presented also for the

[134] KAM A, Customer unit A 2012-11-15
[135] KAM A, Customer unit A 2012-11-15
[136] KAM A, Customer unit A 2012-11-15
[137] KAM A, Customer unit A 2012-11-15
[138] Principal consultant, Sales support 2012-11-08
[139] KAM A, Customer unit A 2012-11-15
[140] Principal consultant, Sales support 2012-11-08
[141] Principal consultant, Sales support 2012-11-08
[142] Principal consultant, Sales support 2012-11-08
[143] Technical expert, Sales support 2012-11-12

CEO.[144] Business manager A explained that *"We have fewer interfaces with Customer A compared to other customers, which means that it is easier to address the CTO and CFO. Moreover, the CEO has to think about the bigger picture so he needs to be involved in the process as well."*[145] Once GlobIT got to the executive level and they received buy-in on the ideas, Customer A's management pushed it through the organization and at the end of the year they had closed several important orders.[146] As the value creation team member 2 concluded: *"There was only one KSF for Customer A, the management was quite convinced. They knew what the problem was. We tapped on the door and said that these are your problems. There was a perfect match between what we both wanted to do".*[147]

4.3.8. Linking to financial metrics was key to gain managerial attention and credibility

Tying the arguments to financial metrics was described as critical in this deal with Customer A, since it showed that GlobIT had really done its homework. *"The success lies in the combination of quantifying and tying the arguments to the customer's financials such as EBITDA and cash-flow. It is an overall thing; you cannot do one without the other. If you do only the quantification it is just a generic business case."*[148] Compared to before, GlobIT looks into the customers' annual reports more often.[149] Financial statements are stated to be predictors of what the problems are within the company. This is why the value creation team did a lot of regressions, in order to predict the value of the finances today and see what they potentially could look like if customer A started to invest in the suggested propositions. Hence, the purpose was to identify where the financial problems were. If they had not done this, the customer would not have been as open for discussions with GlobIT.[150] Both the Value creation member 1 and the Princple Consultant mentioned during the interviews that the value argumentation used in the case enabled GlobIT to engage at the executive levels, since they are very financially oriented.[151] "*You gain credibility by using accounting metrics*" well reflects this reality.[152] KAM A further explained that you have to be able to talk the language used at the C-suite level in order to be able to have a proper discussion and thereby stand out amongst the competition. He could not think of any case where GlobIT had successfully sold to the C-suite (disregarding the CTO) without having quantified the financial aspects. "*It was definitely a deliberate choice to try to do that in the case of customer A, it is definitely worth the investment*".[153] Value creation team member 1 said that he thinks it is good to link the value propositions to the customer's KPIs. However, he explained that it is pretty easy to link to the official KPIs but not as easy to link to the operational ones since there is less information about these.[154] To answer the question why KPIs were used in the case of customer A, the portfoliomarketing manager answered that *"it is all about being trustworthy; you have to be able to show all assumptions and to defend all thoughts."*[155] Further, KAM A emphasized that it was important to understand how the employees got their bonus. In this deal, GlobIT could find out how the decision-makers within Customer A's organization were measured and understood that certain parameters were very important whereas

[144] KAM A, Customer unit A 2012-11-15
[145] Business manager, Customer unit A 2012-10-10
[146] Principal consultant, Sales support 2012-11-08
[147] Value creation team member 2, Customer business development 2012-11-12
[148] Principal consultant, Sales support 2012-11-08
[149] Business manager, Customer unit A 2012-10-10
[150] Value creation team member 2, Customer business development 2012-11-12
[151] Value creation team member 1, Customer business development 2012-10-19 & Principal consultant, Sales support 2012-11-08
[152] Value creation team member 1, Customer business development 2012-10-19
[153] KAM A, Customer unit A 2012-11-15
[154] Value creation team member 1, Customer business development 2012-10-19
[155] Portfolio marketing manager, Product business unit 2012-10-19

others were regarded as less important. GlobIT tried to make use of this information in the value argumentation towards the customer.[156]

4.3.9. The many KSFs created the perfect storm for GlobIT

This deal represents a very good match between a customer and a vendor. Customer A was in a difficult situation, having severe financial problems*. "It was almost a do or die situation for them".*[157] The value creation team member 2 explained that it was perfect timing for GlobIT to come knock at the door. He further argued that the major KSF in this case was that there was a prefect match of what GlobIT wanted to achieve and what the customer needed and the management of customer A agreed on what GlobIT presented as the customer's problems.[158] "*That GlobIT was prepared to invest in the customer made customer A change its opinion about the company."* Also, the fact that the initiative did not come from the traditional sales unit at GlobIT made the customer perceive GlobIT's initiative as more credible.[159] Further, the combination of quantifying and tying the arguments to the customer's financials such as EBITDA and cash flow was part of the success.[160] KAM A explained that a combination of different factors spurred the success in this specific case. An important factor was that many parts of the organization were involved; the Product area, the Value creation team, the Sales Support and KAM A.[161] The Technical expert explained that GlobIT works a lot in silos and that value creation enabled a way to provide a total solution perspective where the business aspects of the portfolio were brought out in addition to the technical aspects.[162] The team work also helped to mobilize the resources needed from the Product area and the sales region. Moreover, GlobIT started with a value creation workshop with the customer and then consistently continued to follow the same methodology throughout the whole process. This made it possible for the customer to handle the emotional part i.e. that the customer really wanted to work with GlobIT and it made it possible for the customer to motivate internally why GlobIT should get a premium.[163] KAM A further expressed that "*the value creation methodology has allowed us to start a strategic dialogue about customer A's business in a way that as the COO put it "has set us apart from competition*".[164] Several people mentioned the early engagement i.e. that GlobIT approached the customer before the tender process as a KSF. *"As soon as the tender process has started the customer is normally not allowed to talk anymore."* Hence, the fact that GlobIT was able to bypass the tender process enabled a more open dialogue between them and customer A.[165] However, it was argued that the same type of argumentation could be done in the tender process as well. In one specific case, the value creation made the case move forward but it would have been better if the engagement had taken place earlier in the process.[166] As the Principal consultant concluded: "*The success of value creation programs is not only measured in winning deals. It is about building trust as a strategic partner and engaging in conversations about how best to address the opportunities and challenges in the marketplace".*[167]

[156] KAM A, Customer unit A 2012-11-15
[157] Portfolio marketing manager, Product area 2012-10-19
[158] Value creation team member 2, Customer business development 2012-11-12
[159] Portfolio marketing manager, Product area 2012-10-19
[160] Principal consultant, Sales support 2012-11-08
[161] KAM A, Customer unit A 2012-11-15
[162] Technical expert, Sales support 2012-11-12
[163] KAM A, Customer unit A 2012-11-15
[164] Internal material – Case A
[165] Portfolio marketing manager, Product area 2012-10-19
[166] Principal consultant, Sales support 2012-11-08
[167] Principal consultant, Sales support 2012-11-08

5. Analysis

In this section, we will first evaluate whether GlobIT actually is using TVO as a value argumentation tool in their customer interface given our definition of the concept. We will proceed by showing the different roles that TVO can have in the customer interface. Thereafter, we will investigate how the different roles of TVO relate to the field of customer accounting. Lastly, we will introduce our framework that conceptualizes our findings and analysis.

5.1. TVO argumentation in the customer interface at GlobIT to answer how the accounting concept of TVO can be used as a value argumentation tool in the customer interface

Our first finding is that no common language exists for arguing value towards customers within GlobIT. As the empirics clearly showed, there are a myriad of different terms, e.g. value argumentation, value proposition, value creation and TVO argumentation, which can be found within the company. The table below shows the definitions of the different value concepts that were found in the empirics as well as our own theoretical definition.

	Value argumentation	Value creation	Total Value of Ownership argumentation
Empirical findings	*"Value argumentation is about **quantifying the value** of our products, services and solutions to a customer with what we believe that the customer will get if they would invest in it. Total value equals **cost savings** and **additional revenues**"*	*"Value creation and value proposition are however the same things; you create a value by **providing certain proposition** i.e. prospecting and then you **capitalize** on that prospecting **with a certain customer** and then provide them that service"*	*"TVO is in essence the same as Value argumentation"* but is characterized by being: *"C-suite focused, consultative selling, customer first and value driven premium pricing"*
Our definition	***TVO is an accounting concept which quantifies and incorporates all revenue and cost effects over the life-time of an offering***		

Figure 8 Definitions of value argumentation, value creation and TVO argumentation found in the empirical research and our own theoretic definition of TVO

As seen in the table above (Figure 8), we have defined TVO as ***an accounting concept which <u>quantifies</u> and incorporates all <u>discounted revenue and cost effects</u> over the <u>life-time of an offering</u>***. Given this definition and the theoretical overview, we have identified three dimensions that are relevant to discuss when determining whether TVO was used in the customer case**.** Therefore, an analysis based on the three dimensions of the empirics will be conducted.

5.1.1. Discounted revenue vs. cost arguments

The TCO approach enables customers to look beyond the purchasing price and focus on the total cost over a product's life cycle (Ellram 1993, Degraeve et al. 2005). In line with current literature (Porter 1997; Ferring & Plank 2002), we find that this change has been embraced in practice and TCO is today an acknowledged term amongst both customers and vendors, including GlobIT and the interviewed customers. The existing literature further describes yet another expansion, this time from TCO to TVO. This shifts focus from only total cost to also encompass revenue aspects (Wouters et al. 2005; Snelgrove 2012). Through our study, we find that this theoretical development can be found also in the customer interface although it is still in the infancy at GlobIT. The empirical findings suggest that the viability of incorporating revenue arguments is not entirely uncomplicated.

We find that revenue arguments in the customer interface can be perceived as a two edged-sword i.e. can have both positive and negative effects. The individual customer's situation and mind-set as well as how the revenue argumentation is conducted become key. In our case (Case A), it was evidently a large focus on the revenue aspects. The strong focus on revenue arguments became one of the factors that made customer A feel that GlobIT had made an extra effort to look at their business through the customer's own lenses. Even though both revenue and cost aspects were discounted and included in order to build up to the total operating free cash-flow impact of all the eight value propositions combined, GlobIT put large emphasis on the revenue generation. This directly addressed Customer A's challenge with revenue growth, which the customer appreciated. This confirms Snelgrove's (2012) statement that companies today look at both the revenue and the cost sides when making business decisions.

Looking at sales argumentation in GlobIT as a whole, the focus is usually mainly on TCO aspects while revenue arguments seldom are included. It is safe to conclude that our case represents a very unique case, where the revenue arguments were relatively easy accepted from the customer side. Some regions seem to be less receptive to revenue arguments than other regions. Companies in the later regions may thus not be ready for the type of value argumentation used in case, confirming to some extent Anderson's doubt that TVO can be used in practice in the sales process. Although our empirical findings explain TVO usage from a customer perspective, the problems regarding revenue aspects may be similar to when they are used in the conventional supplier interface as described by Ellram (1993, 1998) and Ferrin & Plank (2002). When using TVO as a supplier selection tool, the control aspect of revenue arguments described above might not be a problem in the same way as when used in the sales process. However, it will most likely be hard to determine the exact revenue impact of the specific offering. The problems displayed above in regards to the revenue inclusion may partly be why TVO has not made such a footprint in literature and practice up to this point in time.

5.1.2. Quantification

The benefits of quantifying customer proposals in monetary terms are highlighted by many researchers (Kadous et al. 2005, Anderson et al. 2007, Snelgrove 2012). Kadous et al. (2005) see it as a way to make the proposal more persuasive, Anderson et al. (2007) see it as a way to stand out from the competition and Snelgrove (2012) explains that it is necessary in order to be able to argue for a price premium. These positive aspects of quantification were strengthened by our empirical findings, where the importance of monetary quantification was recognized. In the case, sales arguments were quantified to a large extent. The monetary quantification helped GlobIT to secure a price premium for the new solution which supports Snelgrove's (2012) statement that monetary quantification is a way to argue for a price premium. In our case, both cost and revenue aspects were monetarily quantified and focus was mainly put on the latter. Customer A saw this quantification of both revenue –and cost aspects as something positive. As explained by the Principal consultant: "*if the customer can see that GlobIT has done its homework and tell the right story that makes sense, they pretty much buy the concept.*" That customer A was positive to the initial work that GlobIT hade done, including quantification of the value propositions, made them willing to share more information with GlobIT. This helped the business case calculations for the value propositions to become more accurate. Thus, it seems like the extensive monetary quantification that took place in case A was a way for GlobIT to differentiate itself from the competition in accordance with Anderson et al.'s (2007) suggestion. The importance to quantify for differentiation is also reflected in KAM A's statement: *"If one can not motivate and quantify, then one will end up in the commodity category."* Consequently, the findings here are in line with two of the purposes of value argumentation within the company i.e. that value argumentation can help GlobIT to differentiate itself from its competitors and preserve a price premium.

Kadous et al. (2005) not only emphasize benefits of quantification. The authors also explain that quantification can have negative effects on the perception of the proposal. Their study shows that if the inputs of a proposal are subjective, it is more likely that the quantified proposal will be critically analyzed compared to a non quantified proposal. The authors further argue that this can decrease the persuasiveness of the proposal (Kadous et al. 2005). In line with Kadous et al. (2005), our case shows that the assumptions underlying the calculations may very well affect the persuasiveness of the proposal. In our case, where the quantification was found to have a positive effect on the perception of the proposal, the initial analysis was made by an external consultancy firm. This seems to have mitigated the risk of the assumptions being regarded as subjective. This confirms the result of Kadous et al.'s (2005) study as subjective inputs can decrease the persuasiveness of the proposal.

In the end, GlobIT many times stops at the technical quantification instead of taking it one step further by stating how much this would be worth in monetary terms. This can be explained by a fear of contractual obligations that could have arisen if the customer actually would have demanded GlobIT to contractually guarantee the calculated revenue as per quantification. GlobIT could then of course have signed the guarantee but that would have meant more risk in the contract for GlobIT. This view of contractual obligation as a risk of quantification is shared across the GlobIT organization. Consequently, we would further argue that, even though it is certainly somewhat industry specific, also the increased risk of a contractual obligation can be seen as a negative effect of quantification in addition to the subjective arguments problem of quantification brought forward by Kadous et al. (2005).

5.1.3. Holistic arguments

In the investigated case, the total cash flow that the value propositions would lead to over a five-year period was included in the proposal. Thus, the proposal in the case can be described as a holistic view on how GlobIT could help customer A. A period of five years can be seen as a good estimation of the life-time of the offer. This seems to correspond to the time period that customers use for investments, since Customer 1 explained that they normally capitalize and depreciate their investments over a 3-5 year period. Case A is an example of the more holistic analysis that GlobIT tries to achieve with the new value creation process. It is also worth considering that the holistic approach demands a lot of resources. Thus, careful assessment is needed to determine whether all cases are suitable for this approach.

5.2. The roles of TVO argumentation in the customer interface and their contribution to the extension of current CA literature

Having concluded that the argumentation in our case can be characterized as TVO argumentation, we will further describe the different roles that TVO was found to have in the customer interface during the sales process.

5.2.1. TVO as a tool to align internal resources towards a customer

Cäker & Strömsten (2010) explains that CA is a tool used internally to measure and manage customer relationships, indicating that it helps firms to decide which customers to devote internal resources to. Boyce (2010) further argues that customer valuation can lead to better integration of accounting in the operational side of the organization by bringing together information from multiple departments, e.g. marketing and finance, into the creation of holistic solutions. Striking similarities can be found with the way that TVO argumentation was created by GlobIT in the investigated case. KAM A stated that one of the success factors in this case was that so many different parts of GlobIT's organization were involved. The teamwork between these people made it possible to gather the resources needed from both the Product area and the sales region. The TVO argumentation can be assigned much of the credit in this internal alignment of resources. Creating a successful and holistic TVO argumentation providing a total solution perspective demanded that different business aspects were incorporated. This implies that technical, market, financial and accounting information needed to be merged together into one holistic analysis, leading to the same benefit as customer valuation (Boyce 2010). Moreover, the creation of TVO argumentation forced GlobIT's employees to get out of their traditional silo ways of working and instead work across the functional areas in order to service a customer. Consequently, we argue that TVO argumentation fills an important role of aligning internal resources towards one customer. This role confirms CA's traditional function of directing resources internally towards certain customer relationships following the customer evaluation (Cäker & Strömsten 2010, Boyce 2010).

5.2.2. TVO as a tool to engage the customer in the early sales process

According to Kadous et al. (2005), it is essential to have objective sales arguments in order to prevent the persuasiveness of the arguments from decreasing. The importance of trying to mitigate the subjectivity of the arguments was emphasized by many interviewees in GlobIT. One suggested way of doing this was to get the customer's own numbers into the calculations. Case A represented a rather unusual sales approach for the IT industry, where GlobIT used a more consultative sales approach. In this case, specific value propositions and business cases were created to address the challenges of Customer A. By quantifying these value propositions monetarily and building up to an attractive total proposal, the customer became at least interested enough to state which of the value propositions they were interested in. Naturally, this created a dialogue between the customer and the vendor during the sales meeting. During these conversations, the customer slowly started revealing bits and pieces of its business given that a certain level of trust had been established. Thus, we conclude that TVO can, when addressing the customer's needs and when adapted to the customer's language, act as a sales engagement tool. Moreover, GlobIT gained the attention of the C-suite management much thanks to TVO's quantified nature and the linkage to financial metrics. This helped GlobIT, who in the beginning mainly interacted with the technical and purchasing department, to also start engaging with other departments e.g. Marketing and Finance. Thus, in its role as a "Sales engagement tool", TVO can also be used to expand the relationship base within the customer's organization. As emphasized by Roslender & Hart (2010), it is a prerequisite for companies to initiate a dialogue with the customer in order to be able to develop offerings in line with what customers seek in their relationship with companies. Our study shows that TVO can be a way to accomplish this. Even when the customer does not agree with the numbers, the customer can sometimes still agree to the approach and together with the company create more realistic numbers as in case A. This role of TVO as a tool for sales engagement expands the theoretical functions of CA, as it no longer only evaluates and extracts customer value. Instead, TVO contributes to augment the customer value and customer satisfaction by bringing the customer into a discussion regarding how the offering can be more in line with the customer's needs. According to Martin's (2010) reasoning, TVO as a "Sales engagement tool" can hence influence the value of the customer relationship and in the long term the profitability of the company itself.

5.2.3. TVO as a tool to enhance trust in order to become a true business partner

Anderson et al. (2007) express concerns with TVO argumentation in the customer interface, since it demands extensive data collection and customers often do not want to share information nor have the time to do so. As explained by KAM A, GlobIT was in a position where customer A had given up on them before this deal took place. However, as explained in the empirics, customer A's perception of GlobIT changed during the sales engagement. It was not that GlobIT was able to show the perfect solution straight away, since this requires detailed in-depth knowledge about the customer's business. However, GlobIT made it very clear that they were willing to devote a lot of effort and resources in order to understand customer A's situation even though the customer was considered to be a relatively small customer. For example, GlobIT hired external consultants and flew in people from the Product area to customer A's office. This, in combination with that they then presented several well-founded proposals aimed at solving the customer's problems, made the customer look at GlobIT in a more favorable light. Customer A let down its guard and started to share more information. Evidently, being able to demonstrate how the customer's business is going to be affected is more credible than just claiming that you can see the customer's problems. Moreover, when the customer realized that GlobIT was trying to help customer A and not specifically trying to pitch one of its products the customer even began coaching GlobIT in what they were trying to do. Hence, this shows that TVO argumentation does demand a lot of time and company resources in line with the critique put forward by Anderson et al. (2007). However, TVO's ability to create trust can lead to a higher degree of information sharing. In other words, Anderson et al's (2007) reservation against TVO being resource demanding can in fact help to solve their second perceived problem of customers not wanting to share information.

The deal turned out to have effects also on the future relationship between GlobIT and customer A. The new type of interaction between customer A and GlobIT made the customer perceive GlobIT much more as a partner than a vendor. When GlobIT had proved that they were a vendor to count on, customer A started coming back asking for more advice from GlobIT. This can be seen as the ultimate acknowledgement of that customer A had started to see GlobIT as a valued vendor again. Following this discussion, the last role of TVO is that it can be an enhancer of trust in a customer relationship and thus contribute to create value for the customer. Boyce (2000) argues that the only reason for why companies adopt a customer focus is to generate profit for the company itself and thereby create shareholder value. Generally, the most common purpose of value argumentation in GlobIT has been to defend a price premium. In contrast, the internal consultant suggested a reverse logic similar to the demonstrated view in case A, where value argumentation is used to show how additional value can be created and shared between the customer and the vendor. This is much in line with the claim that customer satisfaction leads to improved long-term corporate performance (Martin 2010; Ittner & Larcker 1998). This view makes customer accounting move away from the focus on only creating value for the company itself as suggested by Boyce (2000) and move more towards creating value for both the supplier and the customer. Conseuqently, the role of TVO as a "Trust enhancer" expands the current practice of CA from passively reflecting the reality to actively influencing the customer relationship over time.

6. Concluding remarks

6.1. Conclusion

The main purpose of this paper was to investigate if the accounting concept TVO can be used to expand the function of CA. More specifically, if TVO can be used as a tool to influence the customer value and thus the value of the customer relationship rather than only evaluate and manage it. In order to investigate this, we conducted an in-depth study of the sales argumentation in one specific customer deal in a large MNC in the IT industry, GlobIT. Our selected case is a unique example where focus was on demonstrating value rather than price or cost. This case was thus considered to be in the front edge of the sales argumentation within GlobIT. When investigating the deal, it was found that the case included all dimensions displayed in our definition of TVO. Hence, the proposal in the investigated case represented a holistic view of discounted quantified revenue and cost aspects over the life-time of the offering. This case could thus be used to identify what type of roles that TVO can play in the customer interface.

In summary, we have identified three main roles that TVO argumentation can play during the sales process in the customer interface. The first role of being an "Aligner of internal resources" relates to the internal organization within the supplier company. This role comes into play mainly in the beginning of the sales process, since it is a prerequisite for creating successful TVO argumentation that incorporates different business aspects into one holistic analysis. In order to be able to create value by using TVO argumentation, firms have to look beyond the silo thinking and work across the functional areas. The second role of TVO is that it can be seen as a "Sales engagement tool" and appears when the supplier initiates contact with the customer. Evidently, this function of TVO directs focus externally since the supplier tries to reach out to the customer and open up for a dialogoue. Moreover, this role also involves TVO contributing to broaden the relationship base within the customer organization. In this way, TVO helps to influence both the customer value and the value of the customer relationship instead of merely evaluate or manage the latter. The last role of being a "Trust enhancer" is tightly linked to the previous role. The function of the "Trust enhancer" is also crucial in the initial engagement stage but remains essential throughout the process as well. TVO has the characteristic of demanding a lot of efforts and resources due to the holistic nature of the monetarily quantified argumentation. However, the concept enables the supplier to show the customer that it understands the customer's situation. This enhances the customer's trust in the supplier and allows for more information sharing between the two parties. Throughout the process, the trust helps to integrate the customer further in order to establish more of a business partner relationship which aims at creating value for both parties.

The first role of being an "Aligner of internal resources" confirms the function of current CA practices, as CA can be seen as tool to direct internal resources to specific customer relationships. The second role of being a "Sales engagement tool" expands the traditional function of CA by moving from extracting value from the customer to instead create value for the customer and thus increase the value of the relationship. The role of being a "Trust enhancer" shifts the focus from creating value only for the company itself to creating value to be shared by the supplier and the customer. This further expands the traditional CA literature, since it influences the value of the customer relationship over time. Our findings and how they relate to the theory are illustrated in the conceptual framework below (see Figure 9).

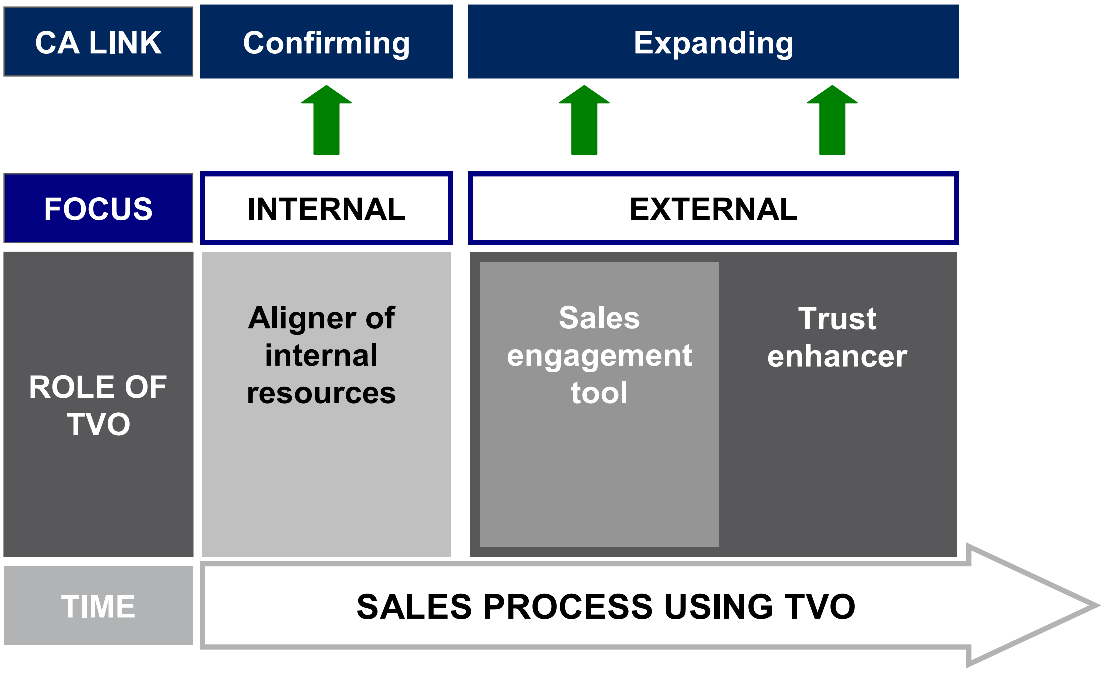

Figure 9 Conceptual framework of TVO's roles and how they impact CA literature

6.2. Managerial implications

6.2.1. Create a common language around value argumentation

Due to the increasing financial focus and price pressure within the IT industry, GlobIT have realized that they need to change its mindset from focusing on technical features to emphasizing customer value. As a result, GlobIT's top management is strongly communicating the importance of value argumentation. However, we find that there are few strategic initiatives to help the concept penetrate the organization in a consistent manner. Consequently, there is no established common language around value argumentation which is reflected in that everyone knows that customer value is important but few people can define what customer value actually is and there are different opinions regarding how GlobIT should convey it. As a result, this has created elements of confusion amongst the employees. We also discovered that many different departments are working on the same things and thus continuously re-invent the wheel, much due to the insufficient information and best-practice sharing infrastructure. Given these findings, we argue that it is essential for MNCs, including GlobIT, to establish a common language around value argumentation or as we selectively have chosen to define as TVO argumentation. We argue that this is absolutely necessary in order to successfully implement this kind of change in mind-set and habits across the whole organization in a consistent manner. The consistency is especially important for many B2B MNCs in today's world of globalization, since many of their large customers also are global organizations and have several interfaces with their suppliers. Thus, alignment in the customer interface can mitigate the risk of loosing price premium or reputational losses. MNCs should in addition consider streamlining their efforts put on value argumentation. This can be achieved by either building infrastructure for information- or best practice sharing and/or assign a department the responsibility and then devote sufficient resources to it. Also, educating the employees of both the purpose of customer value focus but also on how to use TVO agumentation becomes crucial. Lastly, we conclude however that sufficient managerial attention is a pre-condition for implementing this kind of value focus and TVO argumentation.

6.2.2. Internalize customer value across the value chain in order to ensure better timing

Today, the creation of value argumentation often becomes a fire fighting situation where GlobIT does not realize the need for it until the customer questions the company's price premium. In many cases, the value argumentation, especially related to the revenue aspects, is restrained due to lack of time. If better proof points of the offered solution's revenue impact would exist, it might be easier for the account team to quantify the revenue benefits monetarily without feeling that they are running such a big risk in regards to contractual obligations. However, successful argumentation can of course take place without going to such length as in the investigated case A. As however explained by VP of Marketing, GlobIT is no longer in a situation where its technology always is superior to the competition's. Moreover, it was acknowledged during the interviews that an even better value argumentation could have resulted in a higher price premium. The Head of Product area stated that an inside-out approach, i.e. that initiatives need to be undertaken within the Product area first and then spread to the sales regions, needs to be applied in order to ensure that customer focus is implemented in time. We fully agree with his view. Hence, we found through our study that another important managerial implication is that MNCs in general and GlobIT in particular need to be proactive in regards to value argumentation. We argue that the customer focus needs to be internalized in the company's processes at a much earlier point in time. First of all, within R&D intensive companies it is essential that the value focus can be integrated already in the product development phase. In other words, the product development department should ensure that they develop the features that the customers actually want which is not always the case as shown in GlobIT. TVO, as a tool to align internal resources, can be used at this stage to gather different perspectives from the internal organization regarding which features that are important. Moreover, TVO argumentation could potentially play an important role by establishing a relationship based on mutual respect with the customer, so that the customer's feedback is incorporated in the development of better offerings. Secondly, the creation of the value argumentation itself should also be integrated in the product development process as a must-do. In this way, there would be off-the-shelve value arguments and tools available already when the new products are launched. Through creating off-the-shelve value arguments for each product, MNCs could avoid situations where the firm is forced to compromise on TVO-argumentation due to lack of time and preparations. Lastly, the third timing issue relates to the use of value argumentation and is mainly applicable for B2B companies that have customers using standardized tender processes to select suppliers. When a customer has initiated a tender process, little room is left for arguing value. As the customers often do their outmost to normalize and commoditize their vendors, in the end it comes down to whether the pre-specified technical criteria are fulfilled and which vendor can offer the lowest price. Hence, the roles of TVO as a sales engagement tool and a trust enhancer do not get the chance to come into play in the ordinary tender process. This means that TVO needs to be used to a larger extent to bypass the tender process, helping MNCs to enter the process earlier and allow for a business partner relationship to be established as a way of differentiation.

6.2.3. Talking the same language as decision-makers by linking arguments to financial metrics and KPIs

The customers have become increasingly financially oriented. Although the CTO organization still has a lot of power in some companies, a shift has taken place where the CFO organization and the purchasing department are awarded more of the decision-making power. As it is generally acknowledged that speaking the same language as the customer is key in every sales process, a need for MNCs in certain industries, amongst others the IT industry, to start using more financial linguo in the customer interface is identified. In our case, the linking of arguments to financial metrics and the corporates' KPIs was concluded to be a KSF in getting the C-suite management's attention. Value creation team member 1 even stated that *"you gain credibility by using accounting metrics"*. Many of the interviewees similarly stated that linking to financial metrics and decision-makers KPIs is key in order get the customer to listen. In other words, it is essential to adapt the argumentation to the decision-makers' language and thereby make it more relevant for them in order to release the full potential of TVO as a sales engagement tool. Thus, we suggest that MNCs should explore their customers' financial situation and the key decision-makers' KPIs within the customer company to a larger extent in order to formulate value propositions that appeal to them. In the cases where the customer is financially orientated, efforts should be made to link how the arguments impact the customers' own financial metrics and KPIs e.g. OpFCF and EBITDA. It is only when the MNC is speaking the same language as the customer that TVO's roles of being a sales engagement tool and a trust enhancer can reach its full potential.

6.3. Discussion and future studies

We believe that this study has given an in-depth understanding of how TVO can be used and what role it can have in the customer interface. However, we are aware of that our study holds its limitiations. Due to the limited research conducted on CA as a value influencer as well as on TVO, especially in the customer interface, it was hard to build up a solid theoretical framework to validate. The fact that we conducted a single-case study also affected our external validity negatively although we tried to incorporate more perspectives through non-case related interviews. Moreover, the IT industry provides a complex and rather unique context where technology changes are driving up the pace of development. Thus, we are aware of that our findings might be somewhat hard to apply to other industries that are not as dynamic and B2B focused. Another limitation is that we are investigating the customer interface but only got limited insights in how the customer themselves perceive the concept of TVO.

Given the limited research on TVO, there are many avenues for future research. First of all, it would be interesting to investigate whether there are any additional roles of TVO in the customer interface. Moreover, we have conducted a qualitative study investigating how TVO can be used and what role it can have in the customer interface. Thus, it would be interesting to do a quantitative study investigating the effects of TVO-argumentation on for example the margin of deals. Moreover, this study takes place in a business-to business market, more specifically in the IT market. Hence, it would be interesting to do a similar study either in another industry in the B2B-market or in the B2C-market. This, in order to see if there are any differences between industries and what the perception of the concept is among individuals in consumer markets.

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General interviews

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Product marketing manager 1, Product area	Physical	2012-09-14
Internal consultant, Service area	Physical	2012-09-27
Commercial manager, Product area	Physical	2012-10-05
Proposal manager, Product area	Physical	2012-10-05
Head of Product Marketing, Product area	Physical	2012-10-16
Product marketing manager 2, Product area	Physical	2012-11-06
VP of Marketing & Communication, Product area	Physical	2012-11-12
Head of Product Business Unit, Product area	Physical	2012-11-22
Engagement manager, Product area	Physical	2012-11-12
Business manager B, Product area	Phone	2012-11-15

Interviews related to Case A

Business manager A, Product Area	Physical	2012-10-10
Value creation member 1, Customer business development	Physical	2012-10-19
Portfolio marketing manager, Product Area	Physical	2012-10-19
Principal Consultant, Customer Unit A	Phone	2012-11-08
Technical expert, Sales Support	Physical	2012-11-12
KAM A, Customer unit A	Phone	2012-11-15
Value creation team member 2, Customer business development	Physical	2012-11-12

Interviews with customers

Head of Sourcing & Procurement, Customer 1	Physical	2012-11-13
Purchasing manager, Customer 2	Physical	2012-11-20

Presentation

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8. Appendix

In this section, the relevant areas for our research topic which served as the basis for our semi-structured interviews are presented. Since we have applied an abductive approach where we used systematic combining, the initial interview questions were modified along the way in order to adapt them to the evolving theoretical base. Hence, the following is a description of the main areas covered and not the specific questions as such.

General

- Conditions in the industry
  - Technical vs. financial focus
- Definitions of value argumentation, value creation & total value of ownership
- How value argumentation is conducted
  - Type of arguments: revenue vs. cost arguments, quantification of arguments, holistic vs. specific arguments
  - Linking to financial metrics & KPIs
- Organizational efforts regarding value argumentation
- Future value argumentation within GlobIT
- Challenges within GlobIT

The Case

- The interviewee's role in the deal
- Background of the case
- About the customer company
- Understanding the customer
- The relationship with the customer
- The interfaces with the customer company
- How the value argumentation was conducted
  - Type of arguments: revenue vs. cost arguments, quantification of arguments, holistic vs. specific arguments
  -Linking to financial metrics & KPIs
- Outcomes of the value argumentation
- Challenges throughout the process
- Key success factors for the deal

Customer 1 & 2

- Definitions of TCO & TVO
- The current situation for customers.
- How they evaluate suppliers
- Power-centers within the company
- Vendors' proposals