



Department of Marketing

**Value (Co-)Creation in Third-party Logistics Outsourcing
Relationships**

by

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This thesis is presented in fulfilment of the requirements for the degree of Doctor
of Philosophy

2016

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Acknowledgement

The journey through my PhD course has been a challenging, however, all the time rewarding and exciting experience. I am grateful to people, who have supported me during this period and contributed to the successful completion of this thesis.

First of all, I am extremely thankful to my first supervisor, Dr. Beverly Wagner, and my second supervisor, Prof. Fred Lemke. They both provided invaluable guidance, encouragement and support towards fulfilling my PhD. Fast and constructive feedback of Beverly and Fred always kept me on track and hugely contributed to the smooth progress and quality of this research. Also, my supervisors' assurance in the potential contributions of this study kept me inspired and confident that this work is worth the efforts.

I am also very grateful to a number of academic colleagues and administrative staff at the Department of Marketing for their friendship and help in varied ways. Also, I am indebted by the University of Strathclyde, who provided the scholarship for fulfilling this PhD.

My equal gratitude goes to the firms and their respected respondents, who took part in this research. They were willing to be interviewed and communicated opinions openly, which were inevitable for completing this thesis. Their time and efforts are greatly appreciated. I sincerely hope that the participating firms and the respondents will consider the findings of this thesis worthy of excellent commitments and contributions they have made.

During the course of this PhD, I have met various academics and business practitioners, the informal discussions with whom also played a significant part in framing this thesis. I would like to express many thanks to them for the fruitful conversations and sharing their valuable thoughts and advices.

Finally, I am beholden to my family. This adventure could not be as enjoyable without their love, motivation, support and understanding.

Abstract

Sustaining mutual beneficiary relationships is vital in supplier-customer dyads. The relationship value (co-)creation starts to become a common dominator in achieving such relationships. Surprisingly, the empirical evidence is lacking in defining what actual value the supplier and customer can (co-)create in business-to-business (B2B) settings, and what roles these parties play in such processes. As the first step to address this gap, the present research constructed the literature-based preliminary conceptual framework on the supplier-customer relationship value (co-)creation. The functionalist perspective of creating a value by the relationship value-creating functions and sub-functions was adopted. The supplier-customer common perception and the purposeful intent on the relationship value creation for the intended beneficiary were considered as the condition for the relationship value co-creation. The preliminary conceptual framework was then empirically examined and explored in the context of third-party logistics (3PL) outsourcing relationships. For this, qualitative semi-structured interviews with some of Europe's leading suppliers and buyers of 3PL services were conducted. The analytic induction research approach and theoretical sampling method was utilised. The empirical data was analysed by the combination of the qualitative content analysis, hermeneutics and narrative analysis methods. Also, the theoretical saturation approach was employed for defining the sufficiency of the collected data, while the reliability and validity procedures ensured the credibility of the analysis. As the result of the empirical study, the new empirically-based framework on the B2B supplier-customer relationship value (co-)creation was established. The theoretical contribution of this research was proposed by comparing the literature with the empirical evidence of this study. The empirical results served as a basis for improving the preliminary conceptual framework, resulting in the final conceptual framework. Finally, the managerial contributions of this research and the future research directions were suggested.

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Chapter 1 Introduction

1.0 Chapter Overview

The primary concern of this thesis is supplier-customer relationship value creation and co-creation. This chapter introduces the thesis by first discussing the research background, before describing the research problem along with the justification of this study. Following that, the research aim and objectives are addressed. Then, it outlines the research design and context in which the empirical investigation is embedded. These are preceded by the contributions of this study to the existing theoretical body of knowledge and managerial practice. Finally, the thesis outline is given and a summary will conclude this chapter.

1.1 Research Background

In recent years, the topic of relationship value in supplier-customer business-to-business (B2B) interactions has attained growing attention in scientific research and managerial practice. Nevertheless, the construct of value creation and co-creation is vague and inconsistent across researchers. To rectify this omission, the relationship value literature was synthesised and empirically examined in third-party logistics (3PL) outsourcing relationships (as will be discussed later in this chapter and also in Chapter 3, starting on page 118), considering the context dependent nature of the study phenomenon (adopted from Songailiene et al., 2011; Smals and Smits, 2012).

The present literature regards relationship value as the evaluation of trade-offs between perceived benefits and perceived sacrifices by the beneficiary (e.g., Ulaga and Eggert, 2006; Ritter and Walter, 2012). In turn, the value creation is considered to take place when the perceived benefits exceed the perceived sacrifices (e.g., Ulaga, 2003; Songailiene et al., 2011; Aarikka-Stenroos and Jaakkola, 2012; Ritter and Walter, 2012). Value creation makes the beneficiary better-off overall (e.g., Obadia, 2010; Grönroos and Voima, 2013), and attracts the interests of suppliers and customers to engage in, build and maintain long-term relationships (e.g., Biggemann and Buttle, 2012; Lindgreen and Wynstra, 2005). In other words, superior value generation in supplier-customer relationships can make those relationships successful

and long-lasting (Songailiene et al., 2011; Smals and Smits, 2012). Grönroos and Ravald (2011, p. 15) correspondingly point out that the “creation of reciprocal value is the basis of business” in supplier-customer relationships. This point is further confirmed by Ritter and Walter (2012, p. 141), who claim that “(...) long-term business relationships must be mutually beneficial (...)” Apparently, alongside with the own value-seeking nature of supplier-customer relationships, creating trading counterpart’s value also gains significance.

There can be various interests for a supplier and a customer to focus on the creation of the trading counterpart’s value, and in this way, reinforce the long-term business relationships with those parties. For a supplier, enhancing customer value has been associated with the possibility of differentiating themselves from competitors. This is proposed to improve, for example, the business growth potential of a supplier, together with the opportunity to become the main supplier of that customer (Ulaga and Eggert, 2006; Floh et al., 2014). Keeping customers for the long-term reduces a supplier’s need to incur costs associated with switching customers (Gouthier and Schmid, 2003).

With regard to the interests that customers have in keeping their long-term relationships with desired suppliers, Songailiene et al. (2011) suggest that customers can continue outsourcing the strategically important goods and services to the selected suppliers. Also, there is a potential for customers to gain valuable resources from certain suppliers (Ulaga and Eggert, 2005), as well as to conduct supplier development programmes that will eventually be of benefit in the long-run (Ulaga and Eggert, 2006). With the prospect of developing a long-term relationship, it becomes important for the dyad to understand how to enhance the value for each party as well as for both. In this way, the supplier and the customer are in the position to contribute to their relationship survival (Walter et al., 2001; Smals and Smits, 2012). As Ulaga and Eggert (2006, p. 313) also state, supplier-customer relationship value “(...) should be included as a key constituent when modelling business relationships.” Parry et al. (2012, p. 888) confirm this viewpoint by claiming that the “(...) value perspective of both sides is useful when investigating relationships.”

What poses the challenge in assessing the value in business relationships is the paradigm shift from Goods-Dominant (G-D) logic, which focuses on the exchange value of a product and value embedded in the product (e.g., see Ramírez, 1999; Lindgreen and Wynstra, 2005; Möller, 2006). In comparison, the Service-Dominant (S-D) logic transformed the focus from mere product price (or exchange value; relevant to G-D logic), to the overall value of the beneficiary from the relationship with its trading counterpart, also known as *relationship value* (e.g., Ritter and Walter, 2012; Aarikka-Stenroos and Jaakkola, 2012; Arslanagic-Kalajdzic and Zabkar, 2015). In relation to this new form of value assessment, Song et al. (2012, p. 287) contend that:

“The *relationship value* concept has the potential to better capture the two-sided nature of relationships, allowing for a simultaneous study of the value for customers (i.e. value of suppliers) and the value of customers (i.e. value for suppliers)” (emphasis added).

Suppliers and customers need to be aware of their activities which lead to a mutual supplier-customer value. Besides, these activities need to be jointly understood and coordinated (e.g., Möller, 2006; Grönroos and Helle, 2012), which this research terms as the relationship value co-creation (adopted from, e.g., Ballantyne et al., 2011b; Grönroos and Voima, 2013). In light of S-D logic, the joint efforts will result in the desired value outcomes for both parties (e.g., Möller, 2006; Smals and Smits, 2012). That is the supplier-customer matching process of resources and strategies which can enable these parties to create higher value for each other (e.g., Pardo et al., 2006; Karpen et al., 2012).

The importance of the relationship value concept has been recognised, but it leaves question marks over the following issues: What aspects of a relationship are value-creating? Furthermore, what makes relationships valuable overall? According to Corsaro and Snehota (2010, p. 986), “There are two basic issues about relationship value: what makes business relationships valuable and how the value of business relationship can be assessed.” Along similar lines, Song et al. (2012, p. 298) claim:

“While it has been established that long-term relationships have benefits for business partners, and that the more that buyers and suppliers get on with each other and understand each other’s points of view the better it is for both, those

relationships ought not to be taken for granted. Far better to keep them under close scrutiny. If a relationship works, that's great. But the question "Why does it work?" should be asked regularly."

Due to the 'enigmatic' nature of relationships, researchers differentiate between relationship value as a higher order construct and its lower order components (e.g., Lapierre, 2000; Blois, 2004; Fiol et al., 2011; Ritter and Walter, 2012; Song et al., 2012; Töytäri et al., 2015). Latter lower-order aspects are termed 'relationship value-creating functions' in this thesis (in line with Walter et al., 2001; Hald et al., 2009; Ritter and Walter, 2012; Song et al., 2012).

As the literature review will demonstrate, researchers began to suggest similar functions that drive relationship value (see Table 2-3 starting on page 43). A uniform trend developed early on which has a unidimensional understanding at its core. Contemporary scholars challenge the simplicity that appears to be inadequate to capture the multidimensional nature of value (co-)creation (e.g., Ren et al., 2015; Pires et al., 2015). With this understanding, both parties could intentionally focus on particular value outcomes. By doing so, they would not waste resources that will not translate into any value for the relationship parties (Kowalkowski, 2011; Grönroos and Voima, 2013; Smith, 2013). In the B2B context, supplier-customer relationships become unattractive if mutual value is not achieved. This, in turn, could potentially lead to failure and dissolution of relationships (Ramsay and Wagner, 2009; Obadia, 2010; Karpen et al., 2012; Smals and Smits, 2012).

The B2B scenario described above is covered by the 'extended' (or network) Resource-based View (RBV), which considers supplier-customer relationships as an 'inter-organisational type of resource' with a value generation potential (Ulaga and Eggert, 2005; Kozlenkova et al., 2014). Together with the S-D logic perspective, it focuses on mutually beneficial business relationships. With that purpose, the combination of Extended RBV and S-D logic perspectives underpins the understanding of value perceptions in supplier-customer interaction and value co-creation potential for the intended supplier and/or customer (Karpen et al., 2012; Pires et al., 2015; Töytäri and Rajala, 2015). This integrated approach offers an interesting avenue on researching the creation and co-creation of supplier-customer relationship value. Therefore, it is important to understand the current state of

scientific knowledge in supplier-customer relationship value studies. Also, the knowledge gaps with the potential contribution of this research need to be identified – the next section addresses these issues.

1.2 Research Problem and Justification

The present study focused on understanding the nature of value perceptions and its drivers in supplier-customer relationships. Value-creating functions can be explored for suppliers and customers as beneficiaries and value co-creating parties (e.g., Srivastava et al., 2001; Hald et al., 2009; Biggemann and Buttle, 2012; Smals and Smits, 2012). Although this area attracted noticeable attention and debate in recent years, there is still a lack of empirical evidence about the functions, which can produce value in supplier-customer relationships. Moreover, there is no consensus on the bundle of functions, which can be perceived by suppliers and customers in relation to themselves and/or their counterparts as beneficiaries. As Smals and Smits (2012) emphasise, the findings on the relationship value drivers significantly differ across researchers. Furthermore, it is apparent that research on customers as beneficiaries is dominating. Meanwhile, there has been relatively little attention devoted to exploring value-creation for suppliers as beneficiaries (cf. Walter et al., 2001; Songailiene et al., 2011).

Given that value is discussed in a relationship setting, it is striking to note that there are hardly any scholars researching value-creating functions that suppliers and customers perceive to benefit their respective trading counterpart. Some noteworthy exceptions exist, however. For example, Smals and Smits (2012) as well as Biggemann and Buttle (2012) generated limited empirical evidence on the functions which suppliers and/or customers can perceive in relation to their counterparts as beneficiaries. Hence, there is lack of findings about the current practice and readiness of suppliers and customers to work on creating certain value outcomes for their respective counterparts. Such a gap demonstrates that there is little conceptual clarity as to whether suppliers and customers incorporate S-D logic perspectives in their thinking on relationship value – i.e., to be not only ‘self-oriented’, but also ‘other-oriented’ (also being referred to as ‘mutual orientation’; e.g., Möller, 2006; Pardo et al., 2006; Pardo et al., 2011; Mortensen and Arlbjørn, 2012; Landroque et al.,

2013). Understanding the relationship value intentions of both supplier and customer is necessary to judge the co-creation potential between these parties. Consequently, which value-creating functions can be co-created either for the supplier, for the customer, or for both is largely unexplored.

In line with the assessment above, Ren et al. (2015, p. 970) recognise that “(...) value co-creation is still in its exploratory stage (...)” especially from the perspectives of defining the value outcomes (i.e., value-creating functions), which supplier and customers can collaboratively accomplish. Some authors focus on the process rather than the potential multiple outcomes of value co-creation (e.g., Payne et al., 2008; Aarikka-Stenroos and Jaakkola, 2012; Grönroos and Voima, 2013). In this regard, Ren et al. (2015, p. 978) explain:

“(...) the concept of value co-creation is difficult to define and measure (...). Measuring value co-creation by value co-creative activities is merely a simplified method. Value co-creation is a multi-level and complex concept. So far, no unified definition or measurement has been identified. Unidimensional measurement of value co-creation is widely used (...). [However] (...) measurement of inter-organisational value co-creation remains limited.”

From this quote, it is evident that value-creating functions will need to be explored in order to grasp their potential in supplier-customer relationships. Such groundwork will advance scholarly knowledge of value co-creation outcomes. Only after these fundamental concerns have been addressed, can attention be turned to the development of the measurement scale (note that the scale development is beyond the scope of the present thesis).

Based on the current literature observations, this thesis agrees with the statement of Song et al. (2012, p. 287) that the concept of relationship value and its creation process is not yet well understood, and “It is no doubt that much more work is needed before we can fully understand this important concept.” Corsaro and Snehota (2010) also note that despite its embryonic nature, the relationship value is one of the cornerstones of market relationships. This explains why this concept continues to attract the interest of academics and practitioners, albeit empirical evidence is surprisingly lacking. The next section addresses the aim and objectives of this study.

1.3 Research Aim and Objectives

Considering the largely unexplored phenomena of supplier-customer relationship value creation and co-creation, *the aim of this study is to advance the understanding of perceived value and value co-creation in supplier-customer relationships.*

The research is dedicated to explore the B2B context and has two main objectives:

- (1) *To capture the perceived values in supplier-customer relationships;*
- (2) *To explore the potential of supplier-customer relationship value co-creation.*

The *first objective* explores the following four aspects:

- (a) Supplier perceived value of customer relationship (i.e., the value which a supplier perceives to get from the relationship with its customer);
- (b) Supplier perceived customer value (i.e., the value a supplier perceives the customer gets from the relationship with this supplier);
- (c) Customer perceived value of supplier relationship (i.e., the value which a customer perceives to get from the relationship with its supplier);
- (d) Customer perceived supplier value (i.e., the value which a customer perceives the supplier gets from the relationship with this customer).

The *second objective* considers the following three aspects:

- (a) Value co-creation potential for the supplier as beneficiary;
- (b) Value co-creation potential for the customer as beneficiary;
- (c) Value co-creating potential for the customer and supplier as mutual beneficiaries.

In such a way, this study contributes to the current state of scientific research and advances managerial understanding of the supplier-customer relationship value creation and co-creation phenomena. These are discussed after the “Research Design and Context” section, which follows next.

1.4 Research Design and Context

Based on the interpretivist research paradigm and abductive reasoning of the researcher, this study first analyses the existing literature in relation to the phenomena of interests for the research aim and objectives. This approach generates the conceptual framework and interview protocol, which in turn, accommodates the qualitative empirical study in the context of third-party logistics (3PL) outsourcing

relationships. Placing empirical studies of the supplier-customer relationship value under certain research contexts is proposed by a number of scholars (e.g., Ulaga and Eggert, 2005; Smals and Smits, 2012). It is believed that context specific studies allow researchers to investigate the dimensions and ‘proxies’ specific to that particular context, which can be generalised on a theoretical level (e.g., Songailiene et al., 2011; Parry et al., 2012). As Corsaro and Snehota (2010, p. 988) argue, “When the context of reference is uncertain, it is difficult – if not impossible – to fully assess and evaluate (...)” the relationship value.

Similar to Biggemann and Buttle (2012), the present study will utilise interview-based data until reaching the theoretical saturation point. Next, by contrasting the empirical results with the literature review findings, the enrichment, alteration and/or confirmation of the literature-based conceptual framework on the supplier-customer relationship value (co-)creation is expected (within the abductive tradition). While the research context and methodology are discussed in more detail in Chapter 3 and Chapter 4 respectively, the next section provides the potential contributions that this research hopes to generate.

1.5 Intended Research Contributions

1.5.1 Theoretical Contributions

Targeting the two-sided nature of the relationship, this study aims at developing a taxonomy that captures the different types of value creation and co-creation pertinent at each side of the supplier-customer business relationship. The focus will be on assessing perceived values in a dyadic setting, which will help to better understand what makes business relationships valuable. The conceptual framework will outline the value-creating functions along with their potential to lead to value co-creation outcomes in business relationships.

This thesis focuses on supplier-customer mutual perspectives on value creation and co-creation. In this regard, Gummesson (2008, p. 17) refers to the mutual relationship value orientation as ‘balanced centricity’ and explains:

“My feeling is that the interests of multiple parties need to be secured. Thus the concept of balanced centricity – all stakeholders have the right to satisfaction of needs and wants. But is balanced centricity a realistic objective or is it yet

another professorial whim? I do not have the answer but I am convinced that if we keep fragmenting marketing and other business functions and duck complexity, context and dynamics, we will not move ahead.”

This statement reconfirms the timeliness and importance of conducting a mutual supplier-customer relationship value study. This conclusion is also in line with Ritter and Walter (2012, p. 141), who emphasise that “(...) a simultaneous analysis of relationship functions and value on both sides is likely to advance the value discussion” on supplier-customer relationships, which this research aspires to achieve.

1.5.2 Managerial Contributions

This research intends to deliver several managerial contributions, which the literature acknowledges as being important. This study results could help practitioners to better appreciate the similarities and differences between themselves and their counterparts’ value preferences. They could also engage in dialog around various value-creating functions, and perhaps be able to find the common areas for value co-creation collaborations. As Johnston and Kristal (2008, p. 875) underline:

“Buyers and suppliers should be aware that there are significant similarities and differences in how their partners respond to the context in which they operate. This knowledge is important in understanding what drives the other party’s behavior in the formal and informal negotiations and problem solving that characterize an ongoing relationship.”

As a result of understanding all relationship value-creating functions, suppliers and customers could better benchmark their own and the trading counterparts’ value creation and co-creation performance (e.g., Ulaga and Eggert, 2006; Songailiene et al., 2011). This could enable the parties to change existing mind-sets and focus more on those aspects of collaboration, which create value for them (Kowalkowski, 2011; Karpen et al., 2012; Smith, 2013). Also, as Kowalkowski (2011, p. 290) claims, “since relationships are dynamic, customers who seem initially of less strategic value to the firm may become more valuable (...)” Hence, suppliers should be able to “(...) assess, model and segment customers in order to identify which customers to attract and retain” (Songailiene et al., 2011, p. 392). Providing that suppliers understand the customers’ value perceptions, the suppliers could develop the

capability “(...) to satisfy the needs of large customer segments” (Keränen and Jalkala, 2014, p. 94) by classifying their “(...) customer portfolios, and craft[ing] effective value propositions accordingly (...)” (Kowalkowski, 2011, p. 290). The same can be argued when adopting the customer’s standpoint and looking at the value creation for suppliers (see, e.g., Songailiene et al., 2011).

While considering 3PL outsourcing relationships as the research context, this thesis expects to contribute most to the parties involved in such relationships (i.e., 3PL providers and 3PL buyers). Furthermore, the potential transferability of this study outcome to the other contexts of the supplier-customer relationships is also envisioned. Finally, suppliers and customers could engage in a dialog with their relationship partner to tailor their approach to relationship value creation, in light of the findings of this study.

1.6 Thesis Outline

This thesis is organised into seven chapters. After presenting the “Introduction” chapter, it is structured in the following way:

Chapter 2 (starting on page 13) reviews the current literature findings on the *relationship value* phenomenon. It presents the *G-D Logic*, and then introduces a more contemporary alternative perspective of the *S-D logic*. The *functionalist perspective* on the supplier-customer relationship value creation by the relationship value-creating functions and sub-functions are carefully reviewed. Then, the *Extended RBV* theory is presented, which, together with the S-D logic perspective guides the focus of this research. The literature review findings are then aggregated into the preliminary theoretical framework, which acts as the basis of the empirical investigation of this research.

Chapter 3 (starting on page 118) introduces the *3PL outsourcing relationship* as the *research context*. The applicability of this context for exploring the relationship value phenomenon is argued. For this purpose, the value-creating aspects at the supplier and buyer firms of 3PL services are discussed, and their contrast to the relationship value literature is examined. This chapter also briefly presents the concluding remarks on the present literature review and the relevance of the chosen

context for this research. In light of these findings, the research questions are then presented.

Chapter 4 (starting on page 128) addresses the research philosophy and methodology. It presents the philosophical stance of the researcher, with corresponding ontological and epistemological positions and chosen theory building approach. The axiological, methodological and rhetorical assumptions are addressed as well in this chapter. The research design, informing the overarching strategy and process of this thesis implementation is argued. The key stages of the research process are discussed separately. These include the literature review, as well as the data collection and analysis methods. The reliability and the validity of the findings, as well as the identification of the key constructs of this research are also included.

Chapter 5 (starting on page 190) covers the analysis of the empirical data, collected by this research. It analyses the data from the four perception perspectives in a supplier-customer relationship, which are the: (1) supplier perceived value of customer relationship; (2) customer perceived supplier value; (3) customer perceived value of supplier relationship; and (4) supplier perceived customer value. This analysis is to accommodate the discussions of the findings against the research objectives, which were set out in section 1.3 above.

Chapter 6 (starting on page 280) discusses the empirical findings in relation to the research objectives. Regarding the first research objective (which is *to capture the perceived values in supplier-customer relationships*), it presents the empirically identified constructs from the four perception perspectives detailed in the above paragraph. To inform the second research objective (which is *to explore the potential of supplier-customer relationship value co-creation*), the value co-creation potential is discussed in relation to the: (1) supplier as beneficiary; (2) customer as beneficiary; and (3) supplier and customer as mutual beneficiaries.

Chapter 7 (starting on page 313) finalises the thesis. It briefly reviews the unfolding process of the thesis towards meeting the research aim and objectives. Then, the empirical findings of this study are turned into a final conceptual framework. The theoretical and managerial contributions of this research are then acknowledged. Finally, the limitations of this research and the future research recommendations are outlined.

1.7 Chapter Summary

This chapter provided the introduction of the thesis, by discussing the usefulness of studying supplier-customer relationship value creation and co-creation phenomena. The research design and context in which the study is placed have been considered. Also, the desired theoretical and managerial contributions of this study have been argued.

Chapter 2 Literature Review

2.0 Chapter Overview

This chapter introduces the key literature findings in the area of relationship value and discusses the relationship value-creating functions and value co-creation. In addition to addressing these areas separately, the interrelationships between and among these concepts and their corresponding research findings are identified and discussed. Following these procedures, the theoretical frameworks are proposed and the identified research gap explained.

Figure 2-1: Literature Areas

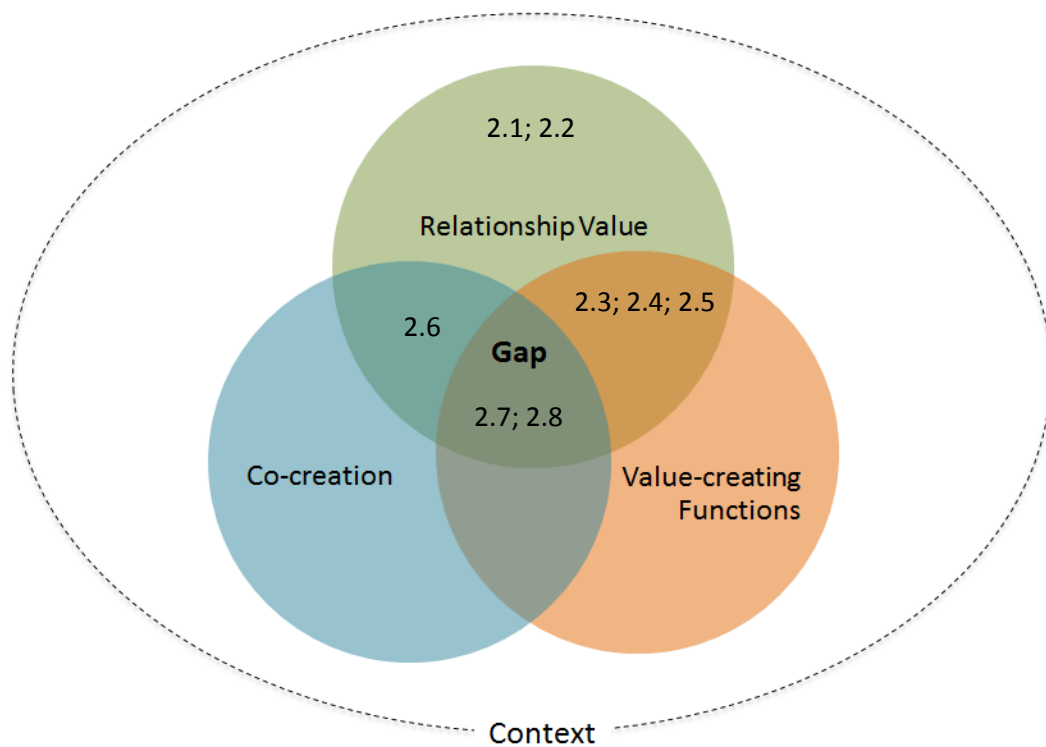


Figure 2-1 above indicates the scope of this B2B study (with corresponding section numbers depicted on the figure). First, in order to pave the way to the supplier-customer relationship value argument, the importance of value creation in such relationships is discussed (section 2.1). This is followed by comparing traditional and contemporary views on the value creation, taking from Goods-Dominant (G-D) and Service-Dominant (S-D) perspectives respectively (section 2.2). Next, the relationship value is placed and argued upon in the context of the

functionalist perspective (section 2.3). Then, value-creating functions and sub-functions in supplier-customer relationships are discussed and described (sections 2.4). This is followed by the discussions on the perceived parties of supplier-customer relationship value-creating functions (section 2.5). These perception perspectives are further connected to value co-creation (section 2.6). The debate is trifold, looking at the customer as beneficiary (section 2.6.1), the supplier as beneficiary (section 2.6.2), and then discussing both of these parties as mutual beneficiaries (section 2.6.3). The discussion is proceeded by introducing the Resource-based View (RBV) of the firm theory and its ‘extended’ perspective (sections 2.7). This, in combination with the S-D logic, lays a path to the conceptual framework of the research (section 2.8). The chapter summary (section 2.9) briefly states the literature review findings and leads into the “Research Context – 3PL Outsourcing Relationships” chapter.

2.1 Value Creation as the Purpose of Supplier-Customer Business-to-Business (B2B) Relationships

A B2B relationship is also referred to as ‘industrial relationship,’ and is associated with the business interaction between firms (Spekman and Johnston, 1986; Simões and Mason, 2012). This type of relationship is characterised by the exchange of resources between the parties (Bolton et al., 2003), so that “(...) industrial buyer-supplier relationships may be regarded as an interorganizational type of resource” (Ulaga and Eggert, 2005, p. 79), Simões and Mason (2012) argue that the resource exchange in B2B relationships are driven by a particular purpose of each party of the dyad, the fulfilment of which may spur the successful relationship between parties. But, what exactly is the impetus for having and sustaining successful relationships?

According to Szmigin (1993), supplier-customer relationships need to be mutually satisfactory, implying a shift from the self-oriented transactional approach to a mutual-oriented relational approach. In such cases, as Day et al. (2013) note, the focus is on the inter-organisational cooperative strategy and governance, which are based on the norms of trust, mutual gain and reciprocity (Day et al., 2013). Lages et al. (2008) place their attention on relationship performance. Their survey-based study suggests that the relationship performance is of a higher-order construct, consisting

of relationship policies and practices, relationship commitment, trust in the relationship, mutual cooperation, and relationship satisfaction dimensions. Alternatively, Ulaga and Eggert (2006) discuss the relational quality in terms of trust, commitment, and satisfaction between actors as its lower order constituents. Morgan and Hunt (1994) partially confirm that point by suggesting that trust and relationship commitment are the key factors in driving inter-organisational cooperation and relationship success. For Dyer and Singh (1998), factors such as relation-specific assets, knowledge-sharing routines, complementary resources/capabilities, and effective governance are the sources of a successful relationship and competitive advantage for the relationship parties.

Descriptions like these fall short at explaining the real intention of establishing and sustaining B2B relationships. What actually matters for the existence of the relationship is the intention of the involved firms to get value from its counterpart. For example, the empirical study of Walter et al. (2001, p. 365) informs that “The essential purpose for a supplier and customer firm engaging in a relationship is to work together in a way that creates value for them.” This statement can be supported and complemented by Biggemann and Buttle (2012, p. 1132), who stress that “Significant amongst the reasons why companies want to build relationships is the value that relationships generate.” Interestingly, some studies highlight that the creation of values for both of the parties need to take place in order for the supplier-customer relationship to be sustained. In other words, the value derived from relationships needs to be mutual and reciprocal (e.g., Ravald and Gronroos, 1996; Blois, 2004; Songailiene et al., 2011; Smals and Smits, 2012; Gorton et al., 2015). This, according to Smals and Smits (2012), not only makes the supplier-customer relationships mutually satisfactory (in line with Ritter and Walter, 2012), but can also hamper the decline of the commitments from either side of the dyad.

It is worth noting that suppliers and customers should share an interest in the perceived value of their trading counterpart. For a supplier, understanding and creating superior value for a customer is the pathway to its long-term survival and success (Haverty and Gorton, 2006; Töytäri and Rajala, 2015; Ren et al., 2015; Töytäri et al., 2015). Customer loyalty and the willingness to develop a relationship

with a given supplier can explain this phenomenon (Woodruff, 1997; Song et al., 2012; Keränen and Jalkala, 2013). As Pires et al. (2015) stress, a supplier offering, that its customer deems to be of superior value, contributes to the supplier's competitive advantage. It has been argued that the high level of customer value perception from its supplier can positively influence subsequent purchases by that customer from the given supplier (Chou, 2014; Floh et al., 2014). Thus, the focus is on the competitive value creation performance of a supplier for a target customer, improving the supplier's viability in building a better relationship with that customer (Walter et al., 2001; Hunter, 2014; Keränen and Jalkala, 2014).

With respect to the value creation capability of a customer for its supplier, the inference of its positive influence on developing cooperative, long-term and reciprocal value generating relationships with that supplier has been suggested (Smals and Smits, 2012; Song et al., 2012; Dorsch et al., 1998; Möller and Törrönen, 2003). As a result, customers could bolster their competitive position with strong relationships with certain suppliers (Walter et al., 2003). This is especially critical when the supply of strategically important goods and services are at stake in order for the buyer to meet its supply needs (Songailiene et al., 2011; Liesbeth et al., 2014). Also, as Hakanen (2014) mentions, there is a growing trend for customers to work with fewer suppliers, which may make the customers less prone and vulnerable to the frequent supplier changes. This, arguably, could prompt customers to focus more on contributing to supplier's value creation with the purpose of retaining those suppliers in the long-run (Songailiene et al., 2011).

The current research shows the importance for suppliers and customers to understand how to appraise the level of commitment from and to their counterparts. It is argued that the availability of such evaluation mechanism can enable them to better shape and balance the value offerings and requests in their relationships (Ulaga and Eggert, 2006; Songailiene et al., 2011; Biggemann and Buttle, 2012). Suppliers and buyers need to understand how they can create, obtain and assess value in B2B relationships (Ulaga, 2003; Parry et al., 2012). Clearly, both supplier and customer perceived values are important when investigating supplier-customer relationships (Ritter and Walter, 2012; Walter et al., 2001; Henneberg et al., 2009). This calls for an understanding of the value-creation and evaluation mechanisms for both parties of

the B2B dyad – the supplier and the customer. The researcher reviewed the literature to explore the value creation in supplier-customer relationships.

2.2 Understanding Value, Value Creation and Relationship Value in B2B Supplier-Customer Relationships

A number of attempts to provide a holistic conceptualisation of value are present in the existing research. As Möller (2006, p. 914) noted, “Value and perceived value have received considerable attention in literatures on such wide-ranging issues as pricing, consumer behaviour, business marketing, and strategy.” Despite that, as Grönroos and Voima (2013, p. 134) emphasise, value still remains a “(...) most ill-defined and elusive concept in (...) marketing (...)” There is no common view on the value concept, as well as its evaluation and co-creation mechanisms. This section starts to explore these issues from different theoretical perspectives.

2.2.1 Industrial View of Value – Exchange Value

Exchange value, also being referred to as ‘value-in-exchange’ (e.g., see Lindgreen and Wynstra, 2005; Michel et al., 2008), concerns the traditional industrial view of product value. It focuses on the exchange object in which the value is embedded (Ramírez, 1999; Aarikka-Stenroos and Jaakkola, 2012). This perspective deems suppliers as the creators of value by producing and offering products to their customers. The customers are viewed as the destroyers of that value through the purchase and use of those products (Ramírez, 1999; Möller, 2006; Songailiene et al., 2011; Aarikka-Stenroos and Jaakkola, 2012). Thus, the traditional understanding of exchange value considers suppliers as creators of the value offerings that customers purchase and consume (Möller, 2006; Lusch and Nambisan, 2015). For suppliers, the product value equals the financial value that the customers are willing to pay (Ramírez, 1999; Songailiene et al., 2011). In other words, the product value is considered to be:

- (1) Defined prior to consumption and created independently from the customer (Michel et al., 2008);
- (2) The outcome of the supplier’s resources and labour process; and

- (3) Embedded in the supplier's offerings (utilities) for which the customer is prepared to pay at a given point of time (Woodall, 2003; Grönroos and Voima, 2013; Skålén et al., 2015).

For Grönroos and Voima (2013), it is apparent that exchange value is based on the G-D Logic perspective, when no direct interaction with the customer exists during the production and value creation process by the supplier. According to Vargo et al. (2008, p. 148) "G-D logic focuses on the exchange of operand resources (those that an act or operation is performed on, such as goods)." This view is referred to as the 'traditional view' by Aarikka-Stenroos and Jaakkola (2012), and is acknowledged to be more relevant to economic-based studies, where the economic exchange is a core purpose in supplier-customer relationships (Vargo and Morgan, 2005; Grönroos and Ravald, 2011). Moreover, as Pardo et al. (2006, p. 1363) argue, the traditional view on value "(...) is always linked to an active supplier, satisfying buyers' needs by creating value, and a passive customer, consuming/using that value." Consequently, the customer is detached from its value creation process.

Kowalkowski (2011) argues that the G-D logic is not suitable for the trading partners having interests in collaborative and long-term mutual beneficiary relationships. As she stresses, such (G-D logic) perspective disregards the trading counterpart's value perceptions and is less likely to address the needs of the trading counterpart for which the value creation is intended. Acknowledging the oversight of G-D logic as the guiding mechanism in understanding value phenomena in supplier-customer relationships, there emerged a new stream of dominant logic – the S-D logic. This perspective, which will be discussed below, criticises the supplier's 'self-pre-defined' value offerings. By contrast, it focuses on the value perceptions of the intended beneficiary.

2.2.2 Redefining Value and Value Creation: Service-Dominant (S-D) Logic Perspective

S-D logic, also known as the S-D perspective or S-D logic perspective, represents the latest dominant logic. It began to replace the G-D logic thinking that is traditionally grounded in neoclassical economics (Schmenner et al., 2009). In Vargo's (2011, p. 218) words, it is considered as a 'pre-theoretic' "(...) lens or perspective for viewing the economic (and social) world differently from the

traditional microeconomic view (...)” of G-D logic. It is important to note that the S-D logic is not considered to be a theory (Vargo, 2011; Vargo and Lusch, 2008), but rather, it influences “(...) what is important to know and understand” (Schmenner et al., 2009, p. 343). As Vargo and Lusch (2008, p. 9) state:

“(...) some have called S-D logic a theory. It is not, at least as we understand the requirement of theory – law-like generalizations, ability to both explain and predict, etc. (...) Our characterization of a generalized S-D logic is that it is a mindset, a lens through which to look at social and economic exchange phenomena so they can potentially be seen more clearly. That is, S-D logic functions at the pretheoretic, paradigm level – though it is also not a paradigm because it does not have “worldview” status.”

That is perhaps why Karpen et al. (2012, p. 22) claim that “S-D logic is a thinking framework at a pretheoretic stage (...)” On the other hand, Vargo (2011, p. 218) explain:

“S-D logic does operate as a framework for developing theory, at a paradigm level or way of thinking about how the world works (although we have consistently disclaimed paradigm status). Although S-D logic is not a theory per se, we do believe that building theory from an S-D logic foundation is the ultimate goal.”

Undeniably, the conception of S-D logic is frequently adopted by the value creation and co-creation literature (e.g., Payne et al., 2008; Kowalkowski, 2011; Lusch and Nambisan, 2015; Pires et al., 2015). However, what are the characteristics that make the S-D logic attractive to contemporary researchers? The first formalised S-D perspective was developed by Vargo and Lusch (2004), who suggested nine foundational premises (FPs) on which, according to them, the new and evolved service economies have become based upon (see column entitled “Original foundational premise” in Table 2-1 starting on next page).

The original FPs were modified and Payne et al. (2008, p. 84) noted that these foundational premises “(...) are not a set of ‘rules.’ Instead, they represent a developing and collaborative effort to create a better marketing-grounded understanding of value and exchange.” Vargo and Lusch (2008) presented the modified foundational premises and also introduced extra foundational ones (see

column entitled “Modified/new foundational premise” in Table 2-1), while adding explanatory comments to all of them (see column entitled “Comment/explanation” in the same table).

Table 2-1 S-D Logic Foundational Premises, Their Modifications and Additions

<i>FPs</i> (Foundational Premises)	Original foundational premise	Modified/new foundational premise	Comment/explanation
<i>FP1</i>	The application of specialized skill(s) and knowledge is the fundamental unit of exchange	Service is the fundamental basis of exchange	The application of operant resources (knowledge and skills), “service,” as defined in S-D logic, is the basis for all exchange. Service is exchanged for service
<i>FP2</i>	Indirect exchange masks the fundamental unit of exchange	Indirect exchange masks the fundamental basis of exchange	Because service is provided through complex combinations of goods, money, and institutions, the service basis of exchange is not always apparent
<i>FP3</i>	Goods are a distribution mechanism for service provision	Goods are a distribution mechanism for service provision	Goods (both durable and non-durable) derive their value through use – the service they provide
<i>FP4</i>	Knowledge is the fundamental source of competitive advantage	Operant resources are the fundamental source of competitive advantage	The comparative ability to cause desired change drives competition
<i>FP5</i>	All economies are services economies	All economies are service economies	Service (singular) is only now becoming more apparent with increased specialization and outsourcing
<i>FP6</i>	The customer is always a co-producer	The customer is always a co-creator of value	Implies value creation is interactional
<i>FP7</i>	The enterprise can only make value propositions	The enterprise cannot deliver value, but only offer value propositions	Enterprises can offer their applied resources for value creation and collaboratively (interactively) create value following acceptance of value propositions, but can not create and/or deliver value independently

<i>FPs</i> (Foundational Premises)	Original foundational premise	Modified/new foundational premise	Comment/explanation
<i>FP8</i>	A service-centered view is customer oriented and relational	A service-centered view is inherently customer oriented and relational	Because service is defined in terms of customer-determined benefit and co-created it is inherently customer oriented and relational
<i>FP9</i>	Organizations exist to integrate and transform microspecialized competences into complex services that are demanded in the marketplace	All social and economic actors are resource integrators	Implies the context of value creation is networks of networks (resource integrators)
<i>FP10</i>		Value is always uniquely and phenomenologically determined by the beneficiary	Value is idiosyncratic, experiential, contextual, and meaning laden

Source: Vargo and Lusch (2008, p. 7; original emphases).

The key insights which can be drawn from that table and the entire work of Vargo and Lusch (2008, p. 2) on the updated list of the foundational premises, with insights from some related studies, are as follows:

- (1) The supplier and customer exchange ‘service,’ which reflects the “(...) process of using one’s resources for the benefit of another entity” (Foundational Premise 1);
- (2) This may bring parties the required changes in their resource configuration to co-create value together (Foundational Premises 4 and 9). The resources can be “(...) tangible or intangible (...) [and] can be internal to actors, and under their control or external to actors but capable of being drawn on for support” for the beneficiary’s value creation interests (Lusch and Nambisan, 2015, p. 159).
- (3) The customer is co-creator of value always when the business interaction during the value creation of the supplier and customer takes place (Foundational Premise 6).
- (4) One of the parties of the dyadic relationship cannot deliver the value to another independently, but can make only value propositions during the interaction process. Only if the proposition is favourably assessed by the

intended beneficiary, the value for that party would be considered to be created (Foundational Premise 7).

- (5) The S-D logic is inherently customer oriented, since it is the customer who defines the benefits (Foundational Premise 8).
- (6) The beneficiary is the party of the relationship which always uniquely and phenomenologically determines the value for self in the supplier-customer relationship dyad (Foundational Premise 10). In this case the word phenomenological involves the experiential nature of value which is 'evolving' in supplier-customer relationships (Vargo and Lusch, 2008). Such perspective on defining value is also known as *value-in-context* (Karpen et al., 2012). Grönroos and Voima (2013, p. 146) provided a more explicit definition of customer value: "Before value is determined or assessed by the customer or by any other beneficiary, it must be perceived or experienced; otherwise, there is nothing to assess." Consequently, the customer defines value by their holistic experience and perception of it (Grönroos and Voima, 2013).

Undeniably, S-D logic underpins the transition from exchange value to the 'value-in-experience' perspective, where the role of a customer is switched from the operand (inactive party) to operant (active participant) resource in the value creation process. The proponents of S-D logic believe that it can unchain the opportunities being constrained by the G-D mind-set. Hence, the new logic focuses on the understanding of what a customer values and from this perspective, how customer value can be enhanced (e.g., Ballantyne et al., 2011a; Payne et al., 2008). As Kowalkowski (2011) also emphasises, suppliers adopting the S-D perspective in their offerings are more likely to create a customer value, than the ones having a G-D orientation. The next section discusses how S-D logic considers the value creation from the beneficiary's experience perspective.

2.2.3 S-D Logic View of Value – Value-in-Use

Exchange value, which was the characteristic view of the industrial era (Ramírez, 1999), has recently been challenged by a more contemporary value-in-use approach, emerging from the S-D logic. As Pires et al. (2015, p. 927) argue, S-D logic "(...)

disregards value-in-exchange by contending that products have no embedded value for those who hold them, whether suppliers or customers.” Instead, this approach predominantly focuses on the value of the product from the customer’s usage and experience perspective – *value-in-use* (e.g., Lemke et al., 2011; Pires et al., 2015). This term implies that customers interpret value for their own benefit (Blois, 2004; Grönroos, 2011) and so, “(...) value is determined uniquely by the customer, and also is uniquely experienced by the customer” (Grönroos and Voima, 2013, p. 146). In other words, “(...) customer value is something perceived by customers rather than objectively determined by a seller” (Woodruff, 1997, p. 141). According to Doyle (1989), the value for customers is what they ‘get out’ of a product, and not what suppliers ‘put in.’ In this regard, Karpen et al. (2012, p. 22) contend that “When customers are viewed as an integral part of value creation, the role of the firm [supplier] becomes that of a facilitator, supporter, and co-creator of value rather than a supplier of value.”

Authors attempt to provide a universal definition of customer value. For instance, Woodruff (1997, p. 143) suggests the customer value to be “(...) a customer’s perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (...) achieving the customer’s goals and purposes in use situations.” By this definition, the author acknowledges the role of perceptions in defining the customer value, and attempts to link a goal-oriented customer’s desired value to the value derived from a particular usage situation of a product (Woodruff, 1997; Lindgreen and Wynstra, 2005). Thus, customer’s pre-purchase imaginations and predictions, combined with value creation goals, precede the post-purchase experience and evaluation of product value. Also, the goal oriented setting of value perception brings in the goal theory, which considers the goal as a ‘conscious intention’ (Lichtman and Lane, 1983). According to Lemke et al. (2011), the customer goal defines the desired experience which has meaning for the customer – value-in-use. The goal theory also proposes that “(...) effort expended by a goal-focused individual is greater than effort expended by an individual without goals” (Murphy et al., 2004, p. 140). This view further suggests the positive relationship between goal and task performance levels (Lichtman and Lane, 1983; Moussa, 1996; Murphy et al., 2004). From the value creation vantage

point, the higher the customer's desired value from the supplier is set, the greater the likelihood that the customer receives a higher value. On the other hand, if the level of the goal is lower or the goal is absent, the customer will receive less value from the supplier, by comparison (Lemke et al., 2011).

Albeit interesting, the adoption of the S-D perspective poses certain challenges in the customer value creation. According to Vargo and Lusch (2004), a supplier can make only value propositions, because value is not embedded in the manufactured product (value-in-exchange). Therefore, value is always determined by the customer during the use of the product (value-in-use). When adopting the value-in-use perspective, there is general agreement that value emerges through the customer's use of the supplier's offerings in the customer's sphere of value creation processes (e.g., Grönroos and Ravald, 2011; Aarikka-Stenroos and Jaakkola, 2012; Chou, 2014). In the words of Grönroos and Voima (2013, p. 135):

“(...) when value is perceived as value-in-use for the customer, the focus is no longer predominantly on a customized bundle of products or services exchanged for a price. Instead, value creation becomes an ongoing process that emphasizes the customer's experiences, logic, and ability to extract value out of products and other resources used (create value-in-use).”

In this case, the customer integrates the user's role, when it creates value for itself, rather than simply assessing or determining the value of the resources offered by the seller without the customer relating those offerings to its own use situation (Grönroos and Voima, 2013; Grönroos, 2011). Chou (2014, p. 5043) affirms that “Although firms [suppliers] can propose value propositions for its services, only customers can perceive and determine the actual value of the offerings.”

It has also been argued that the customer uniquely and phenomenologically defines value during its in-use experience, thus, reflecting the contextual and subjective nature of the value assessment (Vargo and Lusch, 2008; Kowalkowski, 2011). This, according to Ulaga and Chacour (2001), results in the unique value perceptions of the offerings with various utilisation mechanisms between different customer segments. The commonly found inhomogeneity of the customers explains this rational. Moreover, the dissimilarity between strategic positions and the organisational system of customer organisations' purchasing functions make the

contextualisation and subjectivity paradigm even greater (ibid.). The conceptualisation and subjectivity issue has also been raised in the value definition of Echeverri and Skålén (2011, p. 353):

“(...) value is a function of the interaction between subjects, or a subject, and an object; is contextual and personal; is a function of attitudes, affections, satisfaction, or behaviourally-based judgments; and resides in a consumption experience.”

Grönroos and Voima (2013, p. 138) place the locus of customer value-in-use creation on the “(...) physical, mental, or possessive activities, practices, and experiences (...)” of the customer. Furthermore, they (ibid., p. 137) state that the:

“‘Users’ accumulated experiences (individual and social) with resources, processes (and/or their outcomes), and contexts (...) are the core of value creation, and value-in-use not only accumulates from past and current experience but also can be envisioned in future experiences (...)”

This suggests the possibility to capture value from the past, present and future instances of value-in-use. This involves value construction or making a customer better-off as well as value deconstruction or making a customer worse-off (in line with Skålén et al., 2015). Also, as put forward by Woodruff (1997), customers can consider value at various times, such as when making a purchase decision or when experiencing product performance during or after use. Hence, the value becomes created throughout the customer’s journey and future expectations, and not only at the point of purchase (Corvellec and Hultman, 2014).

Although the customer’s value analysis surpasses customer satisfaction in contemporary understanding (Lindgreen and Wynstra, 2005), Woodruff (1997) observed a strong relationship between the customer value-in-use and the customer satisfaction concepts. The scholar (ibid., p. 143) proposed the customer value as a hierarchical construct consisting of the following consecutive parts:

- (1) The customer’s notion of a desired value being evaluated against preferred “(...) attributes, attribute performance and consequences linked to goals for use situations,” and also learned from past and present experiences;
- (2) The desired value, underpinning customers perceptions of the product’s performance in the use situation; and

- (3) Received value, generating the feeling of overall satisfaction or leading the customer towards the comparison to “(...) one or more other standards (such as values, predicted value, or experience-based norms) to form disconfirmation perceptions in another route to influencing overall satisfaction feelings.”

Even though the value perception of the customer may not necessarily follow the above presented hierarchy model, Woodruff wanted to demonstrate the possibility of linking different customer value creation instances to the customer satisfaction evaluations of the product. Indeed, as Ulaga and Chacour (2001, p. 528) argue, “(...) customer’s satisfaction feeling is a result of the comparison between perceived performance and one or more comparison standards, such as expectations.” The more the product performance meets or exceeds the expectation, the higher the level of customer satisfaction. The argument also holds true in its negative form, given that an underperforming product will result in customer dissatisfaction (Flint et al., 1997; Ulaga and Chacour, 2001). It is worth noting that value is relative to competition (e.g., Ulaga and Chacour, 2001; Haverty and Gorton, 2006). Providing that there is a free choice, customers will compare their goals, product purposes, as well as desired consequences in the use situations to the best alternative offerings (Woodruff, 1997; Songailiene et al., 2011). As can be seen from the earlier value-in-use perspective discussions, the scope of customer value moves from provider-driven value creation to the process where customers create their own value.

Although the new customer’s value-in-use view on the supplier’s product is appealing for explaining the complexity of the value concept, it is questionable whether this view captures value holistically. With regards to supplier-customer relationships, some of the value researchers started to expand the horizon of the value-in-use/experience phenomena by incorporating the relationship value. This is an interesting development and is covered in the following section.

2.2.4 Relationship Value

As the wording of the concept suggests, relationship value refers to the value which is generated by and conceived through relationships (Möller, 2006; Arslanagic-Kalajdzic and Zabkar, 2015). It gravitates towards value creation beyond the product exchange and surpasses a customer’s use of a supplier’s product

(Lindgreen and Wynstra, 2005; Ritter and Walter, 2012; Clarke and Freytag, 2008). It also concerns the value creation for a supplier as beneficiary (Gouthier and Schmid, 2003; Hald et al., 2009). As a result, this approach casts a broader canvas that captures a multitude of attributes that go beyond the mere value-in-exchange (product-money exchange) and value-in-use of a product (customer perception during product use). The relationship value concept focuses on the overall value experience which is perceived by the beneficiary supplier and/or customer in their relationship (Payne et al., 2008; Arslanagic-Kalajdzic and Zabkar, 2015). As Hohenschwert and Geiger (2015, p. 140) observe, “In the B2B marketing literature, the concept of relationship value has been developed based on the argument that value is not just embodied in products or services transacted between buyers and sellers, but rather that it originates in relationships.”

The marketing literature adopts most frequently the evaluation of perceived benefits and sacrifices in order to assess the created value in supplier-customer relationships (e.g., Ulaga and Eggert, 2006; Chou, 2014; Töytäri et al., 2015). Based on their observation of the value literature, Biggemann and Buttle (2012, p. 1132) highlight that relationship value is created by “(...) either increasing rewards or reducing sacrifices (...). This cost-reduction/benefit-increase perspective of relationship value dominates the business-to-business marketing literature.” In a similar vein, Lindgreen and Wynstra (2005) and Aarikka-Stenroos and Jaakkola (2012) associate the value creation to increased benefits and/or decreased sacrifice. Geiger et al. (2015) base the relationship value creation on the overall evaluation of benefits and sacrifice in relation to the beneficiary firm. In more simplistic terms, value creation entails making the beneficiary better-off in some respect(s), inferring that there is the improved well-being of that beneficiary (Grönroos and Voima, 2013).

The relationship value concept is still open to debate. In the attempt to provide a holistic conceptualisation of value, the earlier marketing literature has defined it purely in monetary terms (e.g., see Anderson et al., 1993; Anderson and Narus, 1998; Anderson et al., 2000). This closely relates to the notion of value-for-money. Contemporary research considers that such a narrow view is limited, as non-monetary factors cannot be ignored in the value debate. In addition to monetary

factors, relationship value also includes such non-monetary factors as, for example, knowledge, expertise, personal interaction, and innovation. Such a multi-dimensional perspective addresses the previous shortcomings when explaining the value concept in that sense, demonstrating that value is multifaceted (e.g., Purchase et al., 2009; Fiol et al., 2011). In doing so, scholars attempt to propose a consistent deconstructed framework of perceived values, which is reflected in value-creating functions. This aspect of the relationship value creation is addressed next.

2.3 Rethinking Supplier-Customer Relationship Value Creation from the Perspective of Relationship Value-creating Functions

It is widely acknowledged in the current literature that relationship value is a higher order construct because it is driven by the relationship value-creating functions of their respective dyadic counterparts (e.g., Walter et al., 2001; Ritter and Walter, 2012; Song et al., 2012; Möller and Törrönen, 2003). The prevalence of these relationship value-creating functions suggests that the value is ‘multifaceted.’ In a supplier-customer relationship, these functions can be defined as contributing factors to the overall value creation for the supplier and/or customer (e.g., Walter et al., 2001; Töytäri et al., 2015). Such a perspective of value creation can encompass both the supplier-customer dyad, as well as the outer dyadic external networks of a supplier and/or a customer (e.g., Walter et al., 2003; Ritter and Walter, 2012). The latter addresses the value creation of the beneficiary in the larger network, surpassing the focal dyad (e.g., Möller and Törrönen, 2003; Hald et al., 2009). Thus, the supplier-customer relationship value-creating functions can go beyond the realm of the supplier-customer dyad and concern the creation of values for either party in their other respective relationships. As Lusch and Nambisan (2015, p. 159) argue, “All actors [including suppliers and customers] are connected with other actors and other resources, and these connections provide the context for the actors to experience value.”

The approach of considering the fulfilment of the value-creating functions in the relationship value assessment is widely regarded as a ‘functionalist view’ on perceived value and value creation (e.g., Walter et al., 2001; Song et al., 2012), and

is adopted for the purpose of this research. Notably, scholars often use such synonyms as value ‘driver’ (e.g., Ulaga, 2003; Arslanagic-Kalajdzic and Zabkar, 2015), relationship value ‘dimension’ (e.g., Möller and Törrönen, 2003; Biggemann and Buttle, 2012), relationship value ‘creator’ (e.g., Walter et al., 2001) or just ‘value’ (e.g., Songailiene et al., 2011; Biggemann and Buttle, 2012) when referring to relationship value functions. Noticeably, some authors do not keep the consistency of using one of these terms, and rather tend to refer to those interchangeably. For example, Songailiene et al. (2011) use such terms as relationship value-creating ‘function,’ ‘driver,’ ‘dimension’ and ‘value’ synonymously. This widely accepted practice of varying these synonymous terms in the relationship value literature is also adopted for the purpose of this dissertation. However, the ‘relationship value-creating function’ term will be consistently used.

The interface of the emerging research body on relationship value creating functions are summarised in Table 2-2 (starting on the next page). Together with supporting articles, it presents relationship value-creating functions, their broader classifications (grouping various functions together), and corresponding beneficiaries (supplier and/or customer). It also displays the foundational premises of the value-creating functions (theory-based or empirical), as well as industry/context of the empirical study (if applicable).

Table 2-2: Literature Findings on Value-creating Functions Prevalent in B2B Supplier-Customer Relationships

Literature (in a chronological order)	Relationship Value Broad Level Classification	Relationship Value Category	Beneficiary (C = Customer; S = Supplier)	Foundation (T = Theory; E = Empirical)	Industry/Context
Anderson et al. (1993)	Benefits	- Economic - Service - Social - Technical	C	T (Although, the paper itself is empirical)	N.A. (Due to the none-empirical nature of the finding).
	Cost	- Price			
Grönroos (1997)	Benefits	- Additional services - Core solutions	C	T	N.A. (Due to the none-empirical nature of the finding).
	Sacrifices	- Price - Relationship costs (Direct, Indirect and Psychological)			
Anderson and Narus (1998)	Benefits	- Economic - Service - Social - Technical	C	T	N.A. (Due to the none-empirical nature of the finding)
	Cost	- Price			
Anderson et al. (2000)	Benefits	- Economic - Service - Social - Technical	C	T (Although, the paper itself is empirical)	N.A. (Due to the none-empirical nature of the finding).
	Cost	- Price			
Lapierre (2000)	Benefits	- Alternative solutions - Flexibility - Product customization - Product quality	C	T	N.A. (Due to the none-empirical nature of the finding).

Literature (in a chronological order)	Relationship Value Broad Classification	Relationship Value Category	Beneficiary (C = Customer; S = Supplier)	Foundation (T = Theory; E = Empirical)	Industry/Context
		<ul style="list-style-type: none"> - Reliability - Responsiveness - Supplier's image - Supplier solidarity with customers - Trust 			
	Sacrifices	<ul style="list-style-type: none"> - Conflict - Price - Time/Effort/Energy 			
Srivastava et al. (2001)	Benefits	<ul style="list-style-type: none"> - Experiential - Functional - Network effect - Symbolic 	C	T	N.A. (Due to the none-empirical nature of the finding).
Walter et al. (2001)	Direct functions (benefits)	<ul style="list-style-type: none"> - Profit - Safeguard - Volume 	S	E	<p>Suppliers' Industries: Mainly mechanical engineering (34%), electronics (30%), metal-processing (12%) and chemical (11%) industries.</p> <p>Customers' industries: Mainly electronics (26%), mechanical engineering (17%), chemical (17%), and vehicle manufacturing (10%).</p>
	Indirect functions (benefits)	<ul style="list-style-type: none"> - Access - Innovation - Market - Scout - Social 			
Gouthier and Schmid (2003)	None (Benefits)	<ul style="list-style-type: none"> - Co-design - Co-production - Co-interaction - Leadership/Motivation - Buying/Using Services 	S	T	N.A. (Due to the none-empirical nature of the finding).

Literature (in a chronological order)	Relationship Value Broad Level Classification	Relationship Value Category	Beneficiary (C = Customer; S = Supplier)	Foundation (T = Theory; E = Empirical)	Industry/Context
		- Co-marketer			
Möller and Törrönen (2003)	Efficiency function	- Profit function through price level - Safeguarding function through a diverse customer portfolio - Volume function through efficient processes	C	T	N.A. (Due to the none-empirical nature of the finding).
	Effectiveness function	- Innovative function			
	Network functions	- Market signalling function - Resource access function - Scout function			
	Direct-value functions	- Profit function - Safeguard - Volume	S		
	Indirect-value functions	- Access - Innovation - Market - Scout			
Ulaga (2003)	Benefits	- Delivery performance - Personal interaction - Process cost - Service support - Supplier know-how	C	E	Customers' industry: Manufacturing (batch-processing assembly). Suppliers' industries: Suppliers of aluminium wheel

Literature (in a chronological order)	Relationship Value Broad Level Classification	Relationship Value Category	Beneficiary (C = Customer; S = Supplier)	Foundation (T = Theory; E = Empirical)	Industry/Context
		- Time-to-market			forgings, car seats, electronic components, motors, pins, springs, and surgical instruments.
	Sacrifice	- Direct product cost reflecting on price			
Walter et al. (2003)	Direct functions (benefits)	- Cost reduction - Quality - Safeguard - Volume	C	E	Customers' industries: Consumer and industrial goods manufacturers – mainly vehicle manufacturing (23.1%), mechanical engineering (21.8%), electronics (13.3%), metal-processing (8.0%) and chemical (5.8%) industries. Suppliers' industries: Manufacturers – mainly electronics (46.3%), the mechanical engineering (23.9%) and the chemical (7.3%) industries.
	Indirect functions (benefits)	- Innovation development - Market - Scout - Social support			
Blois (2004)	Perceived benefits of supplying a specific customer	- Access to market - Purchase price - Reputational effects of association with the customer	S	T	N.A. (Due to the none-empirical nature of the finding).
	Perceived life cycle sacrifice of supplying product or service	- Costs of "production" and delivery - Disposal costs - Financial costs - Preclusion from selling to this customer's competitors			

Literature (in a chronological order)	Relationship Value Broad Classification	Relationship Value Category	Beneficiary (C = Customer; S = Supplier)	Foundation (T = Theory; E = Empirical)	Industry/Context
		- Service and servicing costs			
Ulaga and Eggert (2005)	Benefits	- Know-how - Product - Service - Social - Time-to-market	C	E	Customers' industries: Manufacturers in a large variety of industries, such as machinery and equipment (18.4%), chemicals (11.1%), metal products (11.1%), food processing (8.2%), rubber and plastic products (6.3%), vehicles (4.8%), electrical equipment (4.3%), mineral products (3.4%), office equipment (2.9%), etc. Suppliers' industries: Mainly manufacturing supplies (41.6%), raw material (20.3%), services (11.1%), packaging material (9.7%), MRO (5.3%), and sub-contracting (1.9%).
	Sacrifices	- Price - Process Costs			
Hald et al. (2009)	None (Benefits)	- Cost reduction - Innovation - Time compression	C	T	N.A. (Due to the none-empirical nature of the finding).
		- Growth - Price/volume	S		
		- Access to new buyers/suppliers - Competency development	S and C		
Purchase et al. (2009)	Direct functions (benefits)	- Profit - Safeguard - Volume	S	E	Not specified. Suppliers: Private enterprises. Customers: Private enterprises.
	Indirect functions (benefits, except	- Access - Innovation			

Literature (in a chronological order)	Relationship Value Broad Level Classification	Relationship Value Category	Beneficiary (C = Customer; S = Supplier)	Foundation (T = Theory; E = Empirical)	Industry/Context
	innovation function, which has been empirically proofed to be considered as sacrifice)	- Market - Scout			
Cheung et al. (2010)	None (Benefits)	- Functional - Relational	C	E	Customers' industries: Industrial packaging (10%), apparel (13%), consumer durable (23%), industrial chemical (54%).
Fiol et al. (2011)	Functional value (benefits)	- Product quality - Quality of supplier's service - Quality of employee's service	C	E	Customers' Industries: Ceramic floor tile manufacturers. Suppliers' industries: Supplier of frits, enamels and ceramic colours.
	Functional value (sacrifice)	- Convenience - Switching Costs - Price			
	Social value (benefits)	- Reputation - Social image			
	Emotional value (benefits)	- Experience - Interpersonal relationships - Personalised treatment (deal)			
Songailiene et al. (2011)	Financial function (benefit)	- Financial (profit generation, risk reduction, volume generation)	S	E	Suppliers' industry: Logistics service providers. Customers' industries: Buyers of logistics services

Literature (in a chronological order)	Relationship Value Broad Level Classification	Relationship Value Category	Beneficiary (C = Customer; S = Supplier)	Foundation (T = Theory; E = Empirical)	Industry/Context
	Strategic function (benefit)	<ul style="list-style-type: none"> - Knowledge (market intelligence and understanding of service delivery process) - Social (goodwill, dialogue and trust) - Strategic (growth with existing customer and reputation) 			(logistics service providers amongst non-clarified other ones).
	Co-creation function (benefit)	<ul style="list-style-type: none"> - Operational (efficient communication, routines) - Social (goodwill, dialogue and trust) - Strategic (growth with existing customer and reputation) 			
Biggemann and Buttle (2012)	Financial value	<ul style="list-style-type: none"> - Efficiency - Price differential - Share of business - Share of market 	S and C	E	Relationship dyads has been investigated as follows: manufacturer of structural and ornamental steel for the construction industry (associated company is a distributor of steel); international trader of vegetable oils (associated company is a food processor); manufacturer of steel and aluminium cans (there are three associated companies – manufacturer and marketer of personal care products, a manufacturer of deodorants, and a manufacturer of lubricants respectively); manufacturer and marketer of photocopying and printing equipment and document
	Knowledge value	<ul style="list-style-type: none"> - Idea generation - Innovation - Market intelligence 			
	Personal value	<ul style="list-style-type: none"> - Customer (for supplier)/Supplier (for customer) retention 			

Literature (in a chronological order)	Relationship Value Broad Classification	Relationship Value Category	Beneficiary (C = Customer; S = Supplier)	Foundation (T = Theory; E = Empirical)	Industry/Context
		- Referral			management solutions (associated two organizations are department store retailers, a university, distributors and a government owned electricity retailer).
	Strategic value	- Extended network - Long-term planning			
Parry et al. (2012)	Product-related functions	- Bilingual - Capability - Functionality - Price - Location - Software quality	C	E	Supplier's industry: Micro software. Customers' Industries: Agriculture, chemical, emergency services, financial services, government, information services, manufacturing, medical, public services, sustainable development and utilities.
	Service-related functions	- Communication - Employee expertise Professionalism - Relationship - Service - Trust - Understanding of the customer			
Ritter and Walter (2012)	Operation-related relationship functions	- Payment - Quality - Safeguard - Volume	C	E	Suppliers' industries: Manufacturers, mainly from the electronics (48.2%) and mechanical engineering industries (16.1%). Customers' industries: Automotive (34.8%), mechanical engineering (31.3%), electronics (19.6%), chemicals (10.7%) and plant construction (3.6%).
	Change-related relationship functions	- Access - Information - Innovation - Motivation			

Literature (in a chronological order)	Relationship Value Broad Level Classification	Relationship Value Category	Beneficiary (C = Customer; S = Supplier)	Foundation (T = Theory; E = Empirical)	Industry/Context
Smals and Smits (2012)	Direct Value	<ul style="list-style-type: none"> - Financial payment for sales volumes - Financial payment for (new) product development services 	S	E	<p>Customers' industry: High-tech.</p> <p>Suppliers' industry: Suppliers of high tech industry.</p>
	Indirect Value	<ul style="list-style-type: none"> - Reputation of doing business with leading-edge firms - Technological knowledge and product concepts directly related to product designs 			
Song et al. (2012)	Direct functions (benefit increase and sacrifice reduction)	<ul style="list-style-type: none"> - Cost-reduction - Quality - Safeguard - Volume 	C	E	<p>Suppliers' industry: Manufacturing.</p> <p>Customers' industry: Not specified (customers of manufacturing firms).</p>
Töytäri et al. (2015)	None (Benefits)	<ul style="list-style-type: none"> - Operational - Social - Strategic - Symbolic 	C	T (Although, the paper itself is empirical)	N.A. (Due to the none-empirical nature of the finding).

From the above table, some important observations can be made. First of all, some of the studies present the benefits and sacrifices separately, which are to be assessed against each other. Here, the benefits outweigh the sacrifices that need to take place for the value creation to occur (e.g., Grönroos, 1997; Ulaga, 2003; Ulaga and Eggert, 2005). The research of Ulaga (2003) combines both of these perspectives in terms of a sacrifice related value-creating function. However, quite confusingly, Ulaga (ibid.) places the reduction of the “Process Cost” for the beneficiary as a benefit, and the “Direct Product Cost Reflecting on Price” as a sacrifice. In reality, both of the functions are related to the ‘reduction of sacrifice’ type of value-creating functions. In both of the approaches, increasing perceived benefits and reducing perceived sacrifice are asserted as the mechanism of the relationship value creation for the beneficiary. Other studies, by contrast, highlight the value-creating functions solely from a benefit increase perspective, while they fall short of considering any sacrifice reduction factors (e.g., Walter et al., 2001; Möller and Törrönen, 2003). Some scholars have questioned this approach (e.g., Purchase et al., 2009; Ulaga and Eggert, 2005), arguing that future research has to integrate the sacrifice reduction aspects in the creation of a B2B supplier-customer relationship value.

Some of the other studies directly point to the relationship value-creating functions, which need to be fulfilled (i.e., they need to increase perceived benefits or decrease the perceived sacrifices of the beneficiary) in order to create value. It is surprising that ‘sacrifice reduction value-creating functions’ are not classified as a ‘sacrifice’ in these studies. By contrast, those are placed under the ‘benefits’ classification and, therefore, are referred to as ‘benefits.’ For example, the Cost Reduction function mentioned by Hald et al. (2009) and Song et al. (2012) were classified as a benefit increase related function, rather than a sacrifice reduction one.

This thesis will not differentiate between the benefit increase and sacrifice reduction aspects of the value-creating functions. Such differentiation would bring confusion rather than clarity into the conceptualisation of relationship value-creating functions. This research posits that the enhancement of any of the value-creating functions playing part in the beneficiary’s overall value creation (including so called ‘sacrifice reduction’ functions) will be perceived as a benefit. By contrast, non-fulfilment or low level of fulfilment of any of such value-creating functions

(including the ‘benefit increase’ functions) will be considered as a sacrifice for the beneficiary.

In addition to the benefit increase/sacrifice reduction classifications of value-creating functions, the way in which the benefit/sacrifice trade-off mechanism is adopted (or not adopted) in the relationship value creation is worth noting. It is apparent that even when the studies explicitly address the value-creating functions as the drivers of the beneficiary’s overall value, they do not always make it explicit whether the perceived function entails an overall benefit (e.g., Walter et al., 2001; Möller and Törrönen, 2003). Without this information, it is unclear whether an overall benefit is perceived and whether value creation has actually taken place. In contrast, Anderson and Narus (1998) and Anderson et al. (2000) have introduced the term ‘net-benefit.’ This term closely resembles the statement of Hogan (2001, p. 341) that the relationship value is “(...) a “net worth” of (...) [perceived] benefits, which implies that it includes the costs [including non-monetary ones] of obtaining those benefits.”

For the purpose of this thesis, the outcome of a value creation function is interpreted as the beneficiary’s perceived benefit which outweighs the sacrifice the beneficiary may have perceived to incur from receiving the given benefit. Such a mechanism of value creation has also been proposed by a number of other studies (e.g., see Ulaga and Eggert, 2006; Zeithaml, 1988). While discussing the empirical findings on the financial value-creating function, Songailiene et al. (2011, p. 403) assert that:

“The respondents not only determined the financial value of a customer relationship based on the realised and expected volume and profit associated with a particular client, but also considered the different levels of perceived risk associated with gaining these returns.”

Considerably, the studies associating the value creation to the trade-offs between perceived benefits and perceived sacrifices (e.g., Lapierre, 2000; Ulaga, 2003) imply a ‘net benefit’ creation in the value-creating functions. Without the balancing of the benefit with sacrifice, value creation becomes speculative and the concept loses its explanatory power. When put in another way, the evaluation of the value-creating function not only takes into account the benefits, but also the sacrifice a certain

benefit entails. It is also important to note herein, that the investigation of what sacrifice(s) the relationship value-creating functions may entail is beyond the scope of this thesis. Put differently, the purpose of this thesis is not to uncover the sacrifices, which are related to each of the value creating functions' fulfilment (similar to, e.g., Anderson and Narus, 1998; Anderson et al., 2000). Instead, the perspective seen from Obadia (2010), Grönroos (2011) and Grönroos and Voima (2013) is adopted – that the value creation encompasses a process that makes the beneficiary better-off in some respect. That is when the beneficiary's overall well-being increases, which this thesis refers to by the term 'better-off overall.' It is this way of value creation that resembles the 'benefit outweighs the sacrifice' or 'net benefit' approach of the value creation. In this thesis, both of these terms, as well as 'better-off overall,' are used synonymously. This convention underpins the aim and objectives of exploring the 'real' value-creating functions in the present study.

Furthermore, the relationship value-creating functions were also assigned to different unifying factors in the literature. These relate to direct and indirect functions (e.g., see Walter et al., 2003; Purchase et al., 2009), product-related and service-related functions (see Parry et al., 2012), and efficiency, effectiveness and network functions (Möller and Törrönen, 2003), to mention just a few. To avoid ambiguity and to achieve a theoretical generalisability of the value-creating functions, this thesis will not categorise the value-creating functions into broader functional factors. This approach is in line with the interpretation of Smals and Smits (2012), Cheung et al. (2010), and Hald et al. (2009). Instead, the focus will gravitate towards an in-depth understanding and the definitions of value-creating functions. For this, the present research considers to further deconstruct some of the relatively broad-encompassing value-creating functions into the sub-functions (e.g., Knowledge and Market value-creating functions).

Before elaborating further on this, one has to recognise the inconsistency of value-creating functions as listed in Table 2-2. The range of views can partly be explained by the conceptual versus empirical nature of these. The concept appears to be contextual, because the interpretation of empirical studies differs across industry sectors (see the Industry column of the table and variety of views that come with it). In short, the range of sectors adds an extra level of ambiguity when it comes to

defining what can drive supplier or customer perceived values. Having said that, there are few exceptions where similar views on the relationship value-creating functions are adopted. These are, for example, Walter et al. (2001) and Purchase et al. (2009) – with the focus on value creation for suppliers; and Anderson et al. (1993), Anderson and Narus (1998), and Anderson et al. (2000) – with the focus on value creation for customers. However, these studies can only address a very limited number of value-creating functions. In addition, the works are fairly dated, which explains the level of consistency (i.e., before the debate branched out), compared to the present state of the relationship value research, which is still inconclusive.

The examination of the current literature reveals that the list and definitions of value-creating functions had been typically pre-conceptualised before the data collection. Despite some exceptions (e.g., Biggemann and Buttle, 2012; Smals and Smits, 2012), the dominating pre-defined approach explains why hardly any new functions have emerged in the empirical investigations. There are noticeable gaps in the literature and this thesis will address these. The studies presented in Table 2-2 are useful in providing information about some of the possible value-creating functions, which may induce the overall perceived B2B relationship value of a supplier and/or a customer. With the purpose of conceptualising the functionalist view framework of a supplier-customer relationship value creation, the focus of the literature review rests on value-creating functions in supplier-customer relationships. The review has evaluated the complementary literature streams and has organised them into a manageable number of separate value-creating functions. This process has resulted in a new summative list and has given definitions of the literature-based main value-creating functions in supplier-customer relationships.

Table 2-3, starting on next page, presents the value-creating functions as identified in the literature and these are listed in alphabetical order (left column), along with the supporting articles (middle column in relation to the supplier as beneficiary and the right column when the customer is the beneficiary). Some of these constructs' meanings overlap, because the studies do not always agree on the terminology. For example, as one can see in Table 2-3, the Price versus Volume value-creating function for the supplier as a beneficiary proposed by Hald et al. (2009) informs both the Volume and Profit value-creating functions conceptualised

in this thesis. Similarly, Ulaga (2003) has referred to Supplier Know-how (customer as beneficiary), which can be split between the Multiplicity of Services and Knowledge value-creating functions.

Table 2-3 The Updated/New List of the Supplier-Customer Relationship Value-creating Functions based on the Synthesis of the Present Literature Findings.

Value Functions Perceived in Supplier-Customer Relationships	Supporting Articles with Corresponding Functions/Sub-functions ¹ as Mentioned in the Present Literature	
	Beneficiary – Supplier	Beneficiary – Customer
Access	Walter et al. (2001) (Access); Möller and Törrönen (2003) (Access); Blois (2004) (Access to Market); Hald et al. (2009) (Access to New Buyers and Suppliers); Purchase et al. (2009) (Access; Extended Network); Songailiene et al. (2011) (Reputation); Biggemann and Buttle (2012) (Extended Network).	Möller and Törrönen (2003) (Resource Access); Walter et al. (2003) (Market – Supplier has Active Role); Hald et al. (2009) (Access to New Buyers and Suppliers); Biggemann and Buttle (2012) (Extended Network); Ritter and Walter (2012) (Access); Töytäri et al. (2015) (Social).
Cost Reduction	Blois (2004) (Costs of “Production” and Delivery; Disposal Costs; Financial Costs; Service and Servicing Costs); Songailiene et al. (2011) (Cost reduction aspect of Operational function); Biggemann and Buttle (2012) (Efficiency sub-function of the Financial function).	Ulaga (2003) (Process Cost); Walter et al. (2003) (Cost Reduction); Ulaga and Eggert (2005) (Process Costs); Hald et al. (2009) (Cost Reduction); Cheung et al. (2010) (Functional Benefits); Biggemann and Buttle (2012) (Efficiency sub-function of the Financial function); Song et al. (2012) (Cost Reduction); Töytäri et al. (2015) (Operational).
Counterpart’s (Supplier’s/Customer’s) Expertise/Know-how	Songailiene et al. (2011) (Market Intelligence and Understanding of Service Delivery Process sub-functions of Knowledge function).	Ulaga (2003) (Supplier Know-how); Fiol et al. (2011) (Quality of Employee’s Service; Experience); Parry et al. (2012) (Employee Expertise; Understanding of the Customer; Technical Competence); Töytäri et al. (2015) (Strategic).
Flexibility	None	Lapierre (2000) (Flexibility); Ulaga (2003) (Delivery Flexibility sub-function of Delivery Performance).

¹ These constructs are in brackets.

Value Functions Perceived in Supplier-Customer Relationships	Supporting Articles with Corresponding Functions/Sub-functions ¹ as Mentioned in the Present Literature	
	Beneficiary – Supplier	Beneficiary – Customer
Growth	Hald et al. (2009) (Growth).	None
Innovation	Walter et al. (2001) (Innovation); Purchase et al. (2009) (Innovation); Biggemann and Buttle (2012) (Innovation); Smals and Smits (2012) (Financial Payment for New Product Development Services; Technological Knowledge and Product Concepts Directly Related to Product Designs).	Möller and Törrönen (2003) (Innovation); Walter et al. (2003) (Innovation Development); Hald et al. (2009) (Innovation); Biggemann and Buttle (2012) (Innovation); Ritter and Walter (2012) (Innovation); Töytäri et al. (2015) (Operational).
Knowledge	Walter et al. (2001) (Scout); Gouthier and Schmid (2003) (Co-design); Hald et al. (2009) (Competency Development); Purchase et al. (2009) (Scout); Songailiene et al. (2011) (Knowledge sub-value of Strategic Value); Biggemann and Buttle (2012) (Market Intelligence; Idea Generation); Smals and Smits (2012) (Technological Knowledge and Product Concepts Directly Related to Product Designs).	Möller and Törrönen (2003) (Scout); Ulaga (2003) (Supplier Know-how); Ulaga and Eggert (2005) (Know-how Benefits); Hald et al. (2009) (Competency Development); Biggemann and Buttle (2012) (Idea Generation; Market Intelligence); Parry et al. (2012) (Communication; Understanding of the Customer); Ritter and Walter (2012) (Information); Töytäri et al. (2015) (Operational; Strategic).
Long-term Planning	Biggemann and Buttle (2012) (Long-term Planning).	Biggemann and Buttle (2012) (Long-term Planning).
Market	Walter et al. (2001) (Market); Gouthier and Schmid (2003) (Co-marketer); Möller and Törrönen (2003) (Market); Blois (2004) (Reputational Effects of Association with the Customer); Hald et al. (2009) (Access to New Buyers); Purchase et al. (2009) (Market); Songailiene et al. (2011) (Reputation); Biggemann and Buttle (2012) (Referral); Smals and Smits (2012) (Reputation of	Lapierre (2000) (Supplier's Image); Srivastava et al. (2001) (Network Effect); Möller and Törrönen (2003) (Market Signalling); Walter et al. (2003) (Market – supplier has active role); Walter et al. (2003) (Market Signalling – supplier has a passive role); Fiol et al. (2011) (Reputation; Social Image); Biggemann and Buttle (2012) (Referral); Ritter and Walter (2012) (Access); Töytäri et al. (2015) (Social).

Value Functions Perceived in Supplier-Customer Relationships	Supporting Articles with Corresponding Functions/Sub-functions ¹ as Mentioned in the Present Literature	
	Beneficiary – Supplier	Beneficiary – Customer
	Doing Business with Leading-edge Firms).	
Motivation	Gouthier and Schmid (2003) (Leadership/Motivation).	Walter et al. (2003) (Social Support); Ritter and Walter (2012) (Motivation).
Multiplicity of Services	None	Lapierre (2000) (Alternative Solutions); Ulaga (2003) (Supplier Know-how); Ulaga and Eggert (2005) (Service Benefits).
Non-monetary Efficiency (Time/Effort/Energy)	Songailiene et al. (2011) (Routines sub-function of Operational function).	Lapierre (2000) (Time/effort/energy; Flexibility); Ulaga (2003) (Order Handling part of Process Costs); Fiol et al. (2011) (Time/Effort/Energy sub-function of Convenience function); Parry et al. (2012) (Professionalism, Location); Töytäri et al. (2015) (Operational).
Payment Flexibility	None	Anderson and Narus (1998) (Economic); Ritter and Walter (2012) (Payment).
Price	None	Anderson et al. (1993) (Price); Anderson and Narus (1998) (Price); Anderson et al. (2000) (Price); Lapierre (2000) (Price); Ulaga (2003) (Direct Product Costs sub-function of Price function); Ulaga and Eggert (2005) (Price); Cheung et al. (2010) (Functional Benefits); Fiol et al. (2011) (Price); Biggemann and Buttle (2012) (Price Differential); Parry et al. (2012) (Price); Song et al. (2012) (Cost-reduction).
Profit	Walter et al. (2001) (Profit); Gouthier and Schmid (2003) (Buying/Using Services); Blois (2004) (Purchase Price); Hald et al. (2009) (Price/Volume); Purchase et al. (2009) (Profit);	None

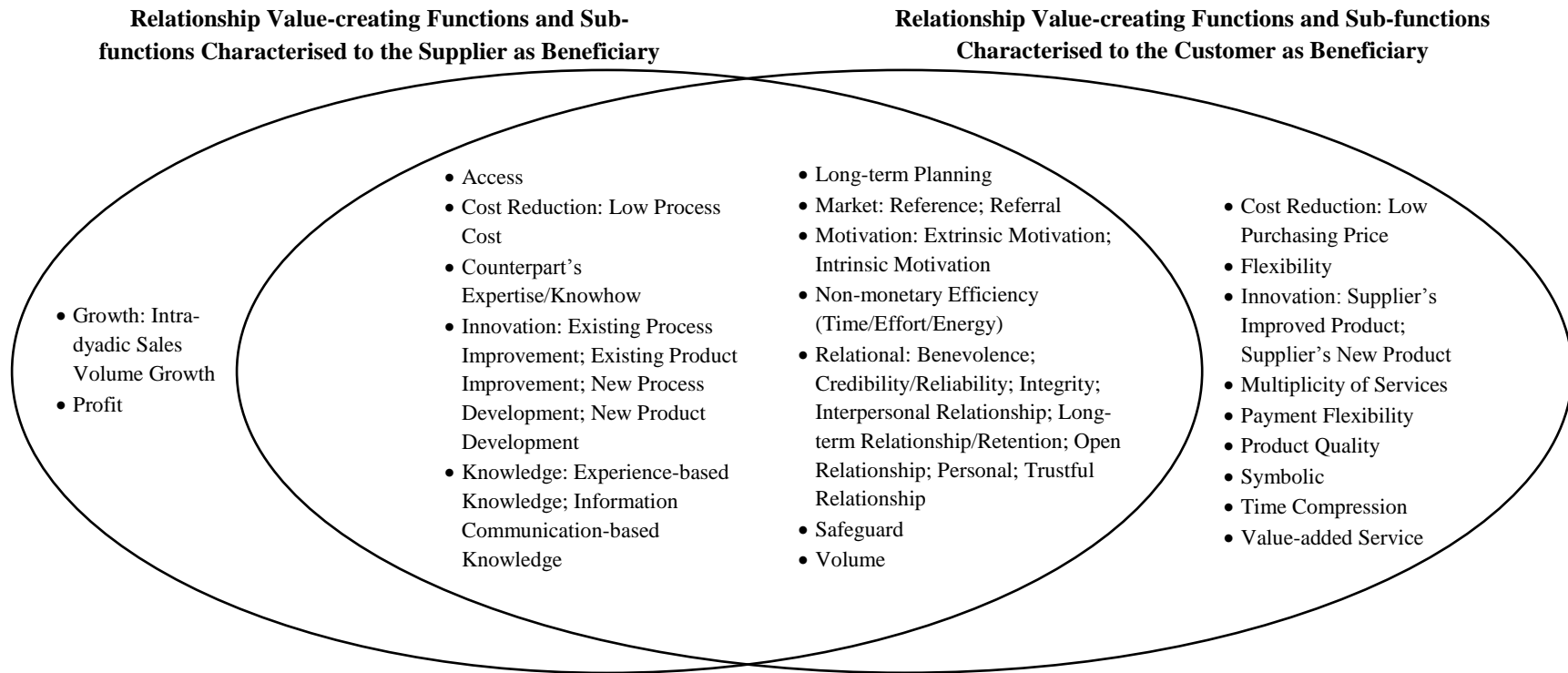
Value Functions Perceived in Supplier-Customer Relationships	Supporting Articles with Corresponding Functions/Sub-functions ¹ as Mentioned in the Present Literature	
	Beneficiary – Supplier	Beneficiary – Customer
	Songailiene et al. (2011) (Profit sub-value of Financial function); Biggemann and Buttle (2012) (Price Differential sub-function of Financial function); Smals and Smits (2012) (Financial payment for sales volumes).	
Product Quality	None	Anderson and Narus (1998) (Technical); Lapierre (2000) (Product Customisation; Product Quality; Reliability); Srivastava et al. (2001) (Functional; Experiential); Ulaga (2003) (Product Quality; Delivery Performance); Walter et al. (2003) (Quality); Ulaga and Eggert (2005) (Product Benefits); Cheung et al. (2010) (Functional Benefits); Fiol et al. (2011) (Product Quality; Quality of Supplier's Service); Parry et al. (2012) (Functionality; Software Quality); Ritter and Walter (2012) (Quality); Song et al. (2012) (Quality); Töytäri et al. (2015) (Operational).
Relational	Walter et al. (2001) (Social); Blois (2004) (Preclusion from Selling to This Customer's Competitors); Songailiene et al. (2011) (Dialogue, Goodwill and Trust sub-functions of Social function); Biggemann and Buttle (2012) (Customer Retention sub-function of Personal function).	Anderson and Narus (1998) (Social); Anderson et al. (2000) (Piece of Mind); Lapierre (2000) (Responsiveness; Supplier Solidarity with Customers; Trust); Lapierre (2000) (Conflict); Möller and Törrönen (2003) (Long-term Relationship); Ulaga (2003) (Personal Interaction); Walter et al. (2003) (Social Support; Customer Trust; Customer Commitment); Ulaga and Eggert (2005) (Social Benefits); Cheung et al. (2010) (Relational Benefit); Fiol et al. (2011) (Switching Cost – Long-term

Value Functions Perceived in Supplier-Customer Relationships	Supporting Articles with Corresponding Functions/Sub-functions ¹ as Mentioned in the Present Literature	
	Beneficiary – Supplier	Beneficiary – Customer
		Relationships); Fiol et al. (2011) (Interpersonal Relationships; Personalised Treatment/Dealing); Biggemann and Buttle (2012) (Supplier Retention); Parry et al. (2012) (Relationship; Trust); Song et al. (2012) (Long-term Relationship); Töytäri et al. (2015) (Social).
Safeguard	Walter et al. (2001) (Safeguard); Purchase et al. (2009) (Safeguard).	Möller and Törrönen (2003) (Safeguard); Walter et al. (2003) (Safeguard); Ritter and Walter (2012) (Safeguard); Song et al. (2012) (Safeguard).
Symbolic	None	Srivastava et al. (2001) (Symbolic); Töytäri et al. (2015) (Symbolic).
Time Compression	None	Ulaga (2003) (Time-to-market); Ulaga and Eggert (2005) (Time-to-market); Hald et al. (2009) (Time Compression).
Value-added Services	None	Grönroos (1997) (Additional Service); Anderson and Narus (1998) (Service); Ulaga (2003) (Service Support); Ulaga and Eggert (2005) (Service Benefits); Parry et al. (2012) (Service).
Volume	Walter et al. (2001) (Volume); Möller and Törrönen (2003) (Volume); Hald et al. (2009) (Price/Volume; Growth); Purchase et al. (2009) (Volume); Songailiene et al. (2011) (Volume sub-function of Financial function); Smals and Smits (2012) (Financial Payment for Sales Volumes).	Möller and Törrönen (2003) (Volume); Walter et al. (2003) (Volume); Ritter and Walter (2012) (Volume); Song et al. (2012) (Volume).

It is worthy to note that the purpose of this section is not to produce an exhaustive list of existing publications on the relationship value-creating functions, but rather to inform the value-creating functions which typically emerge in supplier-customer relationships. More particularly, the accent will be made on producing a more rigorous list, as well as clear and non-overlapping definitions of the value-creating functions and sub-functions that encompass supplier-customer B2B relationships.

As can be observed from Table 2-3, some of the value-creating functions are characterised only to the supplier as beneficiary (i.e., Profit and Growth), while some others refer to the customer as beneficiary (e.g., Flexibility and Time Compression). Yet, another set of functions refers to both the supplier and customer as beneficiaries (e.g., Access and Motivation). Also, as noted earlier, some of the broad meaning laden value-creating functions have been divided into finer sub-functions, so that the literature can be organised on the same level of abstraction. These are summarised in Figure 2-2 on the next page and lay a path to the next three sections. From those, section 2.4.1 (starting on page 50) provides the definitions of and the discussions around the value-creating functions characterised to the supplier as beneficiary (left circle in Figure 2-2). Section 2.4.2 (starting on page 51) similarly treats the value-creating functions characterised to the customer as beneficiary (right circle in Figure 2-2). Finally, section 2.4.3 (starting on page 56) addresses the value creating functions which can be related to both the supplier and customer as beneficiaries (centre of Figure 2-2). The associated sub-functions are also listed and discussed, where relevant.

Figure 2-2 Venn Diagram of Relationship Value-creating Functions and Sub-functions in Relation to a Supplier as Beneficiary and /or a Customer as Beneficiary



Legend to Figure 2-2: In each of the figure areas, the value-creating functions and corresponding sub-function are separated by semicolons². This rule applies also to the other Venn diagrams in this thesis.

² For example, Market function is separated from its Reference and Referral sub-functions by a semicolon. Those all have been identified in relation to both the supplier and customer as beneficiaries, hence, are located in the overlapping area of the left and right ovals.

2.4 Supplier-Customer Relationship Value-Creating Functions

2.4.1 Relationship Value-Creating Functions Identified Only in Relation to a Supplier as Beneficiary

2.4.1.1 Growth

The *Growth* value-creating function is identified only in relation to the supplier as beneficiary. It covers the positive change in the supplier's volume of sales to its customer.

Supplier as Beneficiary

Hald et al. (2009, p. 964) conceptually suggest that "A supplier is happier with a buyer that is growing than with one that is not (...)," proposing the "(...) expected growth in supplier sales (volume)" as the matter of interest for the supplier. Hence, the *Growth* value-creating function for the supplier as beneficiary implies the sales volume increase for the supplier with the existing customer. This reflects the *Intra-Dyadic Sales Volume Growth* focus of the Growth value-creating function.

2.4.1.2 Profit

The *Profit* value-creating function is identified only in relation to the supplier as beneficiary and corresponds to the possibility for the supplier to earn profits from its customer.

Supplier as Beneficiary

The *Profit* value-creating function for a supplier as a beneficiary is adopted by Walter et al. (2001) to indicate that earning profits from a customer has potential to contribute to the supplier perceived value. As their study (ibid., p. 367) states:

"The realization of profit is a necessary precondition for the survival of a company [a supplier] and, thus, is a very important function of customer relationships. Any supplier must have profitable customer relationships if he [a supplier firm] wants to survive in the long term. This is called a profit function."

This position is embraced by Purchase et al. (2009), who, similar to Walter et al. (2001), empirically confirm that profitable customer relationships can be of value for a supplier. In both cases, the emphasis is on earning profits from the direct

relationship with a customer and not the profits which can be gained outside the given supplier-customer dyad. The realisation of profits from the relationship with a particular customer as the source of supplier's as the beneficiary's value, was also empirically established by Songailiene et al. (2011). Considering Walter et al.'s (2001) findings, Hald et al. (2009, p. 964) has explained: "The profit function highlights that for a supplier to survive it is important to realize profit." In line with this argument, they (ibid., p. 964) contend further that "Suppliers find buyers that are willing to pay higher prices for more value, or to provide significantly higher volumes at slightly reduced unit costs more valuable." Both aspects suggest higher profitability outcomes for suppliers. Blois (2004) also conceptualises that the higher price paid to a supplier from its customer is a positive factor in the supplier's value creation. This point prevails in the empirical study results of Biggemann and Buttle (2012, p. 1136), who observed that "(...) the willingness of the customer to pay more" adds to the supplier perceived value of a customer relationship. These findings, altogether, align with the Profit value-creating function for the supplier as beneficiary.

2.4.2 Relationship Value-creating Functions and Sub-Functions Identified Only in Relation to a Customer as Beneficiary

2.4.2.1 Flexibility

The *Flexibility* value-creating function is identified only in relation to the customer as beneficiary. It refers to the supplier's flexibility to accommodate the unforeseen needs and requests of the beneficiary customer.

Customer as Beneficiary

The *Flexibility* function in relation to the customer as beneficiary are mentioned by Lapierre (2000). The author (ibid., p. 137) proposes that the supplier's flexibility in response to the customer requests is the:

- (1) "Ability to adjust their products and services" to the customer's unforeseen needs;
- (2) Change handling capability; and/or
- (3) "Ability to provide emergency product and service deliveries" for the customer as the sources of its value creation.

Ulaga's (2003) empirical observation supports the claim that a supplier responsiveness can create value for the customer as soon as the customer's emergency requests on product delivery are met.

2.4.2.2 Innovation

The *Supplier's Improved Product* and *Supplier's New Product* as sub-functions of the Innovations function is identified only in relation to the customer as beneficiary. However, for the better contextual embeddedness and clarity, the argument informing the Innovation function and these sub-functions are shifted to section 2.4.3.4 (on page 59).

2.4.2.3 Multiplicity of Services

This value-creating function is identified only in relation to the customer as beneficiary, and implies the multiplicity of services the customer receives from its supplier.

Customer as the Beneficiary

The main value of the *Multiplicity of Service* value-creating function is seen in meeting customer's interests in the availability of multiple solutions, which is underpinned by the multiplicity of services the supplier is capable to offer (Lapierre, 2000; Ulaga, 2003). Ulaga and Eggert (2005, p. 79) agree with this point by asserting that the capability of the supplier to "provide a blend of tangible products and a range of accompanying service elements (...) play a crucial role in differentiating a supplier's offering and significantly influence the customer's value perception." This statement, once again, places the supplier's Multiplicity of Services amongst the functions with the potential to drive a customer's value.

2.4.2.4 Payment Flexibility

The *Payment Flexibility* value-creating function is identified only in relation to the customer as beneficiary and encompasses the flexible payment method a customer has available from a supplier.

Customer as Beneficiary

The studies of Anderson and Narus (1998) and Ritter and Walter (2012) mention that customers can see value in the convenient payment methods offered by

suppliers. In particular, Anderson and Narus (ibid., p. 7) refer to “providing a consolidated monthly invoice rather than a separate invoice for each purchase,” which links to the *Payment Flexibility* value-creating function of the supplier relationship. With the same purpose, Ritter and Walter (2012) refer to the different payment methods a customer has available from a supplier.

2.4.2.5 Product Quality

The *Product Quality* value-creating function is being identified only in relation to the customer as beneficiary. It encompasses the provision of a product with characteristics which meet the customer’s interests.

Customer as Beneficiary

Ritter and Walter (2012, pp. 137-138) define the (*Product*) *Quality* function as follows:

“The quality of a product is determined by the extent to which that product fits into the customer's operations – the better the fit, the higher the perceived quality, and, thus, the higher the perceived value.”

Uлага (2003, p. 683) propose that the supplier’s product quality can drive the customer’s relationship value, and defines product quality “(...) as the extent to which the supplier’s product meets the customer’s specifications.” For this purpose, Parry et al. (2012, p. 898) looks at the “(...) product related attribute, (...) whether it meets the customer requirements and detailed specifications in terms of functionality, and whether it solves the business problem for which it is developed.” In a similar fashion, Fiol et al. (2011) refer to the adequacy of the supplier’s product specifications to the customer’s requirements, while Srivastava et al. (2001, p. 784) look at “(...) how the offering [product] might be used – how specific features make the product more useful” for the customer.

The literature also addresses such aspects of product quality as the product performance (e.g., Uлага, 2003; Lapierre, 2000), reliability (e.g., Ritter and Walter, 2012; Uлага, 2003; Lapierre, 2000; Srivastava et al., 2001), consistency/durability over time (e.g., Uлага, 2003; Lapierre, 2000; Cheung et al., 2010; Fiol et al., 2011), and the ease of handling it in the customer's production processes (e.g., Ritter and Walter, 2012; Srivastava et al., 2001; Walter et al., 2003). Nevertheless, not all of

these aspects prevail in the studies which take the product quality as the driver of customer value. This suggests the lack of persistence in the bundle of aspects to play a role in the Product Quality value-creating function. It also commends this research to adopt a rather abstract and neutral definition, based on the discussions in the preceding paragraph. When the matter comes to the product's characteristics of interest for the customer as beneficiary, the identification of those characteristics would further benefit the understanding of the Product Quality value-creating function.

2.4.2.6 Symbolic

The *Symbolic* value-creating function is identified only in relation to the customer as beneficiary and relates to the possibility for the supplier's brand and/or its product to generate the customer's feel of exclusiveness and/or improved social status.

Customer as Beneficiary

As Srivastava et al. (2001, p. 784) argue, a customer may "(...) develop attitudes toward or holistic perceptions of a particular firm or brand and its offerings. The *Symbolic* benefits include (...) exclusiveness associated with ownership of a particular product" (emphasis added). Töytäri et al. (2015, p. 55) also highlight that:

"(...) goods and relationships [can] carry a symbolic value to the extent that they provide users with an outlet to express individual identity, and a possibility to signal social status (...). Part of such symbolic value is social, but it also has a contingency aspect and can be seen to carry an emotional charge."

2.4.2.7 Time Compression

The *Time Compression* value-creating function is identified only in relation to the customer as beneficiary and concerns the possibility for the customer to achieve a high speed of market responsiveness by support from its supplier. This does not include the high speed of responsiveness to unforeseen circumstances, which is covered by the Flexibility function.

Customer as Beneficiary

According to Hald et al. (2009, p. 963), the *Time Compression* value-creating function "(...) seeks to leverage the supplier's ability to achieve higher market

responsiveness, both in product development and in supply chain execution.” They further explain the product development related issue by integrating the “Time-to-market” value-creating function definition of Ulaga (2003, p. 686) that “Suppliers add value through accelerating design work, developing prototypes faster than competitors, and speeding up the product testing and validation process.” These findings show that the Time Compression value-creating function for the customer as beneficiary is manageable by the high speed of market responsiveness the customer can achieve by the support of its supplier.

2.4.2.8 Value-added Service

This function is only identified in relation to the customer as beneficiary. It implies the valued by the customer useful additional service which the supplier provides alongside with its core product offering. It may or may not be connected to the core product.

Customer as Beneficiary

Several of the relationship value studies argue that additional services enhance the customer perceived value of the supplier relationship (e.g., Anderson and Narus, 1998; Parry et al., 2012; Ulaga, 2003). Most of those studies focus on the services directly related to a core product. For example, taking the case of the manufacturers as a customer perspective, Ulaga and Eggert (2005, p. 79) argue:

“In most business markets, manufacturers search for complete solutions rather than mere products. For example, a customer of a machine tool will acquire not only the equipment, but will also need services such as installation and training, warranties, or maintenance and repair contracts. (...) In business markets, suppliers typically provide a blend of tangible products and a range of accompanying service elements (...). Especially in highly competitive business markets, these service components play a crucial role in differentiating a supplier’s offering and significantly influence the customer’s value perception.”

By the same token, Grönroos (1997) speaks only about the additional services which are directly supporting the core offerings. In order to be of value for the customer, according to Grönroos (ibid., p. 413), the additional services need to support “(...)

the core of the offering that minimises the indirect and psychological relationship costs. The total offering should be designed so that it does not create unnecessary direct relationship costs.” According to this statement, the additional service cannot add to the customer perceived value of the supplier relationship, if that service does not make the customer better-off overall. In other words, the services a customer receives add value to the customer’s relationship with a supplier, which Grönroos (ibid.) calls the “value-adding additional services.” This means that the service can enhance the value perception, regardless of whether it relates to the product (cf. Ulage, 2003). Hence, this research also integrates services that are unrelated to the core product into the *Value-adding Service* value-creating function for the customer as beneficiary.

2.4.3 Relationship Value-creating Functions and Sub-functions Identified in Relation to both, a Supplier as Beneficiary and a Customer as Beneficiary

2.4.3.1 Access

This function refers to gaining access to other actors, outside of the given supplier-customer dyad. Adopting the viewpoint of Walter et al. (2001) and Möller and Törrönen (2003, p. 110), this term will not include the beneficiary’s improved access to the potential customer or supplier when that is achieved due to the purely reference or referral impact of the trading counterpart.

Supplier as the Beneficiary

The literature suggest the existence of the *Access* value-creating function for a supplier. Walter et al. (2001, p. 372) consider this function being fulfilled once a customer relationship allows the supplier to “(...) access to third parties and makes those actors reachable, open, and understandable.” The extant research points to the customer’s active role in fulfilling this function. Within the framework of a supplier’s value-creating function, Purchase et al. (2009, p. 10) claim that the customer “Provides support for handling contacts with other agencies [;] (...) Initiates contacts to important persons (‘movers’ and ‘shakers’) [;] (...) Promotes (...) [the supplier] to other influential institutions and committees.” In short, the customer’s active role in the fulfilment of the access function, concerns the “Benefits

that come from third parties through the [focal] relationship” (Biggemann and Buttle, 2012, p. 1136), and aligns to the views of Walter et al. (2001) and Hald et al. (2009) about the same issue.

Customer as the Beneficiary

Within its definition of “Resource Access” function, Möller and Törrönen (2003, p. 112) state that it encompasses:

“(…) the network connections of a specific supplier, including its linkages to next-level suppliers, research and government agencies, and other customers. These linkages may provide customer access to actors who possess relevant resources for enhancing the customer’s business processes. These could range from potential R&D [research and development] partners, to channel actors, to actors with a gatekeeper position for specific markets.”

This proposition is in line with the access function definition by Ritter and Walter (2012, p. 138):

“Suppliers may actively help customers to establish contacts with potential exchange partners or influential people. These contacts can be with other suppliers, possible customers, industry associations, or governmental institutions. (...) The impact of the access function on perceived relationship value depends on the value of the new relationships. The new partners might, for example, have large procurement volumes, offer low prices, become innovation partners, or offer access to a large network in the industry.”

To sum up the *Access* function in relation to a customer as beneficiary, the accessible third-parties potentially need to have value on their own, or act as a source to further useful connections for the customer.

2.4.3.2 Cost Reduction

The *Cost Reduction* function concerns the reduction of joint total costs which the beneficiary can have from the relationship with its trading counterpart. It is important to note also herein, that the Cost Reduction value-creating function does not include the non-financial aspects of costs. Those are considered within the Non-monetary Efficiency value-creating function.

Supplier as Beneficiary

The *Cost Reduction* function is reflected in the empirically grounded proposition that a supplier may value the achievement of cost efficiency. Biggemann and Buttle (2012, p. 1136) refer to the “Difference or ratio between inputs and outputs,” from the relationship with its customer. Other Cost Reduction function examples come from, e.g., Blois (2004), who mentions that the reduction of “production” and delivery costs, disposal costs, financial costs, as well as the service and servicing costs creates value for the supplier. These all are related to the *Low Process Cost* sub-function, which represents the achievement of cost-efficient business operations by the supplier as a result of the relationship with its customer.

Customer as Beneficiary

According to Hald et al. (2009, p. 963), a buyer values the “(...) supplier’s ability to reduce their joint total cost, enabling the buyer to compete on selling price.” Similarly, Walter et al. (2003) shown that the *Cost Reduction* function is fulfilled, when a relationship with a supplier provides a platform for low purchasing prices for a customer. The ‘price’ and ‘process costs’ value-creating functions of supplier relationship are proposed by Ulaga (2003). The former aspect relates to the product price, where, according to Song et al. (2012, p. 288), the focus is on the “(...) low purchasing costs [prices] with reasonable quality.” The latter one focuses on taking a customer’s costs out of a business relationship with a supplier, as well as reducing the costs of a customer firm’s primary business, including the reduction of the customer’s supply chain costs (Hald et al., 2009). These value-creating aspects inform the *Low Purchasing Price* (implying the low price of the product purchased by the customer from its supplier). They also suggest the *Low Process Cost* (implying the achievement of cost-efficient business operations by the customer as a result of relationship with its supplier) value-creating sub-functions for the customer.

The pricing aspect inclusion into the Cost Reduction function is adopted from Song et al. (2012), Walter et al. (2003) and Hald et al. (2009). This decision closely aligns to the approach of Ulaga (2003) and Ulaga and Eggert (2005). The latter two articles keep the Price function separate from the Process Cost function. They designate both of these functions to the same purpose, namely, to lower the joint total cost of the beneficiary customer.

2.4.3.3 Counterpart's (Supplier's/Customer's) Expertise/Knowhow

The *Counterpart's Expertise/Knowhow* value-creating function for the beneficiary is associated with the counterpart's knowledge and skills in the particular area of interest for the beneficiary.

Supplier as Beneficiary

Songailiene et al. (2011) provides a relevant example of *Counterpart's (Customer's) Expertise/Knowhow*. They (ibid., p. 407) refer to the possibility for the supplier to perceive value creation due to its customer's "(...) understanding of the particular services provided by the (...) [supplier] company in conjunction with detailed knowledge of the [relevant] market." These authors confirm their interpretation empirically.

Customer as Beneficiary

The empirical observations made by Ulaga (2003), Fiol et al. (2011) and Parry et al. (2012) provide vital evidence to the value perception of customers. Here, they may value the supplier's expertise in the production, market or the other issue of interests for the customer. The same studies also placed the supplier's understanding of the customer's strategies, operations and needs amongst the drivers of relationship value. All of these align to the *Counterpart's (Supplier's) Expertise/Knowhow* value-creating function for the customer as beneficiary.

2.4.3.4 Innovation

The *Innovation* value-creating function reflects the beneficiary's perception that the counterpart adds innovation to the beneficiary's business activity. This does not concern, however, the creative or innovative ideas gained as a result of the relationship, if the ideas of the trading counterpart are not reflected into the beneficiary's innovativeness.

Supplier as Beneficiary

Researchers speculate about the *Innovation* function as the contributing factor to the supplier's overall value creation. For Möller and Törrönen (2003, p. 110), the Innovations value-creating function for the supplier as beneficiary refers to "(...) the possibility of product and process innovation with a particular customer." This proposition finds its empirical basis in the work of Biggemann and Buttle (2012).

They (ibid., p, 1137) describe innovation to be the “Opportunities created to introduce new or improved product or services” to the market, which a supplier can achieve in collaboration with its customer. Complementing those propositions, Walter et al. (2001, p. 368) state that:

“Suppliers establish relationships with customers who are seen to be at the forefront of technology or whose product expertise are high. In such situations suppliers often discount short-term financial gains for the long term benefits of networking innovation development (...). Product and process innovations developed together with a customer may improve the value of the supplier’s offerings to this customer in the future as well as to other customers.”

Drawing on Walter et al. (2001), Purchase et al. (2009) reiterate the customer’s important role in adding to the overall perceived value of a supplier through the Innovations value-creating function. With this conception, the supplier’s value can be created by “(...) joint development of the production process;” “(...) joint concept development of new products;” “(...) prototype testing with the customer;” [and/or] “(...) adoption of new technologies by the customer” (Purchase et al., 2009, p. 10). The latter factor fits with the statement of Walter et al. (2001, p. 372), which state that “Through the *innovation function* technological knowhow and creative ideas are obtained from the customer.” Therefore, this can aid the supplier’s own innovativeness. Purchase et al. (2009) has done the empirical testing of their hypothesis about the Innovations function within the consumables industry (office suppliers and computers). However, the study has revealed that suppliers perceive the Innovation function as a sacrifice by destructing the supplier’s overall value, rather than as a benefit. They have further claimed that this result could be industry specific. Yet, the high-tech industry-based empirical study of Smals and Smits (2012) shows that innovative product and service development with a customer can create overall value for a supplier through financial returns by selling those products and services. They (ibid., p. 157) also mention that a supplier “(...) can benefit by developing a new product offering for the present buyer and marketing that at a later stage to other potential customers.” While the supplier’s value-creation aspect of the Innovations function can still be questioned and may require further empirical

examination, it is apparent that four main types of Innovation function related sub-functions for the supplier as beneficiary can be noted:

- (1) ***Existing Process Improvement*** (Improving the existing process of the beneficiary);
- (2) ***Existing Product Improvement*** (Improving the existing product of the beneficiary);
- (3) ***New Process Development*** (Developing the new process of the beneficiary);
and
- (4) ***New Product Development*** (Developing the new product of the beneficiary).

These four main types of innovation are in line with the innovation concept definition by Ferreira et al. (2010) and Zhao and Zou (2002).

Customer as Beneficiary

When taking this concept in relation to the customer as beneficiary, Walter et al. (2003, p. 162) claim that:

“(...) suppliers can support customers’ innovation activities and as such fulfil an *innovation* development function (...). This innovation support can have many faces: passing on innovative ideas, supplying innovative components and production facilities or engaging in a collaborative development project” (emphasis added).

This view is echoed by Ritter and Walter (2012, p. 138) who stress that the ***Innovation*** function of the supplier relationship takes place when:

“Suppliers can serve as valuable partners for their customers' product and process innovations by contributing innovative ideas, supplying innovative components and production facilities, or engaging in collaborative development projects.”

In the words of Hald et al. (2009, p. 963), the Innovations value-creating function “(...) seeks to leverage the supplier's ability to improve their product portfolios.” They also add that “A supplier's proactive ability to develop new or improve existing products [either customer’s or supplier’s own], is seen as valuable by buyers.” In addition, the quality improvement of an existing product is being discovered by Ulaga (2003) and Lapierre (2000) to be of potential value for a customer.

Following the above, five main types of customer's Innovation value-creating function can be suggested: (1) *Existing Process Improvement*; (2) *Existing Product Improvement*; (3) *New Process Development*; (4) *New Product Development*; (5) *Supplier's Improved Product*; and (5) *Supplier's New Product*. For the purpose of this research, the Supplier's Improved Product, which relates to the improvement of the supplier's product quality for the beneficiary customer, is combined to the Innovation function. This choice concurs with Hald et al. (2009), which is in contrast to Ritter and Walter (2012), by assigning that to the (Product) Quality function. Even though Innovation value-creating function in its broad sense could be characterised to both the supplier as beneficiary and customer as beneficiary, the Supplier's Improved Product and the Supplier's New Product sub-functions have been identified only in relation to the customer as beneficiary.

2.4.3.5 Knowledge

The *Knowledge* value-creating function refers to attaining useful knowledge by the beneficiary from its trading counterpart.

Supplier as Beneficiary

The literature review has suggested two main types of the *Knowledge* value-creation related sub-functions. The one which has been presented rather implicitly in the literature is related to attaining useful knowledge by a supplier through the working experience with its customer. This can relate, for example, to the development of new competences (Hald et al., 2009) or to the generation of new ideas by a supplier (Biggemann and Buttle, 2012). The emphasis is on the working experience with a customer as the driver of the knowledge creation. This phenomenon is termed the *Experience-based Knowledge* value-creating sub-function, in this thesis.

What the literature addresses more explicitly is the supplier's positive valuation of the useful information being communicated from its customer. That can include, for example, information about the market development (e.g., Songailiene et al., 2011; Walter et al., 2001; Purchase et al., 2009), and "technological knowledge and product concepts directly related to product designs" (Smals and Smits, 2012, p. 162). It also includes the supplier attaining new ideas, knowledge about the

customer's business (Biggemann and Buttle, 2012), and gaining the customer's views and expectations about the supplier's products and performance (Gouthier and Schmid, 2003). These aspects of the supplier's value creation can be combined under the supplier's *Information Communication-based Knowledge* value-creating sub-function of a customer relationship.

Customer as Beneficiary

Similar to suppliers, the customer's *Knowledge* value-creating function encompasses the *Experience-based Knowledge* and *Information Communication-based Knowledge* value-creating sub-functions of a supplier relationship. The work of Hald et al. (2009) implicitly concerns the *Experience-based Knowledge* creation for the customer when stating that suppliers and buyers can both develop new competences when working together. Similarly, the experience of working with a supplier may allow the customer to get the necessary know-how (Ulaga and Eggert, 2005). Ulaga (2003) defines this as the supplier's specific expertise that is not available within the customer organisation. The experience of working with the customer involves information communication and cannot automatically be separated from the Information Communication-based Knowledge sub-function. There is an exception: a beneficiary could differentiate and regard the *overall* experience-based knowledge gained from working with the trading counterpart as separate from gaining information communication-based knowledge.

A supplier's role in adding to the customer's useful knowledge through information communication, rather than through an experience-based method, is popular amongst customer's value creation investigators. For example, Ritter and Walter (2012) and Walter et al. (2003, p. 163) underline a customer's value-creation potential by the technical and market related information communicated from a supplier to the customer. Ritter and Walter (ibid, p. 138), seeing that as valuable for the customers, claim that the customers need to get "(...) information about their environments and sense their markets in order to maneuver successfully (...)." These scholars also add that "Suppliers usually have specific knowledge about (...) their customers' industry. They [suppliers] are also likely to have knowledge about their customers' situations, as they supply other firms in the same markets" (ibid., p. 138). Similarly, Möller and Törrönen (2003) and Parry et al. (2012) argue that one of the

reasons a customer can value its supplier is the market-related and/or other useful information received from the supplier. This, in turn, can result in innovative ideas (Biggemann and Buttle, 2012; Möller and Törrönen, 2003), as well as the development of new competences within the customer organisation (Hald et al., 2009; Ulaga, 2003). These aspects inform the customer's *Information Communication-based Knowledge* value-creating sub-function.

2.4.3.6 Long-term Planning

This function can be fulfilled when the relationship improves the beneficiary's time horizon to envision and plan a certain business activities of interest.

Supplier as Beneficiary

The empirical investigation of Biggemann and Buttle (2012, p. 1136) informs the *Long-term Planning* value-creating function for the supplier as beneficiary. They (ibid.) found that a supplier can benefit from "increased time horizon for planning, scheduling and demand forecasting" as a result of a relationship with its customer. Accordingly, there is a possibility for a supplier to better foresee the future circumstances related to its business and plan in advance.

Customer as Beneficiary

With regard to *Long-term Planning*, Biggemann and Buttle (2012) claim that this is a value-creating function for a customer as beneficiary, without providing relevant evidence from any of the customer respondents. They (ibid., p. 1136) apply the "increased time horizon for planning, scheduling and demand forecasting" as a function which also can create customer value. The absence of appropriate empirical bases, however, raises doubt about the validity of this claim. This, in turn, invites empirical examination to validate the presence of a customer's *Long-term Planning* value-creating function of a supplier relationship.

2.4.3.7 Market

The *Market* value-creating function implies the possibility for a beneficiary to improve its image, reputation and/or credibility by being associated with its trading counterpart. For this, the trading counterpart needs to have a good status, image and/or reputation.

Supplier as Beneficiary

The relationship value creation literature varies its terminology and approach when referring to the possibility for the supplier to improve its image, reputation and/or credibility through the association with its trading counterpart. The most wide encompassing term addressing this phenomenon is the *Market* value-creating function, as suggested by Walter et al. (2001, p. 368):

“Referrals and/or recommendations from current customers support a supplier to enter new markets and to establish commercial relationships (...). (...) Especially large and prestigious customers which are known to apply stringent criteria to their selection of supplier companies may have a valuable reference effect (...).”

The authors (ibid., p. 372) specify that “Gaining access to new markets (i.e., new customers) is represented by the *market function*.” Drawing on Walter et al. (2001), Möller and Törrönen (2003, p. 110) define the Market function as “(...) the possibility [for a supplier] of accruing new customers (...) through the reference impact of a particular customer.” Purchase et al. (2009, p. 5) also adopt the Market function term proposed by Walter et al. (2001). They also claim that “If the referring customer is especially large and prestigious (that is, known to apply stringent criteria to their selection of supplier companies) they have a valuable reference effect.” This aligns with the finding of Songailiene et al. (2011, p. 406) that “Improved access to new customers is facilitated by a customer’s status and reference value in the industry, mainly due to the size of the company [customer] and/or a customer’s reputation.” Importantly, the Market value-creating function for the supplier as beneficiary encompasses certain combinations of active and passive roles of a supplier and its customer. The customer can be active while the supplier is rather passive when the supplier gets promoted by the customer’s referrals to the third-parties outside the given supplier-customer dyad. To cover such aspects, this study adopts the term *Referral* value-creating sub-function of the Market value-creating function. This is in line with Biggemann and Buttle (2012, p. 1136), who utilise this term to label “The counterpart’s willingness to share positive experiences with other parties.” On the other hand, when the supplier promotes itself by the reference effect of working with its current customer, the role of the supplier gets active. At the same

time, the customer's role gets rather passive. Smals and Smits (2012, p. 161) make this aspect visible when discussing the "reputation of doing business with leading-edge firms [customers]" as the value-driving function for a supplier. For illustrative purposes they (ibid., p. 161) state that "(...) a supplier can, for instance, use the high-tech reputation [of its current customer] to present itself as a highly capable and innovative supplier to new potential customers". This study terms such delineation as the *Reference* sub-function of the Market value-creating function for the supplier as beneficiary.

Customer as Beneficiary

Walter et al. (2003) relate the fulfilment of the supplier's *Market* value-creating function in relation to the customer as beneficiary. This happens when the supplier "(...) helps the customer to establish contacts with new, potential exchange partners (...) [and that] (...) These contacts can be with other suppliers but also with, e.g., customers, industry associations or governmental institutions" (ibid., pp. 161-162). Furthermore, they differentiate active and passive roles of the suppliers and customers in fulfilling the Market function. As they (ibid., p. 162) state, "(...) the supplier can take an active role by bringing the customer together with potential partners." Biggemann and Buttle (2012) see this realisable by the supplier sharing its positive experience with the customer to the other parties outside the given supplier-customer dyad. Such a mechanism has been entitled *Referral* sub-function of the customer's Market value-creating function of a supplier relationship in this thesis.

Walter et al. (2003) infer a customer's active role versus a rather passive role of a supplier in fulfilling the customer's Market value-creating function. They (ibid., p. 162) state that "(...) customers often use relationships with prestigious suppliers as references and, thus, the supplier plays a more passive role." This viewpoint is adopted by Ritter and Walter (2012, p. 138) who stress that "(...) customers can use their relationships with prestigious suppliers as a reference, in which respect the supplier plays a more passive role." This research labels this aspect as *Reference* sub-function of the Market value-creating function for the customer as beneficiary. For both Referral and Reference sub-functions, the main emphasis is on enhancing the customer's image, reputation and/or credibility by being associated with the supplier which has a good status, image and/or reputation (e.g., Walter et al., 2003;

Hald et al., 2009; Fiol et al., 2011; Ritter and Walter, 2012). As Möller and Törrönen (2003p. 112) state, “When a supplier is highly esteemed, a relationship [of a customer] with it may have a positive reference or signalling effect that is realised through the wider network actors.”

2.4.3.8 Motivation

The *Motivation* value-creating function takes place when a trading counterpart inspires the actions of the beneficiary which leads to the overall positive outcome for the beneficiary.

Supplier as Beneficiary

There is a scarcity of work when it comes to supplier’s *Motivation* value-creating function of customer relationship. However, the conceptual work of Gouthier and Schmid (2003) highlight the customer’s ability to motivate its supplier in a way that the attitudes and behaviours of the supplier’s staff bring benefits to the supplier organisation. Their study connects the fulfilment of this function to the “positive emotional feeling” of supplier’s employees, as well as the “positive influence on the [supplier’s] service encounter staff involved in the production process” (ibid., p. 128). These somewhat mirror two widely acknowledged types of motivation: (1) *Intrinsic Motivation*, when the subject’s actions are driven by self-satisfaction and self-enjoyment purposes; and (2) *Extrinsic Motivation*, when the subject’s actions are driven by expected external benefit or reward (Osterloh and Frey, 2000; Aalbers et al., 2013).

Customer of Beneficiary

The possible existence of the *Motivation* value-creating function for the customer as beneficiary is suggested by Ritter and Walter (2012, p. 138) as follows:

“A supplier may contribute to a customer's profitability by increasing employee efficiency. For example, by working with a supplier that is known for its innovativeness, social responsibility, or corporate success, an employee can gain respect and recognition among colleagues, which then increases that employee's motivation. (...) In many firms, there is hierarchy of external partners such that only experienced, successful managers are allowed to deal

with “high-profile” suppliers and employees often view allocation to such suppliers as an internal promotion.”

One can assume that the promoted managers at the supplier firm would work harder to keep the favourable position. In terms of *Extrinsic Motivation*, they will work on keeping the achieved reward and benefit. In terms of *Intrinsic Motivation*, the harder work of the employee can also be driven by the self-enjoyment purpose – to keep and enjoy the attained respect and recognition amongst colleagues. In more general terms, “Motivation for [customer’s] employees regarding their tasks,” that has been examined by Walter et al. (2003, p. 168) as the part of the “Social Support” function, also fits the Motivation value-creating function for the customer as beneficiary.

2.4.3.9 Non-monetary Efficiency (Time/Effort/Energy)

The *Non-monetary Efficiency* value-creating function refers to the production of a certain output by the beneficiary with a less non-monetary input as a result of the beneficiary’s relationship with its trading counterpart.

Supplier as Beneficiary

The empirical study of Songailiene et al. (2011, p. 407) has found that suppliers:

“(…) favour customers with highly developed operational capabilities (i.e. well organised customers with predictable demands which allow the formation of routines...). Operational routines developed within the relationship over time reduce suppliers’ operational efforts and costs [including the input of non-monetary costs – the subject of the *Non-monetary Efficiency* value-creating function] during service delivery.”

This passage underlines that certain customer relationships can be valuable for a supplier, if these enable them to reduce non-monetary inputs in the production of a certain output (service delivery in this particular passage).

Customer as Beneficiary

The *Non-monetary Efficiency* function, for the customer as beneficiary, is associated with the non-monetary input efficiency the customer can achieve through the supplier relationship. For example, Lapierre (2000, p. 123) has empirically confirmed that the reduction in “(...) *time/effort/energy* and conflict invested by the customer to obtain the products or services or to establish a relationship with a

supplier” (emphasis added) have potential to create customer’s value. The criteria used by them to inform the reduced input were: “The number of meetings with the supplier’s staff;” “The bargaining effort with the supplier’s staff in reaching an agreement;” “(...) time and effort spent for training a number of (...) employees;” “(...) time and effort spent in developing a working business relationship with (...) supplier;” and “(...) energy invested with (...) supplier” (p. 138). Ulaga (2003, p. 689) adds that “Customers need to allocate less time and dedicate fewer personnel to the ordering process,” and that customers can see it achievable in the relationship with certain suppliers. This could happen through information and a communication technology based connection, for example. Also, the location, in terms of physical proximity between the customer and supplier, has been acknowledged to bring the ease of interaction to a customer (Parry et al., 2012). These arguments suggest the customer’s Non-monetary Efficiency value-creating function, as defined by this thesis.

2.4.3.10 Relational

The *Relational* value-creating function addresses the beneficiary’s positive evaluation of the overall relationship and/or its characteristics in place with its trading counterpart. This function includes the emotional and relational bonds the beneficiary perceives to have with its trading counterpart.

Supplier as Beneficiary

By reviewing the literature on supplier’s value creation, eight main sub-functions of the *Relational* value-creating function for the supplier as beneficiary have been identified. The one referred to most frequently is what Biggemann and Buttle (2012, p. 1137) label as “personal value” with the core idea that “Organizational actors are able to attach intrinsic value to a relationship with no need to make utilitarian considerations.” In this case the value is assigned to a relationship based simply on the supplier’s likes and dislikes of the customer. This aspect and its defining term have been adopted for the purpose of this research – hence, the *Personal* sub-function term is used, contrary to the preconceptions of their study. Walter et al. (2001, p. 373) suggest that “(...) there are not always rational or economical reasons behind relationships.” As they explain, “Sometimes a supplier deals with a customer

because of a good past history, social support, and/or because of “good feelings” (p. 373). They term this “Social Function” and further note that such ‘soft value-creating functions’ also include “fairness” and “trustful dealings.” Therefore, Walter et al. (2001) do not only work with a single value function, but combine several ones under the umbrella of *social* function. Similarly, Songailiene et al. (2011) attach “goodwill,” “trust,” and “dialog” to the supplier’s *social* function, and propose “close personal relationships” as an additional driver of that function.

This thesis does not adopt the term “social function,” as it involves distinct elements, which deserve separate attention. One of these is the *Personal* sub-function. Furthermore, this research adopts the term *Interpersonal Relationship* to describe the established personal relationships and/or personal acquaintance of supplier’s staff with the member(s) of the customer firm (Songailiene et al., 2011). By referring to the “dialog” term, Songailiene et al. (2011) imply an open relationship between the supplier and customer. This relationship type is reflected in the open and transparent communication between the parties, which the supplier values. This research names such a standpoint the *Open Relationship* sub-function of the supplier’s Relational value-creating function.

Interestingly, most of the other aspects mentioned in relation to what Walter et al. (2001) and Songailiene et al. (2011) call “social” function, closely resembles some of the dimensions of “relationship quality.” This term is most often adopted to “(...) describe business relationships” (Uлага and Eggert, 2006). More particularly, the *trust* dimension highlighted by Songailiene et al. (2011) was mentioned from the perspective of *credibility/reliability*. It implies the beneficiary’s perception that the trading counterpart’s commitments, written statement, promise or word are reliable and can be fulfilled (Uлага and Eggert, 2006; Hald et al., 2009). This research terms this aspect the *Credibility/Reliability* value-creating sub-function for the supplier as beneficiary. The aspect of *Trustful Dealing*, mentioned by Walter et al. (2001) without further elaboration, could be better understood from broader perspectives, implying “one party’s confidence that the other party in the exchange relationship will not exploit its vulnerabilities” (Hald et al., 2009, p. 962). This has been termed the *Trustful Relationship* sub-function. In line with the same argument, aforementioned *fairness* and *goodwill* terms correspond to the “integrity” and

“benevolence” concepts respectively. The first one can be defined as the trading counterpart’s adherence to the principles the beneficiary finds acceptable, and can include aspects such as, fairness and shared values (see, Hald et al., 2009). This suggests that the **Integrity** sub-function relates to the supplier’s Relational value-creating function. The *benevolence*, on the other hand, “represents the extent to which one partner is genuinely interested in the other partner’s welfare” and gains (Ulaga and Eggert, 2006, p. 315), and can involve components such as commitment, loyalty and support (e.g., see Caceres and Paparoidamis, 2007; Hald et al., 2009; Papassapa, 2007; Walter and Ritter, 2003). This informs the **Benevolence** sub-function. The possibility to retain and have a long-term relationship with the customer as the factor driving the supplier’s value has been put forward by Biggemann and Buttle (2012). This research labels it the **Long-term Relationship/Retention** sub-function of the supplier’s Relational value-creating function.

Customer as Beneficiary

Reviewing the customer’s value creation literature has revealed that the sub-functions of the Relational value-creation function for the customer as beneficiary are similar to those identified in relation to the supplier as beneficiary. The **Personal** sub-function of the customer’s **Relational** value-creating function are reflected in the most of the customer’s value creation articles (e.g., Cheung et al., 2010; Walter et al., 2003; Fiol et al., 2011). The key point raised by these studies are on pleasant (Ulaga and Eggert, 2005; Fiol et al., 2011), relaxed (Parry et al., 2012), comfortable and/or enjoyable (Cheung et al., 2010) relationships a customer perceives to have with a supplier. Correspondingly, as a contributing factor to sustaining the relationship between a supplier and its customer, Walter et al. (2003, p. 162) found that the “Relationships are maintained because of (...) personal bonds—because people like to do business with each other.” In relation to the **Interpersonal Relationship** sub-function, Ulaga and Eggert (2005) acknowledge the importance of the personal interaction with a supplier, arguing that people manage business relationships. Ulaga (2003) shows that a customer can value interpersonal interactions and connections with its supplier’s staff, and further clarifies that those include the interactions and connections at all organisational levels between the

supplier and the customer. He suggests that customers can be interested in building a rapport and interpersonal ties with supplier firms: “The absence of good personal interaction may endanger the overall relationship [with the supplier]. Not having a good working relationship is considered counterproductive” (ibid., p. 687) for developing the relationship with the supplier overall. Parry et al. (2012) stress that an open relationship and communication between customers and suppliers can be one of the value drivers for the customer. These findings are labelled the *Open Relationship* value-creating function for a customer as beneficiary.

The customer value creation literature contributes to defining relationship quality, by referring to such dimensions as credibility/reliability, trustful relationship, integrity and benevolence as the *Relational* value drivers for a customer. In agreement with the *Credibility/Reliability* sub-function, Lapierre (2000) confirms the positive effect of such factors on the customer perceived value of the supplier relationship. Here, the customer is confident that the “supplier is telling the truth” and “the accuracy of the information” from the supplier is high, and there is the “supplier's fulfilment of promises” (ibid., p. 128). Likewise, Walter et al. (2003) assert that the customer's confidence in its supplier's professionalism and in the creditworthiness of the promises made from the supplier can enhance the value that the customer perceives to get from the relationship. The *Trustful Relationship* sub-function can be captured in the customer's value creation potential of the supplier's confidential treatment of the customer's information (Walter et al., 2003). By contrast, honesty (Walter et al., 2003; Parry et al., 2012) and sincerity of a supplier (Lapierre, 2000) tends to be more relevant to the customer's *Integrity* sub-function. The customer's feeling that meeting its problems and needs are what the supplier is interested in implicitly assumes the *Benevolence* sub-function for the customer as beneficiary (Cheung et al., 2010). However, this particular sub-function is more evident in the works of Fiol et al. (2011), Walter et al. (2003) and Lapierre (2000). The first of these studies suggests the customer perceived personalised attention from the supplier as the driver of customer value. For the same motive, the second study recognises the customer perception of the supplier's interest in the customer support and welfare. Perhaps, the plausible explanation of customer's such perceptions can be conceived from a rather summative finding of Lapierre (2000). That study (ibid.,

p. 138) proposes that the customer can ascribe value to its supplier based on the former's perception of "The supplier's willingness to meet (...) [the customer's] needs beyond the [set with the customer] contract terms."

Finally, the ***Long-term Relationship/Retention*** sub-function of the customer's Relational value-creating function is evidenced by Biggemann and Buttle (2012, p. 1136), who have empirically found that a customer can perceive value from its supplier by having "Expectation to keep the (...) supplier for long-term." Also, Möller and Törrönen (2003) and Song et al. (2012) acknowledge the customer's value-creation potential of developing and maintaining a long-term relationship with a supplier.

2.4.3.11 Safeguard

The trading counterpart in a supplier-customer dyad fulfils the ***Safeguard*** function for the beneficiary if that beneficiary relies on the support of that counterpart. In this scenario, the trading counterpart is considered as the 'remedy' for the beneficiary, if it (the latter) encounters complications or difficulties with similar to its counterpart type of other actors (i.e., other suppliers or customers) outside the supplier-customer dyad.

Supplier as Beneficiary

A supplier establishing "(...) certain customer relationships that are held as insurance against crises or difficulties with other customers" is labelled the ***Safeguard*** function for a supplier as beneficiary by Walter et al. (2001). According to Purchase et al. (2009, p. 6), for a supplier this function acts as the "(...) safeguard against downturn in business from other customers."

Customer as Beneficiary

As Song et al. (2012, p. 289) argue, the relationship with certain suppliers can act as the "(...) insurance against crises (...)" for a customer with the other suppliers. Those other suppliers, as Walter et al. (2003) and Song et al. (2012) propose, can be preferred suppliers while the suppliers with the Safeguard function have been referred to as 'rescue suppliers' by the former study and 'spare suppliers' by the latter one. Ritter and Walter (2012) also suggest the existence of the suppliers' Safeguard function and call such suppliers 'reserve source.'

2.4.3.12 Volume

The *Volume* value-creating function addresses the volume of business being handled by the supplier for its customer.

Supplier as Beneficiary

Walter et al. (2001, p. 372), when discussing the *Volume* value-creating function, have stressed that:

“Most companies [suppliers] need to surpass a certain threshold in the utilization of capacities in order to achieve economies of scale. Thus, suppliers are interested in a certain quantity of products they sell (...). (...) The volume [emphasis added] function contributes to the success of the supplier by securing the necessary “break-even” volume and, thus, allows the company to operate on a profit-making basis.”

Songailiene et al. (2011, p. 391) translate that as “customers purchasing in large quantities thereby enabling the supplier to achieve economies of scale.” Möller and Törrönen (2003, p. 110) interpret this aspect in more general terms as the “volume of business generated by a customer” – what both of the studies call Volume function. This latter definition is closely mirrored by Purchase et al. (2009), looking at “sales volume with the customer” when examining the Volume value-creating function for the supplier as beneficiary. Hald et al. (2009, p. 964) connect the Volume function back to the profit and cost reduction argument of Walter et al. (2001) and state that:

“The volume function indicates that volume or turnover can be an important value-generating asset for a supplier, even in instances where short-term profit is not made on the products sold. With increased volumes, the supplier has fewer buyers to manage, transaction costs are reduced and the supplier can often afford to offer a volume-based cost reduction.”

Hence, handling a high volume of the customer’s business by the supplier can entail the value for the supplier.

Customer as Beneficiary

When discussing the *Volume* value-creating function for a customer as beneficiary, Walter et al. (2003, p. 161) focus on the possibility for customers to order in large quantities from their suppliers:

“(…) customers do benefit from buying large quantities. This means that firms move from wide supplier bases with fragmented purchasing power to smaller supplier bases if not even single source arrangements. Obviously, volume and price are related, as suppliers normally offer discounts for higher numbers. Besides price impacts allocating larger purchases to selected suppliers allows customers to influence the suppliers more, to gain consistency within the supply (no variations between suppliers) and to reduce communication costs by focusing on one rather than on many suppliers. Such arrangements are also used in order to secure access to scarce resources. Overall, the customer will have a “peace of mind” by knowing that a substantial amount of material is provided by a supplier with whom a good working relationship exists. This benefit is termed *volume function*” (emphasis added).

Song et al. (2012, p. 298) conceptualise the Volume function from the supplier’s capacity perspectives and highlight:

“Buyers look for a *volume function* from existing buyer-supplier relationships by guaranteeing the provision of a steady volume of the products that they require. (...) In a long-term buyer-supplier relationship, the buyer will have “peace of mind” by knowing that a substantial amount of material is provided by a supplier with whom a good working relationship exists” (emphasis added).

Möller and Törrönen (2003) state correspondingly, that a supplier with a necessary capacity to handle a high volume of business for its customer achieves a higher outcome on fulfilling the customer’s Volume function. They add that such a capacity of a supplier can be of significant value for a customer, especially during the market supply shortage of the outsourced product, or during the high peak demand faced by the customer.

In both scenarios above, what is apparent is that a supplier needs to be able and willing to handle the high volume of business for its customer. Hence, the Volume value-creating function can be fulfilled for a customer.

2.5 Supplier and Customer as Perceived Parties of the Value-Creating Functions and Sub-functions

The discussions about the relationship value-creating functions and sub-functions for the supplier and the customer as beneficiaries add clarity and richness to the relationship value creation phenomenon. As could be noted from the previous discussion in section 2.4 (starting on page 50) and also from Figure 2-2 (see page 49), the literature presents the relationship value-creating functions and sub-functions that might be assigned to a supplier as beneficiary (e.g., Growth function), to a customer as beneficiary (e.g., Time-compression function), or to both (e.g., Market function with its Reference and Referral sub-functions).

In addition to deriving the extensive list and comprehensive definitions of value-creating functions and sub-functions for suppliers and customers as beneficiaries, this review also captured the subject of perception (i.e., supplier and/or customer). This is the additional attribute of the value-creating functions. These observations, together with the empirical versus conceptual and explicit versus implicit nature of the findings are presented in Table 2-4 (starting on page 77) and Table 2-6 (starting on page 81). These are further summarised in Table 2-5 (starting on page 79) and Table 2-7 (starting on page 85) respectively.

Following the detailed examination of the present empirical studies on the value-creating functions in supplier-customer relationships, paradoxically, only a few of them can inform the supplier's/customer's perception about what value the other party gets. But those are without methodological rigour, and so, do not properly differentiate between the subjects of perceptions (e.g., Biggemann and Buttle, 2012; Smals and Smits, 2012). Principally, the authors do not try to differentiate supplier perceived versus customer perceived value-creating functions neither for the supplier, nor for the customer as beneficiaries (except Blois, 2004). In reality, it is important to understand for the supplier, as well as for the customer, not only the value they individually perceive to get from the trading counterpart, but also the value which they believe their respective trading counterpart gets from them. As will be theorised in sections 2.6 (starting on page 88), 2.7 (starting on page 97) and 2.8 (starting on page 112), the supplier-customer common perception of the value-creating functions of their relationship may improve the potential for both parties to

identify and work collaboratively on creating the desired value for the supplier, for the customer, or for both. The full understanding and application of such common perceptions have also been suggested to enhance the overall value, which a supplier and a customer can gain as beneficiaries from the relationship with each other (Aarikka-Stenroos and Jaakkola, 2012; Grönroos and Voima, 2013).

Table 2-4 Literature-based Findings on Value-creating Functions, Sub-functions and Perception Parties Identified in Relation to a Supplier as Beneficiary

Value-creating Functions (and Sub-functions)	Literature								
	Walter et al. (2001)	Gouthier and Schmid (2003)	Möller and Törönen (2003)	Blois (2004)	Hald et al. (2009)	Purchase et al. (2009)	Songülüne et al. (2011)	Biggemann and Buttler (2012)	Smals and Smits (2012)
Access	E.SP		C.SP	C.SP Im.	C.SP	E.SP	E.SP	E.SP	
Cost Reduction				C.SP			E.SP	E.SP	
Low Process Cost				C.SP			E.SP	E.SP	
Counterpart's (Customer's) Expertise/Knowhow							E.SP		
Growth (Intra-dyadic Sales Volume Growth)					C.SP				
Innovation	E.SP and E.SP Im.		C.SP Im.			E.SP and E.SP Im.		E.SP	E.CP
New Process Development	E.SP		C.SP Im.			E.SP			
New Product Development	E.SP		C.SP Im.			E.SP		E.SP	E.CP
Existing Process Improvement	E.SP Im.		C.SP Im.			E.SP Im.			
Existing Product Improvement	E.SP Im.		C.SP Im.			E.SP Im.		E.SP	
Knowledge	E.SP	C.SP			C.SP and C.SP Im.	E.SP	E.SP	E.SP and E.SP Im.	E.CP and E.CP Im.
Experience-based Knowledge					C.SP Im.			E.SP Im.	E.CP Im.
Information Communication-based Knowledge	E.SP	C.SP			C.SP	E.SP	E.SP	E.SP	E.CP
Long-term Planning								C.SP	

Value-creating Functions (and Sub-functions)	Literature								
	Walter et al. (2001)	Gouthier and Schmid (2003)	Möller and Törönen (2003)	Blois (2004)	Hald et al. (2009)	Purchase et al. (2009)	Songailiene et al. (2011)	Biggemann and Buttler (2012)	Smals and Smits (2012)
Market	E.SP and E.SP Im.	C.SP	C.SP Im.	C.SP Im.	C.SP and C.SP Im.	E.SP and E.SP Im.	E.SP Im.	E.CP	E.CP
Reference	E.SP Im.	C.SP	C.SP Im.	C.SP Im.	C.SP Im.	E.SP Im.	E.SP Im.		E.CP
Referral	E.SP	C.SP	C.SP Im.	C.SP Im.	C.SP	E.SP	E.SP Im.	E.CP	
Motivation		C.SP Im.							
Extrinsic Motivation		C.SP Im.							
Intrinsic Motivation		C.SP Im.							
Non-monetary Efficiency							E.SP		
Profit	E.SP	C.SP Im.	C.SP	C.SP	C.SP	E.SP	E.SP	E.SP	E.CP
Relational	E.SP			C.SP	C.SP Im.		E.SP	E.SP and E.SP Im.	
Benevolence				C.SP	C.SP Im.			E.SP Im.	
Credibility/Reliability					C.SP Im.		E.SP		
Integrity					C.SP Im.				
Interpersonal relationship							E.SP		
Long-term Relationship/Retention								E.SP	
Open Relationship							E.SP		
Personal	E.SP							E.SP	
Trustful Relationship	E.SP				C.SP Im.				
Safeguard	E.SP					E.SP			
Volume	E.SP		C.SP		C.SP	E.SP	E.SP		E.CP

Legend to Table 2-4:

1. The value-creating functions are written in colour coded background;
2. The sub-functions (when applicable) are produced below the corresponding functions;

3. C.SP – Supplier perceived value-creating function/sub-function for the supplier as beneficiary, based on the conceptual theorising.
4. E.CP – Customer perceived value-creating function/sub-function for the supplier as beneficiary, based on the empirical finding.
5. E.SP – Supplier perceived value-creating function/sub-function for the supplier as beneficiary, based on the empirical finding.
6. Im. – Implicit.

Table 2-5 Literature-based Findings on Value-creating Functions, Sub-functions and Perception Parties Identified in Relation to a Supplier as Beneficiary (Summarisation of Table 2-4 Findings)

Value-creating Functions (and Sub-functions)	Foundation							
	Supplier Perceived Value of Customer Relationship (What the supplier perceives it gets from the customer)				Customer Perceived Supplier Value (What the customer perceives the supplier gets from this customer)			
Access	E		C	C.Im.				
Cost Reduction	E		C					
Low Process Cost	E		C					
Counterpart's (Customer's) Expertise/Knowhow	E							
Growth (Intra-dyadic Sales Volume Growth)			C					
Innovation	E	E.Im	C	C.Im.	E			
New Process Development	E		C					
New Product Development	E		C		E			
Existing Process Improvement		E.Im.		C.Im.				
Existing Product Improvement	E	E.Im.	C					
Knowledge	E	E.Im.	C	C.Im.		E.Im.		
Experience-based Knowledge		E.Im.		C.Im.		E.Im.		
Information Communication-based Knowledge	E		C		E			
Long-term Planning			C					
Market	E	E.Im.	C	C.Im.	E			
Reference	E	E.Im.	C	C.Im.	E			

Value-creating Functions (and Sub-functions)	Foundation							
	Supplier Perceived Value of Customer Relationship (What the supplier perceives it gets from the customer)				Customer Perceived Supplier Value (What the customer perceives the supplier gets from this customer)			
Referral	E	E.Im.	C	C.Im.	E			
Motivation				C.Im.				
Extrinsic Motivation				C.Im.				
Intrinsic Motivation				C.Im.				
Non-monetary Efficiency (Time/Effort/Energy)	E							
Profit	E		C	C.Im.	E			
Relational	E	E.Im.	C	C.Im.				
Benevolence		E.Im.	C	C.Im.				
Credibility/Reliability	E			C.Im.				
Integrity				C.Im.				
Interpersonal relationship	E							
Long-term Relationship/Retention	E							
Open Relationship	E							
Personal	E							
Trustful Relationship	E			C.Im.				
Safeguard	E							
Volume	E		C		E			

Legend to Table 2-5:

1. The value-creating functions are written in colour coded background;
2. The sub-functions (when applicable) are produced below the corresponding functions;
3. C – Conceptual.
4. E – Empirical.
5. Im. – Implicit.

Table 2-6 Literature-based Findings on Value-creating Functions, Sub-functions and Perception Parties Identified in Relation to a Customer as Beneficiary

Value-creating Functions (and Sub-functions)	Literature																		
	Anderson et al. (1993)	Grönroos (1997)	Anderson and Narus (1998)	Anderson et al. (2000)	Lapierre (2000)	Srivastava et al. (2001)	Möller and Törroenen (2003)	Uлага (2003)	Walter et al. (2003)	Blois (2004)	Uлага and Eggert (2005)	Hald et al. (2009)	Cheung et al. (2010)	Fiol et al. (2011)	Biggemann and Buttler (2012)	Parry et al. (2012)	Ritter and Walter (2012)	Song et al. (2012)	Töyftär et al. (2015)
Access							C.CP		E.CP			C.CP			E.CP		E.CP		C.CP Im.
Cost Reduction	E.CP		C.CP	E.CP	E.CP			E.CP	E.CP	C.CP	E.CP	C.CP	E.CP	E.CP	E.CP	E.CP		E.CP	C.CP
Low Process Cost								E.CP	E.CP	C.CP	E.CP	C.CP	E.CP		E.CP			E.CP	C.CP
Low Purchasing Price	E.CP		C.CP	E.CP	E.CP			E.CP		C.CP	E.CP		E.CP	E.CP		E.CP		E.CP	C.CP
Counterpart's (Supplier's) Expertise/Knowhow					E.CP			E.CP						E.CP Im.		E.CP			C.CP Im.
Flexibility					E.CP			E.CP		C.CP									
Innovation					E.CP		C.CP	E.CP	E.CP		E.CP Im.	C.CP and C.CP Im.			E.SP		E.CP		C.CP and C.CP Im.
New Process Development							C.CP		E.CP			C.CP Im.					E.CP		
New Product Development							C.CP	E.CP	E.CP			C.CP			E.SP		E.CP		
Existing Process Improvement							C.CP		E.CP			C.CP Im.					E.CP		C.CP
Existing Product Improvement							C.CP	E.CP	E.CP			C.CP			E.SP		E.CP		C.CP Im.

Value-creating Functions (and Sub-functions)	Literature																		
	Anderson et al. (1993)	Grönroos (1997)	Anderson and Narus (1998)	Anderson et al. (2000)	Lapierre (2000)	Srivastava et al. (2001)	Möller and Törönen (2003)	Ulaga (2003)	Walter et al. (2003)	Blois (2004)	Ulaga and Eggert (2005)	Hald et al. (2009)	Cheung et al. (2010)	Fiol et al. (2011)	Biggemann and Buttle (2012)	Parry et al. (2012)	Ritter and Walter (2012)	Song et al. (2012)	Töytäri et al. (2015)
Supplier's Improved Product					E.CP							C.CP					E.CP		C.CP
Supplier's New Product							C.CP		E.CP			C.CP					E.CP		
Knowledge							C.CP	E.CP			E.CP Im.	C.CP Im.		E.CP	E.CP and E.SP	E.CP	E.CP		C.CP Im.
Experience-based Knowledge											E.CP Im.	C.CP Im.							C.CP Im.
Information Communication-based Knowledge							C.CP	E.CP						E.CP	E.CP and E.SP	E.CP	E.CP		C.CP Im.
Long-term Planning															C.CP and E.SP				
Market					E.CP Im.	C.CP Im.	C.CP Im.		E.CP			C.CP and C.CP Im.		E.CP Im.	C.CP		E.CP		C.CP
Reference					E.CP Im.	C.CP Im.	C.CP Im.		E.CP			C.CP Im.		E.CP Im.			E.CP		C.CP
Referral					E.CP Im.	C.CP Im.	C.CP Im.		E.CP			C.CP		E.CP Im.	C.CP		E.CP		

Value-creating Functions (and Sub-functions)	Literature																		
	Anderson et al. (1993)	Grönroos (1997)	Anderson and Narus (1998)	Anderson et al. (2000)	Lapierre (2000)	Srivastava et al. (2001)	Möller and Törönen (2003)	Ulaga (2003)	Walter et al. (2003)	Blois (2004)	Ulaga and Eggert (2005)	Hald et al. (2009)	Cheung et al. (2010)	Fiol et al. (2011)	Biggemann and Buttke (2012)	Parry et al. (2012)	Ritter and Walter (2012)	Song et al. (2012)	Töytäri et al. (2015)
Motivation									E.CP Im.								E.CP Im.		
Extrinsic Motivation									E.CP Im.								E.CP Im.		
Intrinsic Motivation									E.CP Im.								E.CP Im.		
Multiplicity of Services					E.CP Im.			E.CP Im.			E.CP								
Non-monetary Efficiency (Time/Effort/Energy)					E.CP			E.CP		C.CP Im.				E.CP		E.CP			C.CP Im.
Payment Flexibility			C.CP														E.CP		
Product Quality			C.CP		E.CP	C.CP		E.CP	E.CP	C.CP	E.CP		E.CP	E.CP		E.CP	E.CP	E.CP	C.CP
Relational					E.CP		C.CP Im.	E.CP	E.CP		E.CP		E.CP and E.CP Im.	E.CP	E.SP and E.SP Im.	E.CP	E.CP	E.CP	C.CP
Benevolence					E.CP				E.CP				E.CP Imp	E.CP	E.SP Im.				
Credibility/Reliability					E.CP				E.CP										
Integrity					E.CP				E.CP							E.CP			
Interpersonal relationship								E.CP			E.CP								

Value-creating Functions (and Sub-functions)	Literature																		
	Anderson et al. (1993)	Grönroos (1997)	Anderson and Narus (1998)	Anderson et al. (2000)	Lapierre (2000)	Srivastava et al. (2001)	Möller and Törönen (2003)	Ulaga (2003)	Walter et al. (2003)	Blois (2004)	Ulaga and Eggert (2005)	Hald et al. (2009)	Cheung et al. (2010)	Fiol et al. (2011)	Biggemann and Buttle (2012)	Parry et al. (2012)	Ritter and Walter (2012)	Song et al. (2012)	Töytäri et al. (2015)
Long-term Relationship/Retention							C.CP Im.		E.CP						E.SP			E.CP	
Open Relationship																E.CP			
Personal									E.CP		E.CP		E.CP	E.CP	E.SP	E.CP			
Trustful Relationship									E.CP										C.CP
Safeguard							C.CP		C.CP								E.CP	E.CP	
Symbolic						C.CP													C.CP
Time Compression								E.CP			E.CP	C.CP							
Value-added Service	E.CP Im.	C	C.CP Im.	E.CP				E.CP			E.CP					E.CP			
Volume							C.CP		E.CP								E.CP	E.CP	

Legend to Table 2-6:

1. The value-creating functions are written in ■ colour coded background;
2. The sub-functions (when applicable) are produced below the corresponding functions;
3. C.CP – Customer perceived value-creating function/sub-function for the customer as beneficiary, based on the conceptual theorising.
4. E.CP – Customer perceived value-creating function/sub-function for the customer as beneficiary, based on the empirical finding.
5. E.SP – Supplier perceived value-creating function/sub-function for the customer as beneficiary, based on the empirical finding.
6. Im. – Implicit.

Table 2-7 Literature-based Findings on Value-creating Functions, Sub-functions and Perception Parties Identified in Relation to a Customer as Beneficiary (Summarisation of Table 2-6 Findings)

Value-creating Functions (and Sub-functions)	Foundation							
	Customer Perceived Value of Supplier Relationship (What customer perceives it gets from the supplier)				Supplier Perceived Customer Value (What supplier perceives the customer gets from this supplier)			
	E.	E.Im	C	C.Im.	E	E.Im	C	C.Im
Access	E		C	C.Im.				
Cost Reduction								
Low Process Cost	E		C					
Low Purchasing Price	E		C					
Counterpart's (Supplier's) Expertise/Knowhow	E	E.Im.		C.Im.				
Flexibility	E		C					
Innovation								
New Process Development	E		C	C.Im.				
New Product Development	E		C		E			
Existing Process Improvement	E		C	C.Im.				
Existing Product Improvement	E		C	C.Im.	E			
Supplier's Improved Product	E		C					
Supplier's New Product	E		C					
Knowledge								
Experience-based Knowledge		E Im.		C Im.				
Information Communication-based Knowledge	E		C	C.Im.	E			
Long-term Planning			C		E			
Market								
Reference	E	E.Im.	C	C.Im.				
Referral	E	E.Im.	C	C.Im.				

Value-creating Functions (and Sub-functions)	Foundation							
	Customer Perceived Value of Supplier Relationship (What customer perceives it gets from the supplier)				Supplier Perceived Customer Value (What supplier perceives the customer gets from this supplier)			
	E.	E.Im	C	C.Im.	E	E.Im	C	C.Im
Motivation								
Extrinsic Motivation		E Im.						
Intrinsic Motivation		E Im.						
Multiplicity of Services	E	E.Im.						
Non-monetary Efficiency (Time/Effort/Energy)	E			C Im.				
Payment Flexibility	E		C					
Product Quality	E		C					
Relational								
Benevolence	E	E.Im.				E.Im.		
Credibility/Reliability	E							
Integrity	E							
Interpersonal relationship	E							
Long-term Relationship/Retention	E			C Im.	E			
Open Relationship	E							
Personal	E				E			
Trustful Relationship	E		C					
Safeguard	E		C					
Symbolic			C					
Time Compression	E		C					
Value-added Service	E	E.Im.	C	C.Im.				
Volume	E		C					

Legend to Table 2-7:

1. The value-creating functions are written in colour coded background;
2. The sub-functions (when applicable) are produced below the corresponding functions;
3. C – Conceptual.
4. E – Empirical.
5. Im. – Implicit.

Looking at the perceived values-creating functions for a supplier as beneficiary, the findings are summarised in Table 2-5 (see page 79). This table informs the dominance of the identified supplier perceived value-creating functions of customer relationships over the customer perceived supplier value-creating functions. Furthermore, the findings summarised in Table 2-7 (see page 85) are on the perceived value creating functions for a customer as beneficiary. This table reflects the main concentration of the research on customer perceived value of the supplier relationship rather than the supplier perceived customer value. Also, as one can see from Table 2-5 and Table 2-7, some of the value creating functions (e.g., supplier perceived Growth value-creating function of customer relationship, and supplier perceived customer Flexibility value-creating function) lack empirical verification. Moreover, there are no explicit findings for some of the value creating functions and they are only proposed by conceptual studies (e.g., supplier perceived Extrinsic Motivation value-creating function of customer relationship). Besides, some of the value-creating functions perceived in relation to the customer as beneficiary, even though empirically-based, are still of rather an implicit nature (e.g., customer perceived Experience-based Knowledge value creating function of supplier relationship). These amplify the need of further empirical examination of the relationship value-creating functions perceived in supplier-customer relationships.

The literature findings about value creating functions in supplier-customer relationships are illustrated by Figure 2-3 (see page 89). This adds the perceived parties to the functions and sub-functions provided in Figure 2-2 (see page 49). For example, the possibility for a supplier and/or customer to perceive the Profit and Volume value-creating functions are suggested to be viable in relation to the supplier as beneficiary. The New Product Development sub-function of Innovation function can be perceived by the supplier and/or customer in relation to either or both of these parties as beneficiaries. Also, the Existing Product Improvement sub-function of Innovation function is an example construct which can be perceived by the supplier and/or customer in relation to the customer as beneficiary. Furthermore, as can be noted from Figure 2-3, some value-creating functions are identified only from the supplier perceived value of customer relationship perspectives (e.g., Non-monetary Efficiency). Also, some value-creating functions are conceptualised only in relation

to the customer perceived value of a supplier relationship perspective (e.g., Symbolic).

For further understanding and conceptualisation of supplier-customer relationship value and the role of perception parties, the following section discusses the concept of value co-creation from the S-D logic perspective.

2.6 S-D Logic Perspective of Supplier-Customer Relationship Value Co-Creation

2.6.1 Customer as Beneficiary

In addition to the above discussed issues in the literature, the relationship value studies also attempt to improve the understanding of the roles and characteristics a supplier and a customer have with regards to the value creation from their relationships. Early signs of such a focus are notable before the introduction of the S-D logic perspective, when scholars started to see customers as co-producers of value. One of the first researchers formalising the ‘customer as a co-production factor’ was Wikström (1996), who claimed that businesses started to shift from the focus on products and factories towards customer orientation. Interestingly, this perspective deems a customer not only as the user of products, but also as the co-production factor (Ballantyne et al., 2011b; Grönroos and Voima, 2013). This view considers the customer’s involvement in the supplier’s production of a valuable product, which the customer then buys (Ballantyne et al., 2011b; Grönroos and Voima, 2013). It is believed that the involvement of the customer in the supplier’s output production process can increase the value for both parties – the supplier and the customer (Wikström, 1996; Ramírez, 1999). As Wikström (1996, pp. 6-7) underlined:

“(…) when the customer is conceived as co-producer, the interaction between the parties should generate more value than a traditional transaction process, during which seller and buyer meet briefly, exchange finished products and services and then go their separate ways.”

Figure 2-3 Venn Diagram of Relationship Value-creating Functions and Sub-functions Perceived in Supplier-Customer Relationships and the Perception Parties



Involving the customer in the producer's production process is termed value 'co-production' (e.g., Vargo and Lusch, 2008; Grönroos and Voima, 2013). Vargo (2008, p. 214) associates such a perspective with 'value-in-exchange.' On the basis of the S-D logic perspective, the author (ibid., p. 214) stresses that value is created by the supplier's input into the "(...) customer's resource integrating, value-creation activities rather than (...) in terms of its [supplier's] own integration of customer resources for the "production" of valuable output." Adopting the S-D logic perspective, Grönroos and Ravald (2011, p. 5) argue that:

"(...) creating customer value is a multilaned process consisting of two conceptually distinct subprocesses. These are the supplier's process of providing resources for customer's use and the customer's process of turning service [the provided resources] into value."

When the matter comes to clarifying the conditions which make both the supplier and customer value co-creators, the two main viewpoints could be distinguished: (1) value co-creation as an 'all inclusive' term; and (2) value co-creation as a purposeful intent of the co-creation parties. The 'all-inclusive' concept always considers the beneficiary as the co-creator of perceived relationship value, independently of what the perception of the counterpart (from the relationship with which the value has been perceived by the beneficiary) is (e.g., Vargo and Lusch, 2004; Hidalgo and Alvano, 2014; Blocker and Barrios, 2015). In relation to this argument, Gummeson (2011, p. 191) posits:

"Just how much the concept of co-creation should include can be challenged. Should it only encompass the value outcome of direct customer-supplier interaction (...)? Or should it also include non-interactive contributions from customers and suppliers and contributions from other stakeholders in a focal network whether derived from interaction or individual action? I am inclined to use co-creation in its all-inclusive sense."

If one follows such a mind-set, then the notion of Grönroos and Voima (2013, p. 137) comes into play: "When viewing value creation as an all-encompassing process, co-creation becomes a metaphor – everything is co-creation, everybody co-creates – that does not allow for further analytical developments." They (ibid., p. 137) further propose to design the "(...) structure of value co-creation that is meaningful for

further theoretical and practical elaborations.” Being led by this mindset, Grönroos and Voima (2013) conceptualised the co-creation as the joint process where two trading parties are creating relationship value in a purposeful interaction. This thesis considers such a viewpoint plausible, as it adds analytical rigour to the relationship value co-creation phenomenon. Moreover, the chosen perspective corresponds also to the position of Ballantyne et al. (2011b, p. 180), who state that “(...) co-creation is a form of experiential interaction, purposeful intent between suppliers and customers, actual or hoped for (...).”

Thus, the ‘all-inclusiveness’ nature of value co-creation can be challenged by the purposeful intention condition between the co-creation parties. This condition implies that it is not only one party that creates value independently for itself or for the other, but instead, both parties need to jointly understand and be committed to creating a certain outcome of interest for the intended beneficiary (Arslanagic-Kalajdzic and Zabkar, 2015; Baraldi et al., 2014; Töytäri and Rajala, 2015). This understanding does not expel the view of Grönroos and Voima (2013) that the customer value co-creation platform encompasses the direct interaction, joint coordination and dialog in supplier-customer relationships. As a result, when both the supplier and the customer have similar perceptions of the relationship value the customer gains from the supplier, then that value can be considered as being co-created for the customer (Ballantyne et al., 2011b; Grönroos and Voima, 2013). Pursuant to this position, Karpen et al. (2012, p. 25) argue that “The more that firms [suppliers] are aware of their customers’ resource integration goals, preferences, requirements, desired experiences, usage situations, and experience environments, the better value propositions and outcomes can be co-created.” This seems to highlight the requirement for the supplier to understand what the customer values. This can allow the supplier to design the offering accordingly, in coordination with the customer, hence, to become a co-creation factor in the customer’s value creation process (Payne et al., 2008). Put differently, both parties will need to be consciously aware of what value they create for the other party in order for the co-creation process to take place. As Karpen et al. (2012, p. 21) also emphasise, S-D logic needs to “(...) function as a strategic business logic that portrays creating superior value in conjunction with – rather than for – customers (...).” Hence, this view posits that the

co-creation cannot be considered to have taken place without supplier-customer common awareness of and/or common intent towards certain value creation.

The purposeful and interactional value co-creation perspective is resembled also by Payne et al. (2008) and Blois (2004). According to the former study, “The supplier’s motivation should be to improve (...) customer practices in order to build value for the customer and a more valuable role for itself in the customer’s activities” (Payne et al., 2008, p. 87). For that purpose, they (ibid.) argue that a supplier needs to work with its customer to enrich its own knowledge about the customer value co-creation opportunities and develop metrics about the appropriateness of the value propositions to the given customer. Thus, their study proposes that “(...) by starting with the customer’s processes, a supplier can design its own processes to align with those of its customers” (Payne et al., 2008, p. 88). This shifts the focus from “(...) making, selling and servicing (...)” towards “(...) listening, customizing and co-creating” (ibid., p. 89) with the purpose to enhance customer perceived value of a supplier relationship (Hunter, 2014; Töytäri et al., 2015). Blois (2004, p. 249) holds a similar perspective on value co-creation and stresses:

“What is essential is that suppliers constantly remember that it is the customer’s interpretation of “value” that is important and not what the supplier might think it ought to be. As long as the supplier understands how the customer interprets “value” it does not matter what that interpretation is but this understanding is critical if the supplier is to comprehend how the customer will perceive their product or service as contributing to the creation of value.”

Thus, the focus on the supplier understanding of and responding to the customer value ‘preferences’ (customer perceived value of the supplier relationship) improves the supplier’s overall value creation potential for the customer as beneficiary (O’Cass and Ngo, 2012; Keränen and Jalkala, 2013; Hunter, 2014). For creating customer value, Landroquez et al. (2013) indicate the necessity for the suppliers to be guided by the customer perceived value perspectives, involving customer’s feedback. As they claim, “Irrespective of how much value a firm [supplier] creates, if customers do not perceive it, firms [suppliers] are not creating value” (ibid., p. 240). This is an interesting point, reiterating that both the supplier and the customer need to be conscious about the value the customer perceives from the supplier relationship in

order to co-create customer value. Consequently, it can be concluded that value co-creation entails the alignment of the supplier perceived customer value to the one being perceived by the customer to have from the supplier relationship. In short, supplier-customer relationship value co-creation for the customer as beneficiary requires both parties to be fully aware of the value, which is created for the customer (Ballantyne et al., 2011a; Payne et al., 2008; Ballantyne et al., 2011b; Smith et al., 2013).

2.6.2 Supplier as Beneficiary

The S-D perspective of value creation and co-creation has originally been adopted for the creation of customer value, as could be seen from the work of Vargo and Lusch (2004). Perhaps that could be the reason why the majority of S-D logic based studies focus on the creation of customer value. Nevertheless, the core target of the value creation is the ‘beneficiary’ (e.g., Vargo and Lusch, 2004; Vargo and Lusch, 2008). As Lusch and Vargo (2006, p. 284) claim, “S-D logic (...) argues that value can only be created with and determined by the user,” which arguably can also be a supplier (Vargo et al., 2008). As a matter of fact, value co-creation as interactional and purposeful intent with the focus on creating supplier perceived value is also reflected in the literature. For example, Pardo et al. (2011) justify the vital importance of the customer’s understanding of how to adjust and combine its resources to the supplier’s ones to create the value for the latter. According to their study, the lack of understanding of how to co-create value with and for the supplier would endanger the customer’s ability to create and further enhance the supplier-perceived value of the customer relationship. Brandon-Jones et al. (2010, p. 463) put the precondition for the customer to take care of the “(...) awareness of, and willingness to respond positively to, supplier needs, wants, preferences and overall welfare.” This, as they claim, can improve the customer’s performance in enhancing the supplier perceived value of the customer relationship. As they also report, “Sources of supplier value are various buyer behaviours and characteristics that suppliers regard as beneficial or desirable” (ibid., p. 463). Ramsay and Wagner (2009, p. 128) have conceptualised the supplier perceived value of the customer relationship as the “(...) phenomenon that derives from those attributes of (...) customers that suppliers perceive as attractive” and which meets the suppliers needs,

wants and preferences. Viewing supplier value creation from that angle has been suggested by them (ibid.) as the path for a customer to understand what resources attributed to the customer can create value for the suppliers (reflecting customer perceived supplier value). Understanding and seeing value from the supplier's perspective for improving the customer's role in the creation of the supplier value is also stressed by Mortensen and Arlbjørn (2012). They argue that suppliers have their own strategic agendas and interests, which need to be understood and met by the customer. Only then can the customer's 'offering' contribute to the creation of value for the given supplier.

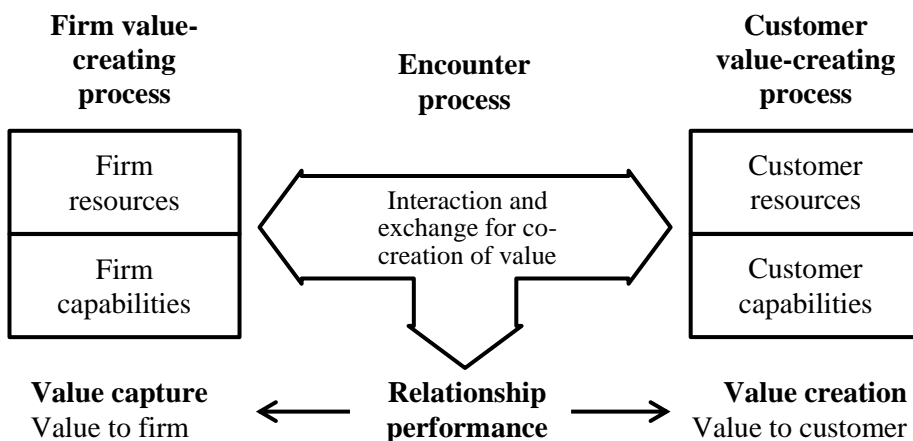
Even though the S-D logic can be adapted to the supplier as beneficiary (be the perception party supplier and/or customer), empirical work and conceptual thinking are heavily focused on the value creation for one party of the dyad – the customer. For example, the Foundational Premises three, six and eight (as mentioned in column entitled "Modified/new foundational premise" in Table 2-1, starting on page 20) have placed the customer as the only beneficiary in the relationship. Nevertheless, the remaining Foundational Premises either in Vargo and Lusch (2004) or Vargo and Lusch (2008) are rather neutral, indicating that the customer is not the sole beneficiary in supplier-customer relationships. Thus, the supplier can also be the beneficiary of the created value (Karpen et al., 2012). Indeed, as mentioned in this section, there are studies that pay attention to the supplier as the beneficiary perceived value. Such an approach seems reasonable taking into account the indication of Vargo and Lusch (2008, p. 3) that S-D logic is "(...) a generalizable mindset from which a general theory of the market can be developed; the S[-]D logic of marketing is a specific application of the logic." As they (ibid., p. 5) add, "The general orientation of S-D logic applies to any service system. (...) it is directly applicable to firms, employees, *suppliers* ["suppliers" in original article], customers, and a variety of other stakeholders" [emphasis added].

2.6.3 Both, Supplier and Customer as Beneficiaries

Alongside the adaptation of the S-D logic, the focus on the value creation for both, supplier and customer – or as Karpen et al. (2012) names it 'mutual betterment' – has been attaining popularity amongst the contemporary relationship value

researchers (e.g., Pardo et al., 2006; Grönroos and Helle, 2010). For example, Möller (2006, p. 913) stresses that “in order to understand and manage supplier-customer relationships, it [is] essential to comprehend how both customers and suppliers perceive value and their roles in value creation.” Storbacka and Nenonen (2009) present a conceptual framework (see Figure 2-4 below), representing the situation where “dyad actors use relational capabilities in collaborative activities and practices of interaction and exchange for the co-creation of value” (ibid., p. 361). According to the argument of Pardo et al. (2006), as well as Smals and Smits (2012), mutual value co-creation in supplier-customer relationships requires commitment and matching strategies by both parties. As noticed by the latter study, such initiatives may decline if the perceived relationship values for either or both of the parties become less relevant or even disappear altogether.

Figure 2-4 Supplier (Firm)-Customer Dyadic Co-creation of Value



Source: Storbacka and Nenonen (2009, p. 362)

The conceptual framework of both supplier and customer value, as well as the joint value creation perspective have been conceptualised by Grönroos and Helle (2012). They claim that for the high level of reciprocal value creation in the relationship, the supplier and the customer need to match practice, i.e., align resources and competences. For this purpose, the usefulness of supplier-customer ‘dialogical communication’ and ‘learning together’ has been proposed by

Karpen et al. (2012, p. 22), through which the “(...) valuable interaction experiences and reciprocal resource integration (...)” could be achieved. This idea can be enriched by the clarification of Pardo et al. (2006, p. 1369) that “(...) the dyadic actors need to take into account the specific value focus of the relationship partner and align their own value strategies with that of their counterpart.” Importantly, their study (ibid.) has focused on the value in the use/experience of the beneficiary and not on the value propositions. That is, perhaps, due to the contemporary understanding that the value propositions and offerings are ‘value-free’ unless they are not evaluated in relation to the use/experience of the beneficiary (Biggemann and Buttle, 2012; Lusch and Nambisan, 2015; Skålén et al., 2015). Correspondingly, Corvellec and Hultman (2014) claim that value proposition is only of a potential value for the beneficiary, until it is accepted and appreciated by that beneficiary.

It becomes apparent that the focus of the value literature has shifted from the unidirectional (solely supplier or customer as the beneficiary) to the bidirectional (both supplier and customer as beneficiaries) value creation and co-creation orientation. Gummesson (2008, p. 17) calls such approach the ‘balanced centrality,’ when not only the customer, but also the supplier should have “(...) the right to satisfaction of wants and needs.” This is achievable if the interests and needs of both parties are secured in supplier-customer relationships (Karpen et al., 2012). Also, as could be noted from above discussions, the common understanding of those values in supplier-customer relationships tend to be crucial for improving the value co-creation potential for both of the parties, and can enhance supplier-customer overall relationship value. Chan et al. (2010) stress that the supplier-customer relationship value co-creation becomes more probable, if both parties of the dyad have similar perceptions on the relationship value, which needs to be created. It is argued that without this condition, the supplier and/or customer may consider the value co-creation as being resource intensive and as a costly pursuit which is not worth the effort and expense, significantly reducing the potential for the co-creation to occur (Chan et al., 2010; Skålén et al., 2015). Notably, as in the case of value-creating functions, it is believed that the value co-creation can surpass the supplier-customer dyadic relationship horizon, as the value co-creation between them can be “(...) embedded in networks of other providers, customers, partners, and stakeholders”

(Jaakkola and Alexander, 2014, p. 249). Hence, for the high co-creation potential, supplier-customer common understanding is required also in the case of such an outer-dyadic relationship value creation (Skålén et al., 2015).

The theory which closely resembles the bidirectional perspective of value creation and co-creation in supplier-customer relationships is the RBV. More particularly, as can be noticed from the below discussions, the network resource perspective of the 'Extended' RBV is referred to for the theoretical enrichment of supplier-customer relationship value creation and co-creation phenomena.

2.7 Theoretical Development – Extended Resource-based View (RBV) Perspective

2.7.1 The Firm as a Bundle of Resources and Capabilities – Traditional RBV Perspective

It has been widely acknowledged that the RBV theory can be rooted back to the early discussions of Penrose (1959) on the antecedents of firm growth. Despite some arguments (e.g., see Rugman and Verbeke, 2002; Rugman and Verbeke, 2004), the proponents of this seminal study highlighted the explanatory power in understanding the RBV conceptualisation of the firm (Kor and Mahoney, 2004; Lockett, 2005). On this basis, Wernerfelt (1984) originally coined and formalised the RBV theory, regarding the firm as a bundle of resources.

Apart from this perspective, the literature suggests some alternative definitions of a firm's resources from RBV perspectives. More traditional definitions come from Barney (1991) and Amit and Schoemaker (1993). The first study states that the resources are "(...) all assets, capabilities, organisational processes, firm attributes, information, knowledge (...) controlled by a firm that enables the firm to conceive of and implement strategies that improve its efficiency and effectiveness" (Barney 1991, p. 101). The second study contends that the resources are the "(...) stocks of available factors that are owned or controlled by the firm" (Amit and Schoemaker 1993, p. 35). These propositions have been challenged by some scholars. It has been proposed that conceptualising the firm's resources as 'anything that a firm possesses' and/or 'anything that the firm controls' would have endangered the purpose of

traditional RBV theory to explain performance differences amongst firms due to the heterogeneous distribution of resources (Conner and Prahalad, 1996; Hart and Dowell, 2011). As Morgan (2012, p. 103) states, “firms are idiosyncratic and somewhat “sticky” bundles of resources, with resource heterogeneity creating differences in each firm’s ability to conceive of and execute particular value-creating strategies.” It is worthwhile considering the warning of Conner (1991), that by simply looking at every possession of the firm as its resource would render the RBV theory ‘tautological’ and meaningless. Instead, Conner (ibid.) proposes to differentiate the resources in terms of possibility for the firm to improve its overall performance and/or get a desired outcome from them. Analogously, Dierickx and Cool (1989) as well as Arend and Lévesque (2010) give the firm’s resources special designation. As they state, firms need to have ‘strategic resources’ with special characteristics for the potential to achieve and sustain competitive advantage.

Table 2-8 Characteristics of a Firm’s Strategic Resources

Papers	Characteristics
Dierickx and Cool (1989)	Nontradeability, nonimitability and nonsubstitutability.
Barney (1991)	Value, rarity, imperfectly imitability and imperfectly substitutability.
Grant (1991)	Durability, transparency, transferability and replicability.
Peteraf (1993)	Heterogeneity, ex ante limits to competition, ex post limits to competition and imperfect mobility.
Amit and Schoemaker (1993)	Scarcity, durability, low tradability, complementarity between resources, inimitability, limited substitutability, appropriability and overlap with strategic industry factors.

Various propositions are made regarding the characteristics of strategic resources from a RBV perspective (see Table 2-8 above), even though the conceptualisation of Barney (1991) prevails in the literature. He suggested that the resources need to be valuable, rare, imperfectly imitable and imperfectly substitutable to have the potential to sustain a competitive advantage. In line with Barney (1991), there are also other scholars who have discussions around different aspects of these four components addressed below:

Valuable Resources – Barney (1991) connect the value of the resources to their ability to contribute to the firm to realise its strategies of improving their effectiveness and efficiency performance. In order for the resource to be considered valuable, he ascribed to it the mandatory aptitude for exploiting opportunities and/or neutralising threats in a firm's environment. Kristandl and Bontis (2007) take a broader stance by proposing that in order for the resources to be valuable, they need to be considered of value by the beneficiary firm. Simply put, the valuable resources bring the desired outcome to the firm (Gouthier and Schmid, 2003; Hart and Dowell, 2011).

Rare Resources – Rareness of resources implies that few competing or potentially competing firms have access to them (Barney, 1991), are possessed by a low number of firms, and are not easily accessible (Kristandl and Bontis, 2007). According to Barney (1991), the condition applies also to the bundle of resources. The article argues that the firm's strategy formulation and realisation need the combination of some particular resources, which are not widely available to competitors. The scholar (ibid.) believes that this will hamper the firm's industry based rivals to conceive of and realise similar strategies, thus prolonging the firm's competitive advantage. The characteristics of rarity is believed to be carried by the firm's resources (or their bundle) when those are firm-specific (Gouthier and Schmid, 2003; Hart, 1995). The greater resources are embedded in the firm's context, the more rare those are considered (Gouthier and Schmid, 2003). In addition, the rarity status is assigned to resources that are not available in the marketplace (Barney, 1986). According to Smith et al. (1996), such a resource is associated with a 'quasi resource' (e.g., innovation) being the result of synergetic combination of the firm's other resources (e.g., certain combination of people, ideas and knowledge). The idea behind the quasi resource is that "(...) potential contribution to competitive advantage from a bundle of resources is greater than the sum of the contribution from each individual resource in the bundle" (ibid., p. 45).

Imperfectly Imitable Resources – According to the RBV theory, in order for the resources to have the potential to sustain a competitive advantage, those must not only be valuable and rare to a given firm, but also be difficult to replicate by competitors (Dierickx and Cool, 1989; Barney, 1991; Grant, 1991). As Barney

(1991, p. 107) states, a firm with valuable and rare organisational resources can be strategic innovators if it “(...) will be able to conceive of and engage in strategies that other firms could either not conceive of, or not implement, or both, because those other firms lacked the relevant firm resources.” In addition, Barney (ibid.) warns that valuable and rare resources cannot sustain competitive advantage if others can easily imitate those.

It is believed that the desire to replicate the resources comes often as a result of a) the inability of the firms to buy those on the factor market, b) difficult to find a substitute (Dierickx and Cool, 1989), and/or c) if it is cheaper to imitate the resource (Foss and Knudsen, 2003). In such cases, the sustained advantage of the firm’s resources of strategic importance depends on how easily those can be replicated. As Wernerfelt (1984) puts it, for a firm to be able to enjoy sustained competitive advantage from valuable and rare resources, there should be barriers to resource imitation from the competitors. Such barriers are proposed by Barney (1991), who divide a non-imitability condition into the three components of (1) ‘unique historical condition,’ (2) ‘causal ambiguity,’ and (3) ‘social complexity’:

- (1) The unique historical condition of a firm implies its ability to acquire and exploit resources dependent upon its place in time and space. This resembles the observation that Kor and Mahoney (2004) have made about the work of Penrose (1959) on the ‘path dependencies.’ According to Kor and Mahoney (ibid., p. 186), the “(...) path dependency in development of a resource bundle protects a firm with a favourable market position against imitation, at least in the short run.” They also claim that such a competitive advantage position can be sustained if the firm will continue to invest in its renewal of the resources and capabilities.
- (2) Causal ambiguity implies the maintenance of the firm’s sustained competitive advantage. This occurs when the link between the resources controlled by a firm and sustained competitive advantage remains somewhat ambiguous, and, as a consequence, which of the firm resources to imitate remains uncertain to the competitors (Barney, 1991; Ambrosini and Bowman, 2010). Hart (1995, p. 989) refers to causally ambiguous resources as “tacit resources,” which, according to the author, are “skill based and people intensive.”

(3) Social complexity is nested into a complex social phenomenon of the firm's intra-organisational "(...) coordinated actions, such that few individuals, if any, have sufficient breadth of knowledge to grasp the overall phenomenon" (Hart, 1995, p. 989). It also implies the inability of the firm to completely control its intra-firm social environment and knowledge of the concerned individuals or their groups (Barney, 1991; Reed and DeFillippi, 1990). Such situations are associated with the "(...) complex pattern of coordination between large number of diverse resources (...)", as Grant (1991, p. 125) explains. Barney (1991) highlights the intangible and quasi resources as the ones that are characterised by socially complex interpersonal relationships, a firm's reputation amongst customers, and a firm's traditions. Similar to Barney (1991), Grant (1991) also advocates the high level of imperfect imitability of the intangible resources (e.g., a firm's culture), unlike those of tangible ones. Interestingly, Barney (1991) stress the possibility of physical technology to yield competitive advantage, even though the technology itself can be easily imitated, or the same exact technology be possessed by the competitors. This can be true if the firm has complex organisational attributes, allowing it to benefit from the given technology or its substitute better than the competitors.

According to Gouthier and Schmid (2003), the given three components can act as alternative or complementary conditions for the resources to be considered as non-imitable.

Imperfectly Substitutable Resources – According to Barney (1991), the sustained competitive advantage potential of the resources is endangered when the conceiving of and/or implementation of a firm's strategies by those resources can alternatively be made by other resources. Barney (ibid.) calls these 'strategically equivalent' resources and claims that such resources can represent the threat to the firm's competitive advantage even if that firm's resources are valuable, rare and imperfectly imitable. Dierickx and Cool (1989) also warn about the vulnerability of a firm's resources to be substituted by different ones if it is less attractive for the competitors to get those in any other way. As can be inferred from the study, the availability of such substitution can entail the obsolescence of the original resources,

with no potential to accommodate the creation of the value any longer. The finding fits well with the position of Barney (1991), where there is no likelihood for the competitive advantage to sustain, if there are enough firms with valuable strategically equivalent resources, or if enough firms can acquire them. The work underlines that such a condition will increase the degree of substitutability of the resources, enabling an increasing number of firms to conceive of and realise the same strategies. This means that “(...) there should be no equivalent possibilities, i.e. no other resources or combinations of resources that will create identical or similar competitive advantage” (Gouthier and Schmid, 2003, p. 121).

In addition to the proposed importance of valuable, rare, imperfectly imitable and imperfectly substitutable resources of the firm, the RBV tradition also considers the firm’s capabilities as the one of the key factors for the firm to improve its overall performance. It is widely recognised amongst RBV researchers that the fundament of the firm’s performance lies in the ability of the firm to earn benefits through the utilisation of the firm’s resources and capabilities (Wernerfelt, 1984; Barney, 1991; Peteraf, 1993; Teece et al., 1997; Arend and Lévesque, 2010). Penrose (1959) is considered as a core proposer of basing a firm’s rent generating performance not only on the types of resources the firm has access to, but also on the idiosyncrasy those resources are bundled together (Kor and Mahoney, 2004; Lockett and Thompson, 2004). Grant (1991) considers resources as a primary source of rent, however, in combination to the firm’s capabilities. Indeed, as Russo and Fouts (1997, p. 537) put it, resources alone cannot be productive without the organisational capabilities of the firm, being expressed in “(...) its abilities to assemble, integrate, and manage its bundle of resources.” As can be seen from Table 2-9 on the next page, there are also other complimentary and (partially) overlapping definitions of the firm’s capabilities. From the definitions it can be implied that the heterogeneity of the resources and their utilisation capabilities of the firms are associated with different rents (Lockett, 2005; Lockett et al., 2009; Barney, 1991). The key focus is on the potential of the firm to establish competitive advantage by outperforming the firm’s rivals in “(...) profitability, market share, and other outcomes of interest” (Peteraf and Barney, 2003, p. 313).

Table 2-9 Alternative Definitions of Organisational Capabilities

<i>Article</i>	<i>Definitions of firm capabilities</i>
Grant (1991, p. 122)	“Creating capabilities is not simply a matter of assembling a team of resources: capabilities involve complex patterns of coordination between people and between people and other resources.”
Amit and Schoemaker (1993, p. 35)	“Capabilities (...) refer to a firm's capacity to deploy Resources, usually in combination, using organizational processes, to affect a desired end. They are information-based, tangible or intangible processes that are firm-specific and are developed over time through complex interactions among the firm's Resources. They can abstractly be thought of as 'intermediate goods' generated by the firm to provide enhanced productivity of its Resources, as well as strategic flexibility and protection for its final product or service.”
Lockett (2005, p. 85)	Capability is “(...) know-how (or ability), which is created when firm specific resources are deployed enabling a distinctive (productive) activity to be performed.”
Wang and Ahmed (2007, p. 35)	“Capabilities refer to a firm’s capacity to deploy resources, usually in combination, and encapsulate both explicit processes and those tacit elements (such as know-how and leadership) embedded in the processes.”
Hart and Dowell (2011, p. 1465)	A capability is “(...) something a firm is able to perform, which stems from resources and routines upon which the firm can draw.”

The traditional intra-organisational orientation of the firm’s resources and capabilities has recently been criticised for two main reasons: (1) The inability to inform the alteration of the firm’s resources whenever required; and (2) Intra-organisational orientation and the lack of explanatory power on how to derive benefits from the resources and capabilities being accessible outside the organisation (e.g., Lewis et al., 2010; Lavie, 2006; Mathews, 2003). The first point leads to the argument of the equilibrium versus disequilibrium assumptions of the RBV, while the second one concerns the environment assumptions of the same theory. The next two sections address these issues in the stated order.

2.7.2 Equilibrium versus Disequilibrium Assumption of RBV and Dynamic Capabilities

While studying the sustained competitive advantage of a firm, Barney (1991) put the concept in an equilibrium condition. As the scholar (*ibid.*, p. 102) pointed out:

“a firm is said to have sustained competitive advantage when it is implementing a value creation strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy.”

The equilibrium assumption was considered as a strong tool for eliminating for instance a specific time based context of the competition. As Barney (1991) states, this would allow an assumption that a firm’s competitive advantage can last forever if the competitors would cease to duplicate that advantage. Such an approach has been criticized by a number of studies and has even been called a ‘black box’ by Priem and Butler (2001).

The key disadvantage of the equilibrium approach is highlighted to be its ignorance that the advantage the firm may have can erode over time (Lockett, 2005; Dierickx and Cool, 1989), and its inadequacy to explain a firm’s competitive advantage in dynamic environments (Priem and Butler, 2001). In this regard, Barney (1991) talks about ‘Schumpeterian Shocks’ (see also Mathews, 2002), when some or all of the firm’s resources may become invaluable and even harmful for a firm due to the market volatility and significant structural changes in the industry. In such a situation, Grant (1991) holds the ability of the firm to track and meet the changing resource requirements most appropriate in keeping the sustained competitive advantage, thus, adopting disequilibrium perspective of the firm’s environment (see Mathews, 2003). For achieving that, Fahy (2000) underlines the importance of looking at how the firm can identify, develop and protect resources, as well as develop capabilities for their successful deployment. This approach is close to the proposition of Penrose (1959), according to whom, the on-going care about renewing resources and capabilities will allow the firm to have enough financial gains to accommodate a subsequent competitive advantage strategy realisation. Thus, the focus of contemporary RBV had been switched towards creating and recreating new advantages (Lockett, 2005). This, consequently, signifies the maintenance of the

constant path towards the temporary advantages, rather than necessarily securing a sustained competitive advantage (Kristandl and Bontis, 2007). The concern of such studies are the subject of dynamic capability perspectives – the approach being acknowledged to be incorporated in RBV theory (Ambrosini and Bowman, 2009; Teece et al., 1997).

The original contribution to a dynamic capability approach is ascribed to the seminal work of Teece and Pisano (1994, p. 537). The authors have stressed the importance of a firm's ability to adapt, integrate and reconfigure "(...) internal and external organisational skills, resources and functional competences towards the changing environment." This was proposed as the key capability for the firm for the potential to be competitive despite the changes in its external environment. Such an approach has later been identified as the solution to overcome the static nature of a firm's resources and capabilities of the traditional RBV theory. The original contribution to the approach of dynamic capabilities is ascribed to Teece et al. (1997) (e.g., see Ambrosini and Bowman, 2009; Barreto, 2010). The dynamic capabilities' view of Teece et al. (1997) closely mirrors the above proposition of Teece and Pisano (1994), and defined it as "(...) the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments" (Teece et al., 1997, p. 516).

The definitions pinpointing the meanings of dynamic capabilities are presented in Table 2-10 (starting on the next page). Despite the differences in definitions, the key construct behind these definitions is similar to the observation of Ambrosini and Bowman (2009, p. 33), "(...) that dynamic capabilities are organizational processes in the most general sense and that their role is to change the firm's resource base." Also, as can be seen from the dynamic capability definitions of Eisenhardt and Martin (2000), Zollo and Winter (2002), Zott (2003) and Zahra et al. (2006) (all presented in Table 2-10), those are conceptualised not only as processes, abilities and capacities to perform a coordinated set of tasks. Rather, they are also viewed as the change in stable patterns of routines, i.e., patterns of repeatable actions. As a result, ad-hoc actions and luck do not constitute a dynamic capability (Barreto, 2010; Winter, 2003). Instead, the dynamic capabilities imply strategic and purposeful changes in the firm's resources for achieving a particular end result (Helfat and

Peteraf, 2003). It is also argued that dynamic capabilities are needed to be able to create a new spectrum of valuable resources in order to capture benefits and to be useful (Ambrosini and Bowman, 2009; Wang and Ahmed, 2007).

Table 2-10 Definitions of Dynamic Capabilities

<i>Article</i>	<i>Definitions of Dynamic Capabilities</i>
Teece and Pisano (1994, p.541)	“Dynamic capabilities are the subset of the competences/capabilities which allow the firm to create new products and processes, and respond to changing market circumstances.”
Eisenhardt and Martin (2000, p. 1107)	Dynamic capabilities are “The firm’s processes that use resources—specifically the processes to integrate, reconfigure, gain and release resources—to match and even create market change. Dynamic capabilities thus are the organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die.”
Teece (2000, p. 35)	Dynamic capabilities are “the ability to sense and then seize opportunities quickly and proficiently.”
Griffith and Harvey (2001, p. 597)	Dynamic capability is “(...) the creation of difficult-to-imitate combinations of re-sources on a global basis that provide a firm a competitive advantage.”
Zollo and Winter (2002, p. 340)	“A dynamic capability is a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness.”
Helfat and Peteraf (2003, p. 997)	Helfat and Peteraf (2003) “(...) dynamic capabilities involve adaptation and change, because they build, integrate, or reconfigure other resources and capabilities. We go even further to include all organizational capabilities, 'dynamic' or otherwise, in a dynamic resource-based view. In this article, we introduce a new concept that underpins a more comprehensive approach to dynamic resource-based theory: the capability lifecycle (...).”
Winter (2003, p. 991)	Dynamic capabilities are “(...) those that operate to extend, modify or create ordinary capabilities.”
Zott (2003, p. 97)	Dynamic capabilities are “(...) a set of routines guiding the evolution of a firm’s resource configuration.”
Zahra et al. (2006, p. 918)	Dynamic capabilities are “(...) the abilities to reconfigure a firm’s resources and routines in the manner envisioned and deemed appropriate by its principal decision-maker(s).”

<i>Article</i>	<i>Definitions of Dynamic Capabilities</i>
Teece (2007, p. 1319)	Dynamic capabilities are the abilities to “(...) create, extend, upgrade, protect, and keep relevant the enterprise’s unique asset base,” and can be disaggregated into the capacity “(...) (1) to sense and shape opportunities and threats, (2) to seize opportunities, and (3) to maintain competitiveness through enhancing, combining, protecting, and, when necessary, reconfiguring the business enterprise’s intangible and tangible assets.”
Wang and Ahmed (2007, p. 35)	Dynamic capabilities are “(...) firm’s behavioural orientation constantly to integrate, reconfigure, renew and recreate its resources and capabilities and, most importantly, upgrade and reconstruct its core capabilities in response to the changing environment to attain and sustain competitive advantage.”
Ambrosini and Bowman (2010, pp. 45-46)	Dynamic capabilities are “(...) organizational processes that alter the resource stock by creating, integrating, recombining and releasing resources.” “This approach is seen to be an offshoot of the RBV (...) as it provides some explanation as to how the current stock of (...)” valuable, rare, inimitable and non-substitutable “(...) resources, upon which the RBV has focused, can be regenerated.”

There is also a precaution factor, which is recommended to be considered in the approach of dynamic capabilities. As Zahra et al. (2006, p. 942) put it, “(...) the potential advantage accruing to dynamic capabilities depends on two factors: the need to change and the wisdom of the chosen changes.” In reply to this proposition, Griffith and Harvey (2001) suggest market-based decision making, i.e., to “(...) pursue competitive strategies that best match the conditions of the external environment.” In relation to this view, Hsu and Wang (2012, p. 180) believe that “(...) managers’ perceptions of the external environment are expected to affect a firm’s strategy.” Due to this proliferated view, Ambrosini and Bowman (2009) signify the existence of risk for a firm to trigger inappropriate dynamic capabilities. According to the authors, failure of the managers in relation to understanding the firm’s ‘competitive landscape’, i.e., market position and environment, can infer improper strategy in relation to future resources. For a firm, this can result in the difficulty or failure to achieve a desired goal by the firm (ibid.). Hence, closely monitoring what a market offers and what the firm can do in relation to seizing

opportunities in the market emerges to be of a vital factor (Hsu and Wang, 2012; Ambrosini and Bowman, 2009).

The dynamic capability perspective of RBV seems to resemble the issue of adapting resources and competences, when appropriate, for the desired value creation at the focal organisation purposes. Yet, in order to understand if the firm can look for the resources and capabilities within its own organisation, or if the opportunities outside the organisational boundaries can also be explored and utilised, the environmental assumption of RBV also needs to be understood.

2.7.3 Environmental Assumption of RBV

The review of the RBV literature leads to three main types of environmental assumptions:

- (1) The first stream considers the firm as independent from its environment entity, driving its competitive advantage solely on the resources and their deployment capabilities available inside the firm (e.g., Wernerfelt, 1984; Dierickx and Cool, 1989).
- (2) The second stream of research (e.g., Barney, 1991; Barney, 1986; Peteraf, 1993; Grant, 1991; Amit and Schoemaker, 1993) takes a similar position. However, it acknowledges the opportunities and threats faced by the firm within its external environment. In other words, these studies propose that not only owned and/or controlled internal resources and capabilities matter, but also the match between these factors and the firm's external environment affects the competitive advantage of a firm.
- (3) While above two rather traditional RBV perspectives focus on the driving firm's competitive advantage solely on the resources and their deployment capabilities available inside the firm, there has emerged a third RBV perspective. It is the 'extended' type of RBV theory. This perspective, being known also as Extended RBV theory (e.g., Lavie, 2006; Lewis et al., 2010; Mathews, 2003), looks at network resources (i.e., resources available outside the organisational boundaries) of interconnected firms as a source of potential value and competitive advantage (Gulati, 1999; Lavie, 2006) rather than as a threat. This approach is oriented on the cooperative strategy, where proprietary and control conditions of the resources and capabilities are

relaxed. This is the alternative to the competitive strategy of the traditional RBV approach. Moreover, this approach acknowledges the sharing and flow of resources between trading partner firms for the purpose of value creation and co-creation for both of the parties.

Taking into account the inter-organisational nature and mutual beneficiary orientation of the relationship value creation and co-creation, this thesis adopts the extended (inter-organisational) perspective of RBV theory.

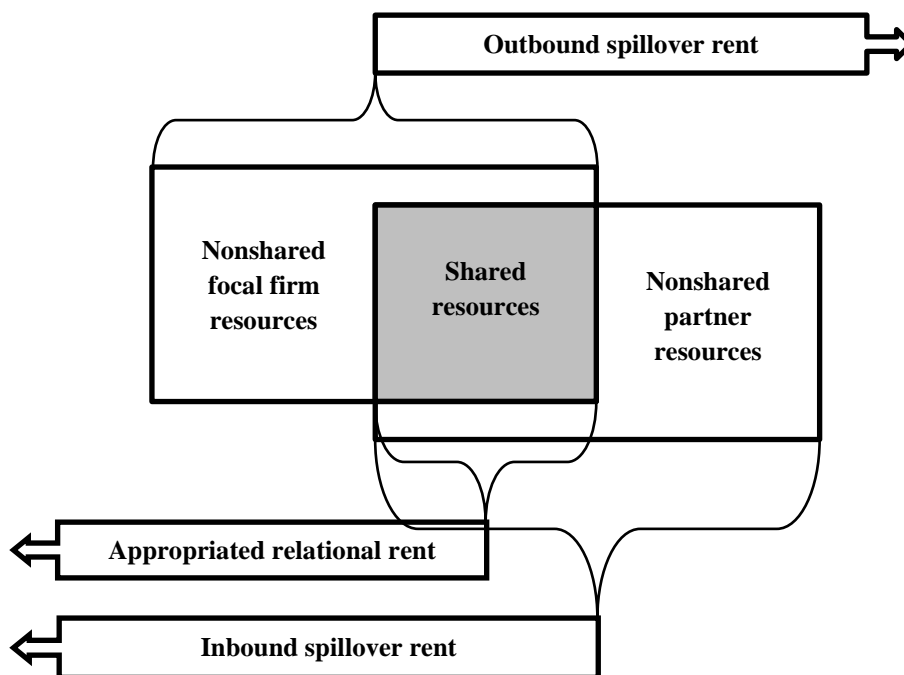
2.7.4 Extended RBV Perspective

Dyer and Singh (1998, p. 660) is one of the first works which formalised the Extended RBV perspective. They propose that “(...) a firm’s critical resources may span firm boundaries and may be embedded in interfirm resources and routines.” As these scholars also claimed, the value comes from the synergetic characteristics of the firm’s own and endowed by the partner resources. The work of Lavie (2006, p. 639) also concerns as to “how an interconnected firm can extract value from resources that are not fully owned or controlled by its internal organization.” It proposes that a firm can utilise an external to it resources to generate a ‘relational’ or ‘collaboration specific quasi-rents,’ which can bring monetary and non-monetary benefits to that firm (Lewis et al., 2010). From the perspective of a focal firm (whether it is a supplier and/or a customer), the focus is on the utilisation of the partner firm’s resources for the purpose of attaining rents from the given relationship (Huggins, 2010; Lavie, 2006; Cao and Zhang, 2011). This suggests that “(...) businesses interact because of the need to access complementary resources and capabilities of other organisations” (Songailiene et al., 2011, p. 385). Such interaction can enable the firm to gain “(...) productive resource for value creation” (Madhok and Tallman, 1998). Correspondingly, Arya and Zhiang Lin (2007) extends the RBV perspectives outside the organisational boundaries and reveals possibilities for the organisation to attain monetary and nonmonetary resources leading to the value creation though the given inter-organisational collaboration. Madhok and Tallman (1998, p. 326) further argue that the trading partners “(...) enter into collaborative relationships because these are expected to yield superior value (...) [by their] potentially synergistic combinations of complementary resources and capabilities (...).” These studies show clear shift from focusing firm’s

activities solely towards the intra-organisational resource utilisation to the inter-organisational resources.

Lavie (2006) proposes the inter-organisational RBV model from a focal firm perspective (see Figure 2-5 below). It relates ‘spillover rents’ to the potential values for the beneficiary, with the possibility for the beneficiary to get value from shared and non-shared resources from the counterpart. Thus, those non-shared resources are considered to be potentially accessible and of value to the respective counterpart. Nonetheless, such resources are not intentionally devoted from the resource holder to the trading counterpart. Consequently, it may not be within the interest of the same resource holder to share any of those with that counterpart (Lavie, 2006). As a result, such value creation at the beneficiary cannot be considered purposeful between supplier and customer. The same condition would apply to the ‘outbound spillover rent,’ which is available for the focal firm’s trading counterpart.

Figure 2-5 Composition of Rents Extracted by the Focal Firm in B2B Dyad



Source: Adapted from Lavie (2006, p. 644).

With regards to the appropriated relational rents, those “(...) can be extracted only from the shared resources of both partners” (Lavie, 2006, p. 664). This statement

primarily implies the purposeful intent and intentional devotion of the resources by the trading partners to achieve ‘common benefits’ at the dyadic/alliance level. From this, both parties are to benefit (ibid.). This very much coincides with the value co-creation perspective of the S-D logic; however, this is from the supplier-customer mutual value perspectives. In such a mutual value co-creation scenario, the consideration of Pardo et al. (2006, pp. 1367-1368) turns out to be reasonable:

“(...) value is essentially linked to both partners in the interaction. Of course, this does not imply that both sides either contribute to or gain equally from the value creation process. Nevertheless, relational value cannot, qua definitione, exist without the cooperation of both customer and supplier. In the same way that value creation is shared, so too is the process of value appropriation. Again, this does not imply that value appropriation is conducted in equal parts or that it is linked to the ratio of the relative degrees of involvement in the value creation.”

It needs to be highlighted that the relative contribution to and/or distribution of mutually created common values is outside the scope of this thesis. Such a contention in the mutual value co-creation, according to Lavie (2006), is rather associated with strategically collaborative horizontal alliances of competing firms, which is also outside the scope of this thesis. Moreover, as could be noticed from previous value creation and co-creation discussions, the perception spheres of a supplier and a customer are separate. Also, the literature on the relational perspective of Extended RBV acknowledges that in supplier-customer relationships not necessarily the joint value needs to be shared (e.g., Dyer and Singh, 1998; Ellegaard et al., 2014). Rather, the possibility of purposefully collaborating on creating values at one or another side of the dyad at a time is evinced. This is with the purpose of making the intended beneficiary better-off overall (Dyer and Singh, 1998). In addition, the relational perspective of the extended RBV view assumes the potential for the supplier-customer collaboration to purposefully focus on one type or aspect of the value creation. This thesis has termed it as a ‘relationship value-creating function.’ From the Extended RBV perspective, such a value can be created at one or both sides of the dyad (Dyer and Singh, 1998; Lavie, 2006; Ellegaard et al., 2014).

Overall, this thesis takes the perspectives of the Extended RBV position that suppliers and customers need to jointly identify and evaluate potential complimentary resources and capabilities for achieving valuable outcomes for both of the parties. In this way, they improve potential to build and sustain mutual benefits in their relationships (Dyer and Singh, 1998). The value creation at only one party of the supplier-customer relationship might not be desired for that purpose (Ellegaard et al., 2014; Gorton et al., 2015).

2.8 Theoretical Framework of Combining S-D Logic and Extended RBV Perspectives and Research Gap

One noticeable difference between the Extended RBV and the S-D logic perspective is that the former's main focus is self-interest while the latter leans more towards creating value for both of the parties in supplier-customer relationships. On the other hand, the Extended RBV perspective still implicitly assumes that the business relationship cannot be sustained without a bidirectional flow of resources and value creation at both sides of the dyad. This is because both parties seek to gain value from the business relationship and it cannot sustain without mutual gains. This fits with the mutual value creation orientation trend emergent in S-D logic studies (e.g., Grönroos and Helle, 2010; Aarikka-Stenroos and Jaakkola, 2012).

The Extended RBV and S-D logic approaches also show two other similarities. One of these is defining the value creation from the intended beneficiary perspective. The other similarity is a mutual supplier-customer understanding of the relationship value in relation to the intended beneficiary (or both parties of the trading dyad as mutual beneficiaries). This condition was referred to as the value co-creation from the S-D logic perspective.

Undeniably, the close similarity of the self-value creation oriented RBV to the mutually oriented S-D logic is the result of the former incorporating the 'mutual orientation' in its viewpoint (cf. Acedo et al., 2006). Still, the main focus of the Extended RBV theory is on utilitarian value (Lavie, 2006; Peteraf and Barney, 2003; Dyer and Singh, 1998). More recently, the non-utilitarian hedonic type of value (e.g., goodwill) has also been embraced by the studies being underpinned by the integrated

perspectives of both Extended RBV theory and S-D logic (e.g., Songailiene et al., 2011).

The Extended RBV and S-D logic perspectives are closely related and at the same time complementary. Hence, both fit well together and will be integrated for the purpose of this thesis. Collating S-D logic and RBV perspectives serve as a theoretical platform to discuss three value co-creation types (see Figure 2-6 on page 115 for illustration):

- (1) Supplier value co-creation (subject that ‘supplier perceived value of customer relationship’ and ‘customer perceived supplier value’ match);
- (2) Customer value co-creation (subject that ‘customer perceived value of supplier relationship’ and ‘supplier perceived customer value’ match); and
- (3) Supplier-customer mutual value co-creation (subject that ‘supplier perceived value of customer relationship,’ ‘customer perceived supplier value,’ ‘customer perceived value of supplier relationship,’ and ‘supplier perceived customer value’ match).

As discussed, the literature informs the parallel existence of the research on the perceptions of the relationship value-creating constructs on a concrete level (as discussed in section 2.5 above) and value co-creation on a broad level (section 2.6). Where the existing research lags behind is in combining the perspective of these two research streams. Besides this, the latter one (i.e., value creation on a functional/sub-functional levels) lacks a conceptual rigour and clarity (refer back to section 2.3). Combining these two perspectives and challenging them through an empirical study could have examined the supplier-customer value-creating functions proposed in sections 2.4. Also, it could have shed light on which of the value-creating functions could be perceived by a supplier and/or a customer. Moreover, such a combined perspective could explore which of the value-creating functions could have the potential to be co-created for the supplier as beneficiary, the customer as beneficiary, or for both. Lusch and Nambisan (2015, p. 160) have proposed that when the focus is on “(...) the application of resources for the benefit of others or oneself, a central issue is whether resources can be quickly mobilized for a time/space/actor that will offer the desired service.” In ‘service,’ they imply “(...) the process of doing something beneficial for and in conjunction with some entity” (ibid., p. 158). The

authors (*ibid.*) have also argued that supplier-customer shared awareness of the values that can be created in their relationships furnish the ‘road map’ for the supplier and customer to synergise their resources and improve their value co-creation potential. Most importantly, the value-creating functions and/or sub-functions also need to be considered important enough by the prospective co-creation parties. Otherwise, they will not have the interest to co-create that particular value (Chan et al., 2010; Smals and Smits, 2012; Skålén et al., 2015).

Based on the literature review, this research suggests the preliminary conceptual framework on perceived value-creating functions and value co-creation potential in supplier-customer relationships (see Figure 2-7 on page 116 for an illustration). For that, the literature findings on the four way perspectives of the perceived value-creating functions and sub-functions (as was depicted in Figure 2-3 on page 89) are combined with the value co-creation framework (illustrated in Figure 2-6 on the next page). From that perspective, the supplier-customer common perception on the relationship value-creating functions for the customer or supplier as beneficiary would envisage the value co-creation for the respective beneficiary. For example, the preliminary conceptual framework shows that the Volume value-creating function can have the co-creation potential for the supplier as beneficiary. The same framework also proposes that the Benevolence sub-function of the Relational value-creating function can have the co-creation potential for the customer as beneficiary. Besides, the preliminary conceptual framework reflects the supplier-customer common perception on the value-creating functions and sub-functions characterised to both the supplier and customer as beneficiaries. Such cases evince the value co-creation potential for either and/or both of the parties of the dyad as beneficiaries. For example, the Information Communication-based Knowledge sub-function of the Knowledge value-creating function is one of such constructs. Nevertheless, the conceptualisation in Figure 2-7 is of a theoretical nature, missing empirical examination, which this research finds pivotal to pursue.

Figure 2-6 The Theoretical Framework of Value Creation and Co-creation in a Supplier-Customer Relationship

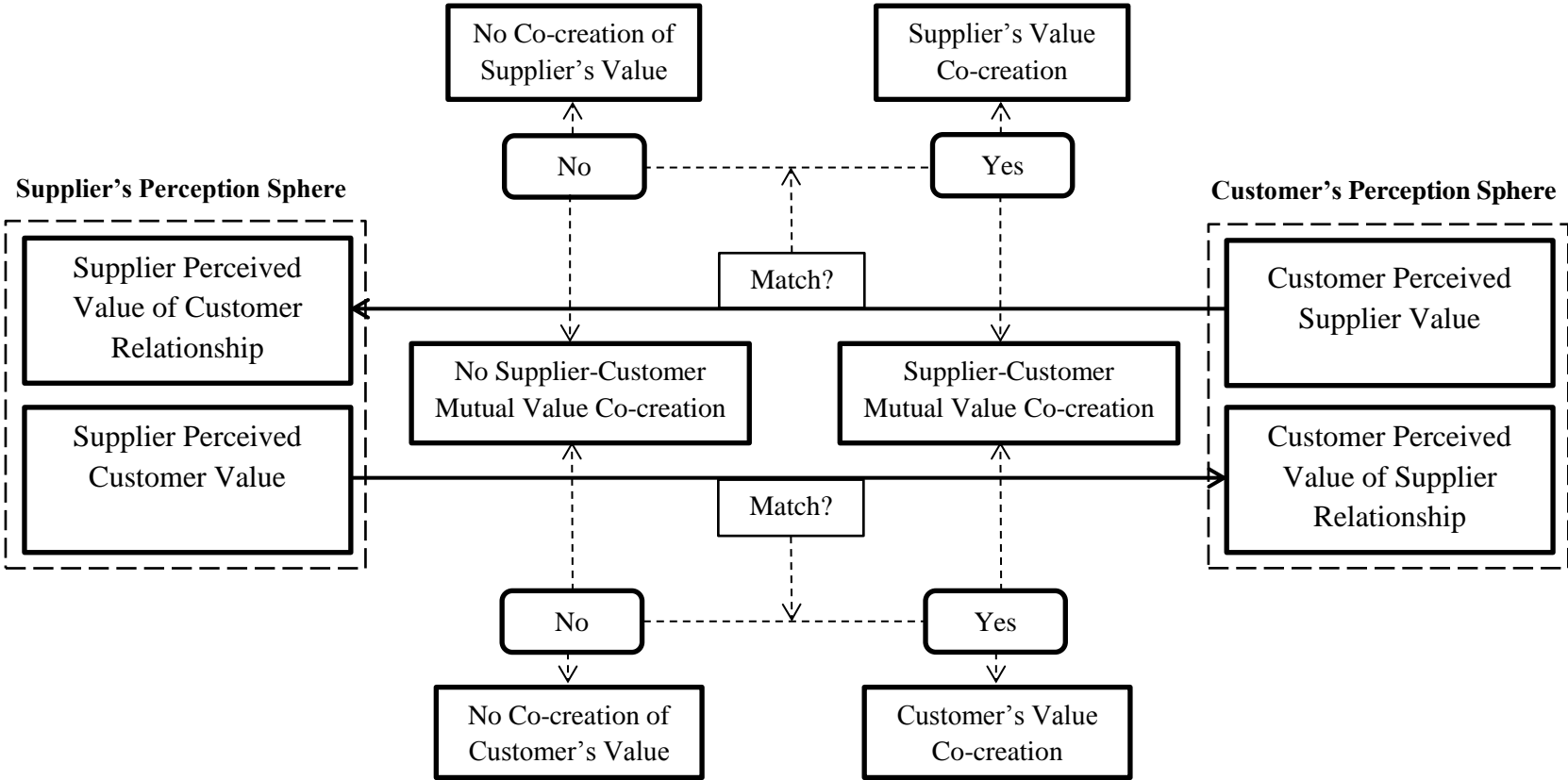
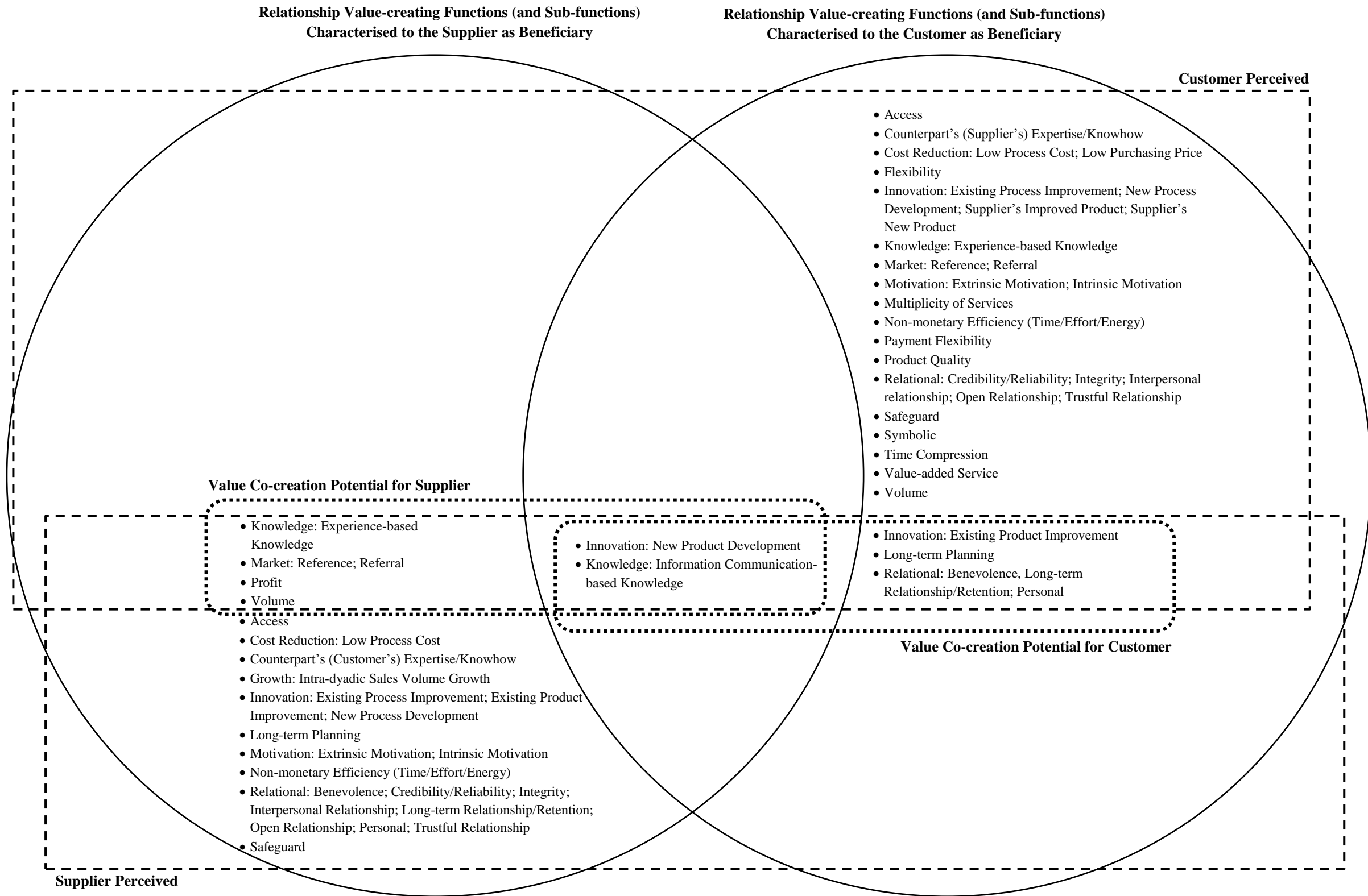


Figure 2-7 Venn Diagram of the Conceptual Framework of Perceived Value-creating Functions/Sub-functions and Value Co-creation Potential in Supplier-Customer Relationships



2.9 Chapter Summary

Based-on this chapter's discussions, the following observations can be made:

- There is a growing interest in the literature on exploring supplier-customer relationship value-creation. The scholars attempt to provide the suggestions on the value-creating functions which can drive the relationship value for the suppliers and customers as beneficiaries. Despite that, the description of those functions and their overall applicable bundle, which can be characterised to the supplier as beneficiary and/or customer as beneficiary, lacks rigour and clarity.
- The introduction of the S-D logic perspective has manifested the importance for the supplier and customer to have a common understanding and purposeful intent on the values they can create for each other. Nevertheless, the argument has overlooked the concrete values (i.e., value-creating functions and sub-functions), which could be perceived by either or both of the parties in relation to the supplier as beneficiary and/or customer as beneficiary. This resulted in the knowledge gap about which of the value-creating functions could be co-created.
- Finally, the conceptual framework illustrating value-creating functions and sub-functions in relation to the supplier and/or customer as the perceived parties and beneficiaries are suggested. Also, the functions and sub-functions with the co-creation actualisation potential have been derived on a theoretical level and integrated into the conceptual framework for the empirical examination.

The next chapter will discuss the context of the research, in which the empirical study will be placed and pursued.

Chapter 3 Research Context – 3PL Outsourcing Relationships

3.0 Chapter Overview

This section argues about the applicability of 3PL outsourcing relationship context to empirically explore the relationship value creation and co-creation phenomena in B2B supplier-customer relationships. First, it introduces the discussion on the suitability of the 3PL outsourcing relationship context for the chosen research areas. Next, 3PL is defined, followed by explaining how providers (suppliers) and buyers (customers) of 3PL services are related in 3PL outsourcing relationships. Then, some of the possible value-creating functions in those relationships are argued. Subsequently, the applicability of the context to the research phenomenon is discussed. This is followed by the concluding remarks on the present literature findings and the research context, which are further proceeded by the research questions. At the end, the chapter summary is provided.

3.1 Relevance of the Chosen Context

When examining the relationship value creation, the context cannot be ignored (e.g., Anderson and Narus, 1998; Parry et al., 2012; Smals and Smits, 2012). Due to the contextual influence, this thesis will exclusively focus on one sector: 3PL outsourcing relationships. Yazdanparast et al. (2010) suggest the suitability of 3PL outsourcing relationships for investigating the value (co-)creation phenomenon. They (ibid., p. 381) stress that such relationships are dynamic, with an ever changing market environment, and that “(...) value cannot be created unilaterally in such dynamic [and complex] contexts.” Nevertheless, as they (ibid., p. 377) claim, “(...) remarkably little attention has been focused on exploring the creation of logistics value from an S-D logic perspective.” This is despite the fact that 3PL providers and buyers are acknowledging the importance of re-evaluating their relationships and are finding better ways of enhancing the value in those relationships (e.g., see Qureshi et al., 2007; Rollins et al., 2011; Audy et al., 2012; Bennett and Klug, 2012). Also, the integrated approach of the Extended RBV and the S-D logic perspective has been referred to by Songailiene et al. (2011) for gaining insights on the functionalist

perspective of the relationship value phenomenon from the 3PL outsourcing relationship context.

3.2 3PL Defined

While mentioning 3PL, researchers note that there is ambiguity in defining this term (e.g., Marasco, 2008; Selviaridis and Spring, 2007; van Laarhoven et al., 2000). According to Prockl et al. (2012, p. 547), 3PL has “been used as synonyms to describe the basic idea of contracting-out part or all logistics activities that were previously performed in house.” As Marasco (2008, p. 128) notes, 3PL “...is used as a label for traditional “arm’s length” sourcing of transportation and/or warehousing, whereas in the other instances the term is used to describe an outsourcing of a more complex character that can encompass the entire logistics process.” Indeed, some scholars consider 3PL as the “orchestrator of the supply chain” (e.g. Zacharia et al., 2011), and associate it with provision of tailored to customer needs sophisticated logistics solutions (e.g. Skjoett-Larsen, 2000). The others do not exclude the relation of the term to only simple transportation and warehousing services (e.g. Vasiliauskas and Jakubauskas, 2007). For the purpose of this research, a more conciliatory definition to the above views will be applied from the work of Lieb et al. (1993, p. 35): “(...) [3PL] is the use of external companies to perform logistics functions which have traditionally been performed within an organization. The functions performed by the third-party firm can encompass the entire logistics process or selective activities within that process.” This is echoed by Stefansson (2006), who justifies the chosen approach. The key services offered by 3PL providers include transportation and warehousing services, although such other services as inventory management, information services including track-and-trace, installation, assembly, packaging services, consulting, and supply chain management are common (Holter et al., 2008; Peter van et al., 2000; Ciliberti et al., 2008).

3.3 3PL Outsourcing Relationships and Applicability to the Relationship Value Creation and Co-creation Research

Research findings show that the role of 3PL providers becomes increasingly important in managing 3PL services on behalf of their customers (Vasiliauskas and

Jakubauskas, 2007; van Hoek, 2000). This trend drives the rising number of customers to an increased outsourcing level to their 3PL providers (Bolumole, 2001; Bolumole, 2003; Skjoett-Larsen, 2000; Fabbe-Costes et al., 2009). Cho et al. (2008, pp. 352-354) concludes that whatever the practice, strength and interest of the buyers of logistics services to self-run logistics infrastructure and operations, it may still call for external help to realise different kind of logistics services for own needs.

As Bolumole (2003) argues, increasing complexity and diversity globally, to run logistics operations, brings down the overall capabilities of the 3PL buyer firms to operate 'in-house' logistics (in line with Hsiao et al., 2010). There are also other findings that show that outsourcing to 3PL provider results in saving time and resources on the realisation of logistics operations (Vasiliauskas and Jakubauskas, 2007; Cho et al., 2008). Also, it allows the buyers of logistics services to concentrate on their core competences (Bolumole, 2001; Vasiliauskas and Jakubauskas, 2007; Cho et al., 2008). This is manageable by outsourcing logistics activities to 3PL providers, which have the professional and technical capability and 'know-how' to run 3PL operations on behalf of the customers (Bolumole, 2001; Vasiliauskas and Jakubauskas, 2007; Cho et al., 2008; Jüttner et al., 2010).

Literature shows that logistics buyers increasingly seek out 3PL providers, which can do more than just deliver logistics services effectively at competitive cost (e.g., Jüttner et al., 2010; Wallenburg and Lukassen, 2011). This is due to the growing need for the 3PL providers to comply with the multiple interests of the buyers of logistics services (de Treville et al., 2004; Inman et al., 2011; Wallenburg and Lukassen, 2011), as well as to satisfy their changing requirements and rising expectations (Skjoett-Larsen, 2000; Christopher and Peck, 2004; Jüttner et al., 2010; Flint et al., 2005). In order to benefit customers, Hofer et al. (2009, p. 152) make the proposition for 3PL providers to "(...) obtain broader knowledge of customer's strategic profile and expectations." This argument is in line with the statement by Coltman et al. (2011, p. 149) that 3PL providers "(...) can improve service value and develop stronger relationships with customers when they align their service offerings with the right customer preference segment." These approaches closely align to the S-D logic perspective of a customer's value creation, taking customer's value preferences as the focal point.

Despite reflecting on the customer-orientation, the 3PL outsourcing literature still does not explicitly address the factors, which can create the 3PL buyer's overall value. For example, some studies concerned with logistics outsourcing relationships have revealed the multiple performance requirements the buyers of logistics services are putting on their suppliers. The ones mentioned most frequently are: (1) providing tailored to the buyers' needs logistics services (Bolumole, 2003; Vasiliauskas and Jakubauskas, 2007; van Hoek, 2000) with (2) superior delivery performance (Bolumole, 2001; Vasiliauskas and Jakubauskas, 2007; Cho et al., 2008; Jüttner et al., 2010) and (3) flexibility (Zhang et al., 2005; Cho et al., 2008; Skjoett-Larsen, 2000; Hartmann and De Grahl, 2011). Also, (4) lowering the cost of logistics activities for the 3PL buyers are of interest for them. That can be a low purchasing price for the buyer and/or the low cost of running the logistics operations by the buyer (e.g. Skjoett-Larsen, 2000; Bolumole, 2001; Vasiliauskas and Jakubauskas, 2007; Cho et al., 2008). Analogue to the functionalist perspective on relationship value creation (for the customer as beneficiary in this instance), the first two factors, for example, could be viewed under the Product Quality function. The third factor can be related to the Flexibility function, and the last one to the Low Purchasing Price sub-function of the Cost Reduction function. Still, these studies do not make clear about which of the functions are value-creating (i.e., making the beneficiary better-off in overall – when the perceived benefit of the function is greater than the perceived sacrifice connected to that benefit realisation). Similarly, the electronic connection with 3PL provider is suggested to enable the buyer of 3PL services to easily place the orders for those services. This can be associate to the Non-monetary Efficiency Value-creating function (e.g., Cho et al., 2008; Mollenkopf et al., 2010), but that does not clarify if the buyer's overall value is created.

In the 3PL context, one can observe a trend in creating value with regards to sustainability. Wolf and Seuring (2010), for instance, assert that the 3PL buyers' interests to purchase environmentally friendlier logistics services are rising. The same is noticed by Björklund (2011). However, as they discovered, that is the case mainly for the buyers of logistics services, who care about the fame of their environmentally friendly brand. Nevertheless, Wolf and Seuring (2010) demonstrate that environmental compliance played little or no role in 3PL buyers' choices of

logistics services. Instead, other features of the services such as efficiency and on-time delivery performance are prioritised. This does not come as a surprise following the empirical study of Anderson et al. (2011), identifying the price and delivery performance of logistics services to be the two most important factors, which 3PL buyers prefer. These results fit with the empirical findings by Lieb and Lieb (2010) on 3PL providers. They (ibid) point out that environmental friendliness of logistics services is neither of leading significance in defining the length of business relationships with 3PL providers, nor the key performance indicator in purchasing decisions made by 3PL buyers. This is often the case when flexible and faster deliveries are at stake (Yang et al., 2005). According to Björklund (2011), the lack of environmental orientation of the management at 3PL buying organisation can be one of the reasons for them not to engage in environmental value creation, as the perceived sacrifice seems to be higher (Björklund, 2011). Arguably, the benefit versus sacrifice aspects of value creation is still in its infancy in the 3PL outsourcing literature. Seems there are still ambiguities, at large, about which factor can be perceived as value-creating functions in relation to the 3PL buyer as the beneficiary firm.

Research in relation to the value-creation for 3PL provider pays more attention to the ‘benefit outweigh sacrifice factor,’ even though only few of such studies could be identified. One notable exception is Songailiene et al.’s (2011) work that discovered that 3PL providers perceive relationship value-creating functions of customer relationship (e.g., knowledge and social), which is underpinned by the benefit outweigh sacrifice or making the beneficiary better-off mind-set. Correspondingly, the empirical observation of 3PL providers by Large et al. (2011) discovered that the providers perceive the contract renewal with their customers as a benefit. Also, their study (ibid.) linked those benefits to the customer-specific adaptation, which caused the providers’ extra efforts and dissatisfaction. The derived benefit compensated the relationship drawbacks and it allows long-term relationships with given customers. This resembles the Long-term Relationship sub-function of the Relational value-creating function.

3PL outsourcing research also shows the existence of the environmental sustainability aspect that 3PL providers can seek from the relationships with their

customers. 3PL providers may be environmentally oriented, because: (1) demands from customers and partners (e.g., Lieb and Lieb, 2010); (2) desire to do the right thing; (3) having strategy to attract new customers with environmental compliance objectives in mind; (4) cost-saving and (5) competitive advantage (e.g., Ciliberti et al., 2008; Lieb and Lieb, 2010). Björklund (2011) states that the higher the demand on environmental compliance norms from the customers of 3PL services, the more there is the interest from those services providers to employ more environmentally friendlier practices. There are also other studies showing the interests of the 3PL providers to work with their customers on environmental issues (e.g., see Wolf and Seuring, 2010; Kudla and Klaas-Wissing, 2012). However, due to the argument on possible sacrifices that an environmental benefit may entail, no clear outcome can be derived if that potential benefit of the customer relationship adds to 3PL providers' overall value creation.

The literature also informs about some aspects of value co-creation between the given parties. Hammervoll and Bø (2010) have empirically discovered the possibility for the supplier and buyer of 3PL services to reduce transportation cost and enjoy trust and mutual commitment by collaborative planning and risk sharing. Rollins et al. (2011) have come to a statistically significant correlation of 3PL provider-buyer close relationships and fluent communication with the 3PL provider's relationship satisfaction. This emphasises the social aspects of the relationship 3PL providers may perceive to get from their customers. Hofer et al. (2009) have come to the conclusion that interactive and mutual beneficiary relationships between the supplier and buyer of logistics services could be the basis of long-term benefits for both organisations. The empirical study by Panayides and So (2005) suggests that close relationship and knowledge exchange within the 3PL provider-buyer dyad can enhance learning from both parties, affecting positively to their joint supply chain performance. Also, for driving innovations from the relationships, the article signifies the role of relationship orientation between the parties. However, it also reveals that "relationship orientation will not lead to innovation directly but indirectly via organisational learning" (ibid., p. 192). While these studies can point to the possible existence of different kinds of relationship value-creating functions, they are still lacking the 'benefit outweigh sacrifice' or making 'better-off in overall'

rigour of the value creation concept. Based on the cross-disciplinary literature review, Yazdanparast et al. (2010) propose the framework of joint value creation in the logistics context, particularly in 3PL provider–buyer dyad. Their conceptual study, however, is limited by the focus on the skills and knowledge exchange as a source of benefit for the parties. They also do not consider the sacrifice factor.

Noticeably, the literature, which focuses on 3PL outsourcing relationships, considers only the limited number of the benefits and sacrifices. Also, most of such studies do not adopt the net benefit approach (benefit versus sacrifice criterion), when discussing the benefits for the providers and/or buyers of 3PL services. Following the above analysis of the 3PL outsourcing literature, it can be inferred that they are predominantly lacking the ‘benefit outweigh sacrifice.’ In other words, the benefit making the beneficiary ‘better-off overall’ rigour of the value creation concept in 3PL outsourcing relationships is missing at large. Neither the 3PL outsourcing related literature attempted to thoroughly integrate the 3PL provider and buyer joint perspectives on value co-creation opportunities. Addressing this gap is proposed by the 3PL outsourcing relationship based value co-creation study of Yazdanparast et al. (2010). They emphasise the importance of conducting qualitative, open-ended research, targeted on furthering the understanding on the value co-creation opportunities in the 3PL provider-buyer relationships. They (*ibid.*, p. 396) also suggest bolstering the scope of the value co-creation framework by including “(...) stakeholders other than the immediate buyers [3PL buyers] and sellers [3PL providers] (...), and [to understand] how and where these other stakeholders fit (...).” This proposition echoes the focus of the present thesis. It aims at investigating supplier-customer relationship value creation and co-creation by value-creating functions. These are considered in the supplier-customer dyad as well as in the extended networks.

3.4 Concluding Remarks and Research Questions

The present literature review demonstrated the value-seeking nature of supplier-customer relationships. It is argued that mutual value creation is the basis of sustaining mutual beneficiary B2B relationships. Scholars attempt to explore and define the drivers of value in supplier-customer relationships. As the literature

review informs, some empirical and conceptual studies discuss value creation only from the customers' vantage point, while others exclusively focus on the value creation for suppliers. These studies mainly try to understand the value-creating functions which either customers or suppliers perceive to have from the relationship with their respective counterparts. Yet, another group of authors explore value-creating functions which benefit both suppliers and customers. However, they do not make the perceived parties explicit. Such gaps leave the question open about which relationship value-creating functions can be co-created in supplier-customer relationships. That is when both parties of the supplier-customer relationship dyad are aware and purposefully collaborate on creating certain relationship value functions. Following the S-D logic and Extended RBV perspectives, an understanding of the value drivers for both relationship parties is important. It is argued that such a 'shared' understanding can improve a supplier-customer joint dialogue, with the possibility to focus on important value creating goals. Furthermore, it could enhance the supplier-customer efficient resource utilisations and joint initiatives on co-creating mutual value.

The literature review also revealed that the present research did not come to an agreement on the definitions of individual value-creating functions and sub-functions. Apparently, some studies use different terminologies to describe the same construct (function or sub-function), while others use similar terminologies but refer to different constructs. Also, the bundle of existing constructs is limited and miss synthesis. That can be due to the dominance of a deductive quantitative method employed by the majority of the relationship value literature (e.g., Walter et al., 2001; Purchase et al., 2009; Ritter and Walter, 2012). Such studies take previous findings for granted and do not target the empirically derived new constructs. The review of the literature also shows that the previous studies fail to suggest the value-creating functions and sub-functions, which have the co-creation potential for suppliers and/or customers as beneficiaries.

In order to address existing shortcomings, this research developed a preliminary conceptual framework through the synthesis of the present literature (see Figure 2-7 on page 116). That conceptual framework acts as the basis for the empirical study, for which, the context of 3PL outsourcing relationships was selected. The overview

of the literature confirmed the relevance of this context for empirical examination. That was due to its applicability to the functionalist perspective on the value-creation and co-creation research. The chosen context also suits the S-D logic and Extended RBV orientation. Also, the dynamic and complex context of 3PL outsourcing relationships is promising in generating the rich data for meeting the objectives of this study.

In line with the aim and objectives of this research, the following research questions address the identified gaps directly:

- (1) Which value-creating functions and sub-functions create a supplier perceived value of customer relationship?
- (2) Which value-creating functions and sub-functions create a customer perceived supplier value?
- (3) Which value-creating functions and sub-functions create a customer perceived value of supplier relationship?
- (4) Which value-creating functions and sub-functions create a supplier perceived customer value?
- (5) Which value-creating functions and sub-functions have the co-creation potential for the supplier as beneficiary?
- (6) Which value-creating functions and sub-functions have the co-creation potential for the customer as beneficiary?
- (7) Which value-creating functions and sub-functions have the co-creation potential mutually, for the supplier and customer as beneficiaries?

As will be discussed in the “Methodology” (Chapter 4), these questions serve as the key themes of the empirical investigation.

3.5 Chapter Summary

This chapter discussed the rationale of selecting 3PL outsourcing relationships as the context of this study. For this purpose, connection of this context with the relationship value phenomenon was examined. Also, the fit of 3PL outsourcing relationships with the S-D logic and Extended RBV orientation was confirmed. Before closing this chapter, the summary of the research gaps identified in the “Literature Review” chapter was reiterated. Finally, the research questions for the empirical study were produced. The next chapter discusses the philosophical and methodological aspects of conducting this research.

Chapter 4 Methodology

4.0 Chapter Overview

This chapter discusses the research philosophy and methodology of this study. These issues are addressed in seven parts. The first part (section 4.1) informs about the philosophical stance of the researcher, with its ontological and epistemological positions, as well as the axiological, methodological and rhetorical assumptions. The connection of the researcher's philosophical position to the purpose of this study and relevant theory building approach is also addressed. The second part (section 4.2) provides the research design and rationalises the choices made in designing this study. The third part (section 4.3) describes the literature review process of this research and the production of the conceptual framework as the preliminary theoretical basis of this research. The fourth part (section 4.4) outlines the data collection method, including sampling, gaining access and ethical considerations. The fifth part (section 4.5) explains the adopted qualitative analysis method. It also integrates the reliability and validity aspects of the data analysis. The theoretical saturation approach adapted for the purpose of this empirical study is described in part six (section 4.6). That is followed by part seven on the key-construct identification process adapted by this research (section 4.7). Finally, the summary of this chapter is provided (section 4.8).

4.1 Philosophical Underpinning of the Research

Conducting a scientific research has been associated with complex methodological judgments of researchers (Fuller, 2000; Johannessen and Olaisen, 2005; Quinlan, 2011; Tsoukas and Chia, 2015). Research methodology can be described as a "Combination of techniques used to inquire into a specific situation" (Easterby-Smith et al., 2008, p. 60) to improve knowledge about the study phenomenon (Saunders et al., 2009d). Making methodological choices has been the subject of *philosophical paradigm* (known also as a *philosophical position*, *philosophical stance*, or *research paradigm*) of the researcher (Blumberg et al., 2008). That is the "(...) framework that guides how research should be conducted, based on people's philosophies and their assumptions about the world and the nature

of knowledge” (Collis and Hussey, 2011b, p. 13). Saunders et al. (2009f, p. 118) acknowledge that despite its popularity amongst scholars, the paradigm term can incorporate multiple meanings. For clarity, they (ibid.) describe the paradigm as:

“(…) the basic belief system or world view that guides the investigation, not only in choices of method but in ontologically and epistemologically fundamental ways (…)” (p. 106) “(…) of examining social phenomena from which particular understandings of these phenomena can be gained and explanations attempted” (p. 118).

This description closely concurs and complements the above definitions of the same concept, and is adapted for the purpose of this research.

From a number of paradigms, *positivism*, *critical realism* and *interpretivism* are dominating in studies (e.g., see Rousseau et al., 2008; Reed, 2009; Bryman and Bell, 2011), which are further embedded into certain ontological and epistemological positions (see corresponding rows in Table 4-1 starting on the next page). Also, some scholars argue that the philosophical paradigm can drive axiological, methodological and rhetorical approaches of the researcher (see corresponding rows in Table 4-1).

While the term *methodology* was defined above, the term *ontology* refers to a scientist’s philosophical view on the nature of reality, involving the set of presuppositions in relation to the researched phenomenon and concerned structure of reality (Mertens, 2010; Teddlie and Tashakkori, 2009; Reed, 2009). *Epistemology*, in contrast, refers to the “(…) question of what is (or should be) regarded as acceptable knowledge (…)” in a chosen reality (Bryman and Bell, 2011, p. 15). It looks at the nature, legitimacy and adequacy of knowledge (ibid.). Some other authors also see the role of epistemology in understanding how one knows about what is known or is to be known (e.g., Thomas, 2004; Patton, 2002). Hence, epistemology involves the mechanism of gaining knowledge and understanding about the phenomenon of interest (Solem, 2003; Cameron, 2009a), and consists of a “General set of assumptions about the best ways of inquiring into the nature of the word” (Easterby-Smith et al., 2008, p. 60).

Table 4-1 Comparison of Three Alternative Philosophical Paradigms: Positivism, Critical Realism and Interpretivism

	Positivism	Critical Realism	Interpretivism
Ontological Position	There is one and external to the social actor objective reality. Only observable and measurable phenomenon constitutes valid knowledge (Bechara and Van de Ven, 2007; Blumberg et al., 2008; Saunders et al., 2009f; Collis and Hussey, 2011a).	There is a reality, which can be understood differently because of the human perceptions and interpretations (Bryman and Bell, 2007; Rousseau et al., 2008).	There are multiple realities, based on the perceptions of participants (Collis and Hussey, 2011a; Robson, 2011). The reality is seen a “projection of human imagination” (Collis and Hussey, 2011a).
Epistemological Position	Researcher can discover the reality objectively and independent from the cognition of the participants (Bechara and Van de Ven, 2007; Blumberg et al., 2008; Collis and Hussey, 2011a).	Acknowledges that knowledge is conditional (Rousseau et al., 2008). Researcher looks for objective explanation of the subjective meanings of the researched people on given phenomenon (Reed, 2009). The researcher acknowledges the possibility of the conceptualisation of events and discourses in particular social structure and context, however believes that generalisability is not feasible by limited number of sample size (Bryman and Bell, 2007). Generation and combination of ethnographic, textual, historical and structural data is considered to be appropriate (Reed, 2009).	Researcher closely interacts with those being researched in order to closely catch their subjective meanings implied about the phenomenon (Collis and Hussey, 2011a; Yanow, 2006). The researcher interpretation of the meanings from viewpoint of the ones being researched creates knowledge (Kögler, 2007; Blumberg et al., 2008; Quinlan, 2011).

	Positivism	Critical Realism	Interpretivism
Axiological Assumptions	Facts are separated from values, making the researcher ‘value free’ (Robson, 2011) and unbiased (Collis and Hussey, 2011a), making the researcher the ‘passive observer’ (Bechara and Van de Ven, 2007) with an objective stance (Saunders et al., 2009f).	Facts are separate from values of the researcher, however the values of the observed are taken into account (Bryman and Bell, 2007; Reed, 2009).	Research is led by the values of the researcher and of those being observed. The researcher gets close to the observed persons and subjectively elaborates what to consider as evidence and how to interpret that into the findings (Blumberg et al., 2008; Collis and Hussey, 2011a).
Methodological Assumption	Involves deductive study of cause and effect, with predefined variables representing general laws of phenomenon (Blumberg et al., 2008). It is assumed that the “Problems as a whole are better understood if they are reduced into the simplest possible elements” (Easterby-Smith et al., 2008, p. 58). The research is not context dependent and is based on the large size of sample that inferences can be made about the reality in a wide population (Easterby-Smith et al., 2008). Generalisability of the findings is made through anticipation, explanations and understanding. Authentic and reliable results are positively linked to validity and reliability of the findings (Collis and Hussey, 2011a).	Focus is on the retroductive study of “(...) hidden generative mechanisms that produce observable phenomena” (Reed, 2009, p. 439). This method is also related to the abductive reasoning implying the interplay between purely inductive and purely deductive approaches (Gyöngyi and Spens, 2005). Is sociohistorical context dependent, however is oriented on explaining the phenomenon in given context. It focuses on contemplating the beliefs beyond the actors’ perceptions and understandings of the phenomenon (Reed, 2009). Requires intensive and “(...) repeated movement between concrete and abstract, between empirical details and theoretical analysis, throughout all phase of the research process” (Reed, 2009, p. 440). Focuses on internal validity and data as well as methods of triangulation (Rousseau et al., 2008).	Progressive and process based inductive study with the phenomenon with its categories being constructed along the way of the research (Collis and Hussey, 2011a; May, 2011). Involves context dependent research, based on the small size of sample. Qualitatively exploring the subjective interpretations of persons with which the researcher interacts is of focus. Targeted to conceive the complexity of the phenomenon in terms of similarities and differences in its patterns. Confirming accuracy and reliability of findings through verification is applied (Blumberg et al., 2008; Saunders et al., 2009f; Collis and Hussey, 2011a).

Positivism	Critical Realism	Interpretivism
Rhetorical Assumption	There is a tendency of the researcher to write in a passive voice. The research is dominated by quantitative data and discussions (Collis and Hussey, 2011a; Robson, 2011).	“The language is not self-referential or theory neutral but describes albeit partially, the underlying mechanisms and structures of phenomenon” (Bechara and Van de Ven, 2007, p. 38). The researcher employs both, qualitative and quantitative data and discussions (Rousseau et al., 2008).
		Researcher writes in rather informal way with the tendency to use personal voice. The research is characterised by qualitative data and discussions (Bryman and Bell, 2007; Collis and Hussey, 2011a).

Axeology looks at the roles that personal values play in the researcher's choices when judging the reality (Saunders et al., 2009f). Finally, *rhetoric* relate to the use of language in problem appraisal and evaluation (Johannessen and Olaisen, 2005; Saunders et al., 2009b; Mertens, 2010).

With the purpose to better understand differences amongst the *positivism*, *critical realism* and *interpretivism* paradigms, Table 4-1 structures various relevant sources and corresponding findings. As can be observed from this table, positivism and interpretivism are the two extreme anchors of the philosophical dimension. For example, from the ontological position about the reality that these paradigms encompass, a positivism philosophical stance incorporates the objectivist position. This, in the words of Bryman and Bell (2011, p. 21), is:

“(...) an ontological position that asserts that social phenomena and their meanings have an existence that is independent of social actors. It implies that social phenomena and the categories that we use in everyday discourse have an existence that is independent or separate from actors.”

Thus, the objectivism position considers that the reality exists outside (or before) the cognition of individuals and as such, cannot be created by the individuals (Willmott, 2005). That fits well with the epistemological position related to positivism (see Table 4-1). The same table demonstrates that researchers with the interpretivism paradigm take the subjectivist position, also known as *constructionism* (e.g., see Fleetwood, 2005; Sekaran and Bougie, 2013). *Constructionism* judgment takes place when the accomplishments of meanings or reality about the social phenomena are considered to lie on the social actors (Dachler, 1997; Bryman and Bell, 2011; Löbner, 2011). In this case, the reality “(...) is not objective and exterior, but is socially constructed and given meaning by people” (Sekaran and Bougie, 2013, p. 58). Charmaz and Bryant (2010, p. 293) explain that the constructionism position considers “(...) data as constructed, not simply out there in the world waiting to be discovered and gathered. (...) in this view, research products are not objective reports. Instead, researchers interpret findings.” These aspects are also reflected in the epistemological position of the interpretivist paradigm.

The critical realism position borrows and combines some positions ascribed to positivism and interpretivism (e.g., acknowledging one single reality in a certain

context, rather than only non-context dependent one reality consideration of subjectivism, or multiple realities in one or multiple contexts characterised to the interpretivism). In this regard, Fleetwood (2005, p. 216) highlights that “(...) critical realists are not forced to choose between, or to privilege, one or other of the polarities [interpretivism and positivism].” Fleetwood (2005) suggests that critical realism position as a ‘more fruitful alternative’ for conducting research, compared to the interpretivism or subjectivism related alternatives. Following the same argument, Rousseau et al. (2008) consider critical realism to be the most desirable philosophical approach to organisational research. Nevertheless, as argued above in this section, and also reflected in the work of Lewis and Kelemen (2002, p. 252), that is the philosophical stance (paradigm) of the researcher which influences a researcher’s choice about what need to be investigated and how (not the other way around).

This research was guided by the interpretivist position of the author of this thesis. As the result, the author believes that there is no relationship value (reality) that is separate from the parties that perceive that value (the reality), whatever the context where the relationships take place. Put differently, the author believes that the socially constructed subjective perceptions of the relationship parties (social actors) create the relationship value (the reality). A similar perspective can be noted in some of the contemporary studies on relationship value. That is, when the researcher’s aim is to capture supplier-customer relationship value creation from the subjective perceptions of individuals, it is considered unique for each of those individuals (e.g., Edvardsson et al., 2011; Songailiene et al., 2011; Aarikka-Stenroos and Jaakkola, 2012; Biggemann and Buttle, 2012).

For the empirical study, qualitative data collection and analysis method (in line with the methodological assumption of interpretivism philosophical stance, as mentioned in Table 4-1) were considered relevant to get closer to those being researched. Such an approach allows the critical evaluation of the phenomenon from the participants’ perspectives within their social context (Robson, 2011). According to Blumberg et al. (2008), this should enable the scholar to make accurate interpretations and achieve valuable contribution to the studied phenomenon (as in the case of, e.g., Songailiene et al., 2011; Biggemann and Buttle, 2012; Smals and Smits, 2012).

It is important to note, however, that despite this research being situated within the interpretivist position of the author, some slight deviations from that paradigm related to axiological, methodological and rhetorical assumptions are found useful by this research. Importantly, these assumptions are not tied to the philosophical paradigm, but are rather ones most frequently adopted by researchers with given philosophical stances. For maximising the objectivity of this study, the researcher tries to stay isolated from his own values, while researching the value perceptions from the perspectives of those being researched. Consequently, ‘personal voice’ characterised to the interpretivism is minimised to keep a high degree of the researcher’s objectivity. This perspective resembles the axiological assumption frequently associated with the critical realism paradigm, which can be effectively achieved by the abductive theory building approach.

Also called ‘abductive reasoning,’ the adoption of abductive theory building is considered relevant for this study. This is due to the literature review chapter demonstrating the possibility to build a literature-based preliminary conceptual framework on the studied phenomenon. Accordingly, this study cannot take a purely inductive approach. Also, the body of knowledge in the area of investigation is not extensive enough to apply a purely deductive approach and miss an opportunity for the new findings to emerge – as no evidence can be considered in forming a theory (being the case, e.g. for Purchase et al., 2009; Fiol et al., 2011; Parry et al., 2012; Song et al., 2012). As an alternative approach, abduction considers prior knowledge as ‘concepts of probation’ which needs to be empirically examined without restricting the possibility for new findings to potentially alter and/or complement the existing theory (Price, 2009c). As Gyöngyi and Spens (2005, p. 135) explain, “The abductive approach stems from the insight that most great advances in science neither followed the pattern of pure deduction nor of pure induction.” Sinkovics and Alfoldi (2012, p. 824) clarify that abductive reasoning utilises “(...) existing theoretical explanations to make inferences about data, and accommodating surprising or anomalous patterns by modifying the existing theory, with the ultimate aim of finding the most plausible way to explain what is happening.”

Importantly, as already noted above, the abductive approach normally is not ascribed to the radical interpretivist paradigm. Nevertheless, as Morgan and Smircich

(1980) advocate, there is a possibility to take a more relaxed version of the paradigm (interpretivism), while endowing assumptions typical to the other paradigm (critical realism). Lewis and Grimes (1999) call such phenomenon “metatriangulation” and recommend its use if the researcher considers it acceptable within the positioned paradigm and for the purpose of the study. Such an approach is also closely concerned with what Lewis and Kelemen (2002, p. 265) term “metaparadigm theory building” – which “(...) strives to enhance theorists’ abilities to think paradoxically – to entertain conflicting knowledges simultaneously.” Apparently, the author adopts such flexibility only at the axiological and methodological level of judgment, while keeping the interpretivist orientation with its associated ontological and epistemological positions. Following from the above argument, the next section describes the research design used to conduct this thesis work.

4.2 Designing the Research Process

As defined by Easterby-Smith et al. (2008), a research design is about the overall organisation of the research process which can accommodate the achievement of satisfactory research outcomes in relation to the research aim and objectives. Impacted by the researcher’s philosophical position and guided by the purpose of the research, it focuses on setting the pathway towards collecting and analysing relevant data to “(...) arrive at a solution for the problem that catalyzed the research project” (Sekaran and Bougie, 2009, p. 95). For solving a research problem, a scholar needs to carefully design the research ‘blueprint’ with specific goals and the strategy to solve the problem. For that, the proper match and synthesis between theoretical foundations, philosophical positions (and assumptions), data collection and analysis methods, as well as conclusion drawings needs to be established (Sinkovics and Alfoldi, 2012).

Following the above purpose, this research starts with the literature review on the studied topic (value creation and co-creation in B2B supplier-customer relationships) and identifies the current state of knowledge and the research gap (see Chapter 1). It also accommodates the design of a conceptual framework for further empirical investigation (Bryman and Bell, 2011) to generate “(...) new insight (or supposition) about the event or phenomenon” (Gyöngyi and Spens, 2005, p. 138). Then the

research context and questions for the empirical study are defined (refer back to Chapter 3, starting on page 118).

For accomplishing the aim and objectives of this study (recall section 1.3 starting on page 7), and for answering the research questions, the qualitative research method was considered relevant. As Prasad and Prasad (2002, p. 6) advise, “(...) qualitative research typically refers to methodological approaches that rely on nonquantitative (or nonstatistical) modes of data collection and analysis.” Not only the qualitative research fits the methodological approaches of the interpretivism paradigm (Prasad and Prasad, 2002), but also its application is recommended when the research focuses on exploring people’s perceptions and attitudes (Ticehurst and Veal, 2000; Patton, 2002). Sinkovics and Alfoldi (2012, p. 818) clarify that “(...) qualitative research as a set of interpretive activities (...) [seeks] to understand the situated meaning behind actions and behaviours, and rely heavily on the researcher as a unique interpreter of the data.” It especially fits the investigation of under-researched areas, such as the present research phenomenon (Smals and Smits, 2012). Also, the application of the qualitative research method is advised when the theory exploration and building, rather than solely testing of the theory is intended (Ticehurst and Veal, 2000; Morgan and Smircich, 1980; Gummesson, 2005). This issue is addressed by Emberson and Storey (2006, p. 237), when arguing that for supplier-customer relationship investigations:

“(...) there is a need for research which penetrates below the surface of the large surveys. (...) logically deduced and hypothetically tested models of collaborative buyer-supplier relationships as spelled out in the extant literature are not wrong: rather they are insufficient. Greater attention to how they operate in practice (...) can contribute to more nuanced theory (...).”

The works of, for example, Purchase et al. (2009) is good illustrative examples of quantitative researches’ such limitations. They (ibid.) carried out the literature review on value-creating functions and conducted empirical quantitative testing of the literature findings. Due to the presupposed categories, such an approach could have a negative impact on the respondents’ objective judgements about the perceived values. It could also restrict the potential to discover new functions, as the “(...)

quantitative nature of these models did not allow incorporation of other aspects” (Songailiene et al., 2011, 411).

In contrast to employing purely quantitative methods, other relationship value researchers employ qualitative methods (e.g., Songailiene et al., 2011; Biggemann and Buttle, 2012; Smals and Smits, 2012) and, thus, could come-up with a few new value-creating functions. These were not conceptualised by previous research. Surprisingly, a majority of these qualitative studies take an inductive approach (e.g., Songailiene et al., 2011; Biggemann and Buttle, 2012), even though previous studies could have allowed the development of a preliminary conceptual framework. The lack of considering present literature findings in such studies could result in, what Bryman and Bell (2011) as well as Sekaran and Bougie (2013) call, ‘reinventing the wheel.’ That could also turn into the waste of “(...) efforts on trying to rediscover something that is already known” (Sekaran and Bougie, 2013, p. 50).

This study follows the abductive theory building approach to avoid the above mentioned deficiencies of either purely inductive or purely deductive reasoning. As an outcome, the potential of novel findings could inform the final conceptual framework. Sinkovics and Alfoldi (2012) also believe that the key strength of such an approach in qualitative research is its flexibility to identify and adopt unexpected findings in explaining or framing the theory.

From qualitative research strategies, the tendency of using one of the following can be distinguished: action research, case study, analytic induction, ethnography, grounded theory, observation and phenomenology (e.g., see Saunders et al., 2009c; Ticehurst and Veal, 2000; Thomas, 2004). The brief description of these research strategies are provided in Table 4-2 (starting on the next page), which vertically lists research strategies in alphabetical order. From these, action research, ethnography and observation, even though giving possibility to closely capture the perceptions of the study participants, still cannot be pursued by the researcher due to the time constraints of the PhD. That could limit the potential number of respondents which could be investigated, and reluctance of most firms to grant access to the researcher, could contribute to that as well. A slight exception from these could be unobtrusive observation, even though that could make it impossible to access the organisations and even if so, could be considered unethical (Ticehurst and Veal, 2000; see section

4.4.1 for the research ethics discussion). Also, none of these methods can properly capture (if at all) the observed people’s meanings on a phenomenon of interest for the researcher (Patton, 2002).

Table 4-2 Research Strategies Characterised to the Qualitative Research

Research Strategy	Description
Action Research	Represents “(...) an approach, in which the action researcher and a client collaborate in the diagnosis of a problem and in the development of a solution based on the diagnosis” (Bryman and Bell, 2011, p. 413). It is generally used by integrating business practice with research, or as Thomas (2004, p. 143) argue, it can be seen as “means of integrating social science with social practice.” It also implies that the social phenomenon is changing through the course of the research and the researcher can often be the part of it (Easterby-Smith et al., 2008).
Analytic Induction	Starts with the aim and objectives of the research with present literature-based preliminary theory (theoretical and/or conceptual framework). Generated from that roughly predefined research questions, the researcher contrasts the data with the preliminary theory and keeps revising theory or excluding ‘deviant’ data until no data inconsistent with that modified theory is found (Bryman and Bell, 2011; Sekaran and Bougie, 2013).
Case Study	Implies “(...) the study of an example – a case – of the phenomenon being researched” (Ticehurst and Veal, 2000, p. 50). This research strategy can range from single to a very few cases of “(...) the individual, the group, the organization, the event, or the situation the researcher is interested in. The idea behind a case study is that in order to obtain a clear picture of a problem one must examine the real-life situation from various angles and perspectives using multiple methods of data collection,” including secondary data (Sekaran and Bougie, 2013, p. 103). Data targeted by the case study for further interpretation and analysis can be either qualitative, or both, quantitative and qualitative (Bonoma, 1985; Johnston et al., 1999; Davies and Fitchett, 2005).
Ethnography	Requires the researcher to be ‘immersed’ “(...) in a setting, and become part of the group under study in order to understand the meanings and significances that people give to their behaviour and that of others” (Easterby-Smith et al., 2008, p. 94). Thus, the researcher needs to undertake a long, generally few years fieldwork to ‘live’ “(...) among those being studied, learn their language and observe their day-to-day life” for archieving the task of the ethnography (Thomas, 2004, p. 134).

Research Strategy	Description
Grounded Theory	This research design incorporates the data collection without the theoretical or conceptual framework, or predetermined themes or questions (Price, 2009a; Bryman and Bell, 2011). Theory starts to develop from the collected by the researcher data, by constantly coding and analysing the past and newly collected data against each other and in relation to the derived categories, thus generating new theory. Then, the categories and/or data may needs to be modified until the categories, theories and data fit one-another and theoretical saturation is achieved (Sekaran and Bougie, 2013; Bryman and Bell, 2011).
Observation	Targets to collect data on a phenomenon by observing actions and behaviours of observed people (Sekaran and Bougie, 2013). In nature, it can be obtrusive (the observed people being informed about the observer) and unobtrusive (observed people not being informed about the observer) (Ticehurst and Veal, 2000).

Considering the description in Table 4-2, grounded theory is considered irrelevant for the purpose of this research. Despite its potential to build a theory without any conceptual bases, that is not the purpose of this research. Due to its flexibility to use multiple methods of data collection, the case study strategy could be considered as a powerful mechanism to reach the aim and objectives of this research. However, it would greatly limit the number of firms that could be investigated (due to its complex nature and focus on a very few cases).

The factor which needs to be considered in the choice of the research strategy is the human perceptual nature of relationship value as the key area of investigation. This research focuses on the mono method of *interview-based* data collection from the respondents in the participating firms. According to Sekaran and Bougie (2009, p. 440), interviewing is “A data collection method in which the researcher asks for information verbally from the respondents.” Cameron (2009b, p. 367) offers an overview of some advantages and disadvantages of this method (see Table 4-3 on the next page). With regard to advantages, the notable ones which can obviously contribute to this study are: richness of data, exploration of meaning, various types (characteristics) of data obtained and illustrative quotes to record. The precautions need to be considered in relation to the disadvantages, to gain necessary data, interpret that properly, keep some degree of objectivity and complete the project on time.

Table 4-3 Advantages and Disadvantages of Interviews as a Research Method

Advantages	Disadvantages
<ul style="list-style-type: none"> • Exploration of meaning • Face validity • Flexibility • Illustrative quotes to record • Interactivity • Networking opportunities • Richness of information • Various types of data obtained 	<ul style="list-style-type: none"> • Lack of comparability • Not a simple method • Time-consuming • Sample size is smaller • Susceptible to influence • Scope of misinterpretation

Source: The advantages and disadvantages copied and table adapted from Cameron (2009b, p. 367)

Based on the literature-informed initial conceptual framework (see Figure 2-7 on page 116), the *analytic induction* research strategy could be adopted. It does not restrict the mono method of data collection and is identical to what Sinkovics and Alfoldi (2012, p. 824) label ‘progressive focusing,’ when:

“(…) the researcher starts with a research focus and initial framework derived from the literature (etic questions), but remains strongly open to the possibility of significant modifications to these, driven by emic questions arising from the field. This approach acknowledges the importance of theory and context: It explicitly builds the contextualisation of theory into the research design, and a degree of flexibility in is retained in all parts of the research process.”

This quote reflects the cyclical process between theory and data of the discussed research strategy, involving a dynamic and non-linear progressive interaction between theory and data. Also, if required, it allows progressive refinement of the focus on what is really important and relevant. Notably, constant comparison between theory and data is what both, ‘progressive focusing’ (what the author ascribes to abductive reasoning) and grounded theory have in common. Nevertheless, as Sinkovics and Alfoldi (2012) explain, the progressive focusing takes its bases from the literature review themes, which grounded theory avoids, in order not to internalise the perspectives of other scholars on the studied phenomenon.

Despite its name, analytic induction integrates the abductive reasoning approach when finding data different from prior conceptualisations. Also, from the interview methods, in-depth interview is recommended to study ‘perceived causal inferences’ (i.e., functions and sub-functions which can create and co-create perceived values in B2B supplier-customer relationships), according to Johnston et al. (1999). In this approach, the researcher is able to capture relevant values and attitudes from the perspectives of informants on the investigated issues. That is achieved by a researcher’s focus on the depth of insights gained from the respondents about the studied phenomenon (Johnston et al., 1999; Silverman, 2006; Cameron, 2009b; Yates, 2004). As Miller and Glassner (2011, p. 137) also content, “In-depth interviewing is a particularly useful method for examining social world from the point of view of research participants.”

In relation to the interconnectedness between interview methods and qualitative research, Patton (2002, p. 353) argues that:

“Qualitative inquiry – strategically, philosophically, and therefore, methodologically – aims to minimize the imposition of predetermined responses when gathering data. It follows that questions should be asked in a truly open-ended fashion so people respond in their own words.”

This study adopts such logic and uses semi-structured interviews, similar to Songailiene et al. (2011), rather than the unstructured one. The semi-structured data collection method and its implementation process are described in section 4.4.2 (starting on page 152).

Research methodology studies acknowledge the importance of the appropriate sampling strategy. Scholars argue that selecting proper samples lead the access to more relevant data for the study, while saving time, efforts and expenses for a researcher (Saunders et al., 2009e). Two main judgments need to be made in this regard: (1) how the sample should be selected; and (2) how many samples should be selected (Thomas, 2004). In relation to the first aspect, the qualitative nature and purpose of the study needs to be taken into consideration. As Saunders et al. (2009e, p. 214) claim:

“Probability sampling (or representative sampling) is most commonly associated with survey-based research strategies where you need to make

inferences from your sample about a population to answer your research question(s) or to meet your objectives.”

This research, in contrast, focuses on the insightful and information-rich accounts within the non-positivism paradigm. Thus, there is no intention to generalise findings to a wider population, but to explore a complex research phenomenon at its heart. From the main available nonprobability sampling techniques (see Table 4-4 below), the purposeful sampling, with the focus on *theoretical sampling* (for choosing firms) is adopted. Besides, some degree of the *convenience sampling* strategy is integrated in the theoretical sampling approach – so, within the (potential) theoretical samples, the easily accessible firms can be targeted. The purposeful sampling technique is typically preferred for in-depth investigations within a *homogeneous* context (3PL outsourcing relationships). Such theory-driven approach is appropriate to develop and extend theory (Thomas, 2004; Price, 2009b).

Table 4-4 Characteristics of Non-probability Sampling Designs

Sampling Design	Description	Advantages	Disadvantages
Convenience Sampling	The most easily accessible members are chosen as subjects.	Quick, convenient, less expensive.	Not generalizable at all.
Purposive (Judgment) Sampling	Subjects are selected on the bases of their expertise in the subject investigated.	Sometimes, the only meaningful way to investigate.	Generalisability is questionable; not generalizable to entire population.
Quota Sampling	Subjects are conveniently chosen from targeted groups according to some predetermined number or quota.	Very useful where minority participation in a study is critical.	Not easily generalizable.

Source: Adapted from Sekaran and Bougie (2013, p. 254)

Theoretical sampling is associated with the *constant comparison* technique, when data is collected, coded and analysed and compared against theory and preceding findings. These are the sequential steps of the research. Such sampling-based data collection generally continues until *theoretical saturation* (or *data saturation*) is achieved. This is the criterion by which the number of samples is determined, i.e., it

is the theoretical saturation point, beyond which no substantially new data can be discovered (Price, 2009b; Saunders et al., 2009a). This will be the guiding sampling principle for the analytic induction strategy of this study.

As already mentioned above, conducting an empirical study by in-depth interviews need to understand the meanings respondents ascribe to a study phenomenon (Bryman and Bell, 2011; Easterby-Smith et al., 2008; Thomas, 2004). For that purpose, this research focuses on capturing the ‘static’ or ‘snapshot’ view of the perceived relationship value-creating functions and sub-functions of the respondents (including retrospective, present and future perspectives), at a given point of time. Consequently, the cross-sectional, rather than longitudinal perspective of the empirical study is adopted (Saunders et al., 2009c; Sekaran and Bougie, 2013). Also, such approach makes the research in the context of complex supplier-customer inter-firm relationships manageable (Johnston and Kristal, 2008), let alone suiting the limited timeframe of this PhD research.

In compliance with the research aim and objectives, this empirical study, at a very broad level, looks at one unit of analysis: B2B supplier-customer relationships. Following the discussion in Chapter 3, the 3PL outsourcing relationships will be targeted. To allow the full anonymity of the investigated firms, the ‘quasi’ or non-connected suppliers and buyers are investigated (as in the case of, e.g., Knemeyer and Murphy, 2005). The unit of analysis is underpinned by four main factors: (1) supplier perceived value of customer relationships; (2) customer perceived supplier value; (3) customer perceived value of supplier relationship; and (4) supplier perceived customer value. Moreover, as discussed in the “Literature Review” chapter, the interplay between these factors further informs three outcomes: (1) value co-creation potential for the supplier as beneficiary; (2) value co-creation potential for the customer as beneficiary; and (3) value co-creation potential for both, supplier and customer as mutual beneficiaries. Importantly, the scope of this empirical study does not restrict the perceptions of suppliers and customers to a ‘closed-loop’ supplier-customer dyad (similar to the conceptual framework of this research produced in the Literature Review chapter). Following the position of Edvardsson et al. (2011, p. 332), the supplier-customer relationship value creation and co-creation “(...) takes place in a wider value configuration space because both parties are also

involved in wider networks.” Nevertheless, to avoid biasing the respondents, the perspective of Smith (2013) will be taken. This study allowed a full flexibility to the respondents to independently define boundaries of value perceptions in the relationships with their trading counterparts.

For analysing the collected data, the qualitative content analysis is adopted (Gremler, 2004; Bryman and Bell, 2011). This method focuses on identifying and coding the relevant information-rich textual data into categories and sub-categories (Thomas, 2004; Bryman and Bell, 2011). When discussing the qualitative content analysis, Bryman and Bell (2011, p. 560) refers to *ethnographic content analysis*, but also incorporates the process when “(...) researcher is constantly revisiting the themes or categories that are distilled (...)” from the data. Indeed, while *manifest contents* are easy to understand, for improved objectivity of the coding process of *latent content*, the *hermeneutics* approach (closely resembling the above mentioned ethnographic content analysis) is recommended (Prasad and Prasad, 2002; Thomas, 2004). Bryman and Bell (2011, p. 563) highlight that “The central idea of hermeneutics is that the analyst of a text must seek to bring out meanings of a text from the perspective of its author” (or the respondent, in case of the interview transcripts).

In relation to hermeneutics, one should not miss the important note by Gummesson (2005, p. 311) that “Hermeneutics does not offer a set of rules for the researcher; it is rather a name for a conscious search for meaning and understanding.” As hermeneutics is associated with the interpretivist paradigm, that is perhaps when the literature-based conceptual understanding acquired by the researcher need to be considered in conjunction with the subjective interpretations and values of the researcher to understand the latent content. As validity and reliability issues are paramount for this research, the inter-coder reliability and verification process were also involved, which testifies the objectivity and trustworthiness of the findings. Research validity and reliability will be discussed later in this chapter.

While this section provides the overarching vision of the research design, the next section will outline the procedures involved in the conceptual framework development – representing the theoretical basis of this research.

4.3 Literature-based Construction of the Conceptual Framework

The literature review presented in Chapter 1 focused on theoretical aspects of relationship value creation and co-creation in supplier-customer relationships. Also, their lower order constructs of relationship value-creating functions and sub-functions perceived in supplier-customer relationships were discussed and integrated into the theoretical framework of supplier-customer relationship value creation and co-creation. That framework, together with the other literature findings (e.g., descriptions of value creating functions and sub-functions), guided the empirical investigation by acting as a ‘prelude’ to the empirical work. It informed the rational and content of the interview guide. Appendix 2 (starting on page 349) gives an overview of the structure of interview questions and how these directly relate to the research questions of the present investigation. The literature-informed framework also acted as a base of the empirical data analysis and discussion (see Chapter 5 and Chapter 6 respectively). This is in line with, e.g., Thomas (2004) and Sekaran and Bougie (2013). Having such a critical role, the review was grounded in the rigorous search, analysis and synthesis of the literature.

Easterby-Smith et al. (2008, p. 30) recommend to start research by the literature review, to “(...) discover what is already known about a particular field of study and how this information can help one’s own research.” A broad definition of the literature is proposed by Ellegaard et al. (2014, 186): “(...) a literature is understood as the aggregate collection of writings related to a specific field or topic (...).” With the research aim to *advance the understanding of perceived value and value co-creation in supplier-customer relationships*, the study made emphasis on searching the literature within these areas. The literature search initially started with the following publisher databases: Business Source Complete (EBSCO), Emerald Insight, JSTOR, ProQuest, Sage Journals Online, Science Direct, and Wiley Online Library. The words and phrases applied in different combinations (e.g., “Value Co-creat*” AND Supplier* AND Customer*) for the literature search exercise are provided in Table 4-5 on the next page. The asterisk allows capturing word variations, which can follow the core part of the term (e.g., Co-creat* can produce results for Co-creation, Co-creating, Co-created). These search terms were compiled

by the author's previous knowledge and readings, before the literature review initiation (similar to Ellegaard et al., 2014).

Table 4-5 Words and Phrases Used in the Literature Search

B2B	Customer*	Relationship*
Business-to-business	Dimension*	Seller*
Buyer*	Driver*	Supplier*
Co-creat*	Function*	Value*
Creat*	Provider*	Vendor*

The search outcomes – or ‘literature search hit list’ – were checked for applicability and relevance to this study. Judgment was made whether the identified studies gave the possibility to build knowledge on relevant theories, concepts, definitions and descriptions on the investigated subject. The purpose was not to include the exhaustive list of literature about the topic, but rather the identification of a manageable number of important studies which could fit the purpose of this research (Tranfield et al., 2003; Easterby-Smith et al., 2008). For processing the extensive list of articles (over 5000 articles in total), the titles and abstracts were skim-read first. In case of general suitability, various combinations of the four reading types advised by Thomas (2004) were followed (see Table 4-6 on the next page) and additional evaluations made. For the quality of the studies, the ABS (2010) 4* and 3* were targeted. However, considering the emergent nature and scarcity of value creation and co-creation studies (especially those taking functionalist perspectives), the lower star articles (ABS 2*) were also utilised in a few cases. Easterby-Smith et al. (2008, p. 46) argue that by peer review process (which applies to the publications in ABS listed journals), the “quality of the research and its relevance can be judged and maintained.”

The literature searches were conducted on a monthly basis, which follows the common publication cycle of journal outlets. This rhythm ensured that the researcher did not miss any new relevant publications. The bibliographies of the selected articles were also checked for relevant sources, some of which were also included in the literature review. All of the relevant studies were exported to EndNote software for easing the handling process (e.g., sorting, retrieving, and citing in the dissertation work).

Table 4-6 Four Types of Reading

1. Skim reading: rapid scanning of the entire source.
2. Index reading: using index to locate specific items and reading only the selections referring to those items.
3. Top-and-tailing: reading the introduction and conclusion of the whole work or of each chapter.
4. Study reading: close and repeated reading.

Source: Adopted from Thomas (2004, p. 76).

Alongside with drawing the relevant list of literature, they were read, classified and summarised (with corresponding sources) in separate a Microsoft Word document, each entitled the classification name. This process started to produce the body of knowledge, which could be utilised in producing the initial literature review sections, as well as theoretical and conceptual frameworks. These were enhanced along the course of the research. Considerable attention has been given to the critical and analytical approach towards reporting the knowledge captured from the current literature. The assertion of Easterby-Smith et al. (2008) were followed, that a good literature review should not just stick to reproducing other authors' findings. Rather, it should focus on the critical argument development by contrasting and synthesising various works. Arguably, this can lead to novel perspectives on a phenomenon and identification of a research gap (Tranfield et al., 2003). The same approach were followed by, for example, Möller and Törrönen (2003) and Hald et al. (2009). Their study, even though of conceptual nature, could discuss previous literature, the identified research problem and could offer new perspectives on the relationship value-creating functions. These were, thus, made suitable for empirical examinations. With similar aptitude, this research could contrast and amalgamate various perspectives of present research. Compared to previous studies, this resulted in updated or novel themes and approaches, rigorous descriptions and sophisticated perspectives on the supplier-customer relationship value (co-)creation related body of knowledge and associated frameworks (see Table 4-7 on the next page to recall those areas).

Before finalising the interview protocol for the pilot interviews, the researcher once again examined the current literature to ensure that it covered all important and

up-to-date issues. This systematic process provided the fundament for the sample selection, data collection and analysis, which are addressed below in this chapter.

Table 4-7 Key Themes in the Literature Review

Relationship Value (General/Broad Level).
Supplier-Customer Relationship Value-Creation (General/Broad Level, as well as Functional and Sub-functional Levels in Relation to: a Supplier as Beneficiary and/or a Customer as Beneficiary, and as Perceived Parties).
Relationship Value Co-creation (General/Broad Level, as well as Functional and Sub-functional Levels in Relation to: a Supplier as Beneficiary, a Customer as Beneficiary, and/or Both as Mutual Beneficiaries).
G-D Logic.
S-D logic.
(Extended) RBV Theory.

4.4 Data Collection

4.4.1 Sampling, Gaining Access and Informed Consent

As discussed in all previous chapters and reiterated in this chapter, the study centres on the empirical investigation of relationship value (co-)creation in the context of 3PL outsourcing relationships. Accordingly, the focus is taken on the perceived value-creating functions of providers (suppliers) and buyers (customers) of 3PL services, as well as value co-creation potential between these parties. For the inclusion in the research sample, the guidelines of Ritter and Walter (2012) and Ulaga and Eggert (2005) were followed. A firm (3PL provider or buyer for this study) must have had a key informant on a managerial role, dealing with 3PL providers (if the informant represented a 3PL buyer) or 3PL buyers (if the informant represented a 3PL provider). The informant should have identified a single exemplary mutual beneficiary and long-term oriented B2B relationship with at least one respective trading counterpart (as perceived by that informant). Such combination was important, as only one key informant from each of the participating firms were recruited (similar to, e.g., Ulaga, 2003; Aarikka-Stenroos and Jaakkola, 2012). Considering the perceptions of those key informants as the only source of data, they should have been competent to discuss various value creating functions

and sub-functions between their organisation and its counterpart firm. Also, the strategy to approach ‘prominent’ or ‘leading’ firms for participation was taken. This decision was enacted with the assumption that the ‘logic’ of these firms with their key B2B counterparts were on the way of transformation, or had been already transformed from a G-D to a S-D one (Töytäri et al., 2015).

Gaining access to the participating firms was expected to be challenging. That was assumed mainly due to the ‘gatekeeping’ nature of some businesses (once the message does not get delivered to the required level), and lack of time or not sufficient interest of the firms and potential key informants to take part in this study. Considering these potential barriers, the author designed information sheets, which integrated a clear and elaborate consent form. Depending on the position of the dyad, the wording of the documents differed to capture the buying or supplying firm perspective. Bryman and Bell (2011, p. 473) provide advice that “(...) it is particularly important to structure a request for interview in a way that is most likely to lead to a favourable response,” especially, if senior managers need to be interviewed. The potential time constraints characterised to the businesses were also considered – the potential participants were advised about the adequate time one would expect to spend for the interview (one hour on average per respondent). From the personal acumen of the researcher, the general “Participant Information Sheet” produced in Appendix 1 is appropriate for inviting the participants for this research.

Following the theoretical sampling design, the firms were selected based on their expected contributions to the purpose of this study. Also, the convenience aspect for the researcher played some role, as few of the respondent firms were approached and access granted through personal contacts (even though, that did not conflict the theoretical sampling rigour). In the majority of cases, the potentially suitable respondents were identified on 3PL trade shows, as well as via online business network platforms and the researcher’s personal knowledge of some prominent 3PL provider and buyer firms in Continental Europe. The researcher sent seventy invites to thirty-five 3PL providers and thirty-five to 3PL buyers to take part in this study. From the sent invites, twenty-two positive responses from 3PL providers (62.86% response rate) and twenty-one from 3PL buyers (60% rate) were received. Overall, this represents a 61.43% combined response rate.

The ethical considerations have been carefully taken into account for this research. As Ticehurst and Veal (2000, p. 51) argue, “Ethical behaviour is important in research as in any other fields of human activity. In relation to this kind of research (social sciences), five important ethical considerations were taken: (1) informed consent; (2) free choice; (3) confidentiality/anonymity; and (4) safety of the investigated subject (key informant); and (5) avoiding the purposeful misinterpretation of the data (e.g., Ticehurst and Veal, 2000; Bryman and Bell, 2011; Sekaran and Bougie, 2013). To act ethically, the researcher communicated the following to the participating firms/key informants in writing:

- (1) The nature of this research, expected input of the key informants/participating firm, intended audio recording of the interview and expected outcome of this research (hence, addressing the *informed consent* part of ethics);
- (2) That the participation in this study is absolutely voluntary and that the respondent can withdraw from the interview at any time (hence, addressing the *free choice* part of ethics); Telephone (or Skype) interviews were arranged in most of the cases.
- (3) That the source of the data (i.e., key informant/participating firm/any other staff members involved by any means) and the names of the discussed by the respondent trading counterpart will be anonymised (hence, addressing the *confidentiality/anonymity* part of ethics). Not to endanger confidentiality of the research participants in any way, the author did not include any of the full interview transcripts in this thesis (as a sample interview). Revealing a full conversation to the third parties could make the participants identifiable (as captured from Bryman and Bell, 2011), which must be avoided.

These ethics related points were repeated at the beginning of each interview. These messages were captured by audio recordings, respective to each participant.

In addition to addressing the three aspects of ethics, the key informants were also given flexibility to choose the interview location and time. They also were not forced to be “(...) exposed to situations where they could be subject to physical or mental harm” (Sekaran and Bougie, 2013, p. 163), thus, addressing the *safety* aspect of ethics. Finally, the interpretations of the data and its reporting were based on the careful judgment of the researcher (employing the *hermeneutic* approach to data

analysis) and other objective measures (i.e., literature-based judgment on the findings and inter-coder reliability procedure). These were useful to minimise the bias of the researcher to be guided by his own values which, according to Sekaran and Bougie (2013), is often characteristic in the interpretivism paradigm-based qualitative research. Careful attention was taken not to misinterpret any data; thus, addressing the *avoidance of purposeful misinterpretation* part of ethics. Due to these considerations of the researcher, no ethics issues were raised by any of the participating firms and key informants.

The interviews were conducted during the course of four months. The data saturation, with enough representative quotes to include in this study, was reached after conducting the interviews with sixteen providers and sixteen customers (this point will be discussed later). At that point, the data collection process for the purpose of this dissertation ceased. All findings were utilised in this study. The interview process followed a rigorous process and strategy, which are explained next.

4.4.2 In-depth Semi-structured Interviews

Conducting in-depth interviews, as previously highlighted in this section, are one of the most powerful methods of data collection in qualitative research. As Ticehurst and Veal (2000) contend, the in-depth interviews are characterised as a lengthy inquiry, targeting on the in-depth understanding of the researched phenomenon. From its structure, the in-depth interviews are associated with semi-structured or unstructured interviews, as the fully structured interview factually fulfils the questionnaire role administered by the interviewer (Patton, 2002; Cameron, 2009b). As already mentioned in section 4.2 (starting on page 136), taking into account the literature-based pre-defined themes of concern, the semi-structured interview method is preferred over the highly structured and non-structured ones.

In relation to conducting interviews, Patton (2002) emphasises the need for the interviewer to understand possible interview types with their advantages and disadvantages. He recommends applying this knowledge by combining various interview approaches, based on specific circumstances:

“This combined strategy offers the interviewer flexibility in probing and in determining when it is appropriate to explore certain subjects in greater depth, or even to pose questions about new areas of inquiry that were not originally anticipated in the interview instrument’s development” (ibid., p. 347).

Such flexible interview method was considered appropriate for this research – considering the abductive reasoning that underpins it.

From the non-fixed-response interviews, the researchers usually consider three main interview methods when conducting qualitative research: (1) open-ended unstructured/conversation interview; (2) guided semi-structured open-ended interview; and (3) standardised open-ended interview (e.g., Patton, 2002; Yates, 2004). These are briefly summarised, with advantages and disadvantages, in Table 4-8. It demonstrates that *guided semi-structured open-ended interview* is the most appropriate method for fulfilling the purpose of this study. That is also in line with the interpretivist philosophical stance with its ontological and epistemological positions of the researcher. This interview method allows to follow the predefine themes. Moreover, the method of ‘open-ended interview questions’ considers that:

“(…) questions may need to be worded differently for different respondents if they are to have the same meaning for all respondents, and that the order in which questions are presented should depend on the specific context of each interviewer-respondent interaction. The schedule therefore consists of set of topics and sub-topics about which information is thought. It is up to the interviewer to word specific questions and to manage the order of introduction of topics during the interview itself” (Thomas, 2004, pp. 164-165).

This type of semi-structured interview is based on the interview guide (or interview protocol). It does not incorporate the standard questions and strict interview structure, which need to be followed. Here, the remark made by Cameron (2009b, p. 373) adds precision:

“Although you [the researcher] will not be working to a rigid interview schedule, it makes clarity to develop an interview guide for a semi-structured interview. This guide will act as a memory prompt and ensure that you cover all the areas you intend.”

Bryman and Bell (2011, p. 473) also assert that an open-ended semi-structured interview guide should contain mildly structured issues, questions and prompts, which need to be addressed during the interview. Not to forget, the guided semi-structured open-ended interview method does not exclude the flexibility to incorporate the new insights from the interviews, if those are relevant for the study (see Table 4-8 starting on the next page).

Appendix 2 (starting on page 349) represents the guide of the semi-structured open-ended interview utilised in this study. During the production of the interview guide, three main stages were considered: (1) the introductory stage; (2) the main study stage; and (3) the finalising stage. The *introductory part* of the interview guide was developed based on the propositions of various scholars to show the appreciation to the interview participant, as well as build rapport and trust (e.g., Pole and Lampard, 2002; Thomas, 2004; Yates, 2004; Easterby-Smith et al., 2008). Key informants were informed about their rights (including anonymity), and the researcher made sure that they are aware about the study topic and their nature of involvement.

Table 4-8 Describing Types of Interviews

Types of Interviews	Characteristics	Strength	Weakness
Open-ended Unstructured/Conversation Interview	The interviewer enters the interview setting with no predefined questions or wordings or presupposed answers; it starts with some loosely pre-defined preliminary issues, and the questions emerge through the course of the interview (deepening on the emergence of the themes which the interviewer considers worthy to explore further (Patton, 2002; Fontana and Frey, 2005; Bryman and Bell, 2011; Sekaran and Bougie, 2013).	Appropriate for the research with low level of pre-supposed themes and ideas; it “Increases the salience and relevance of questions” (Patton, 2002, p. 349); a researcher has full flexibility to identify the important aspects which can emerge from the course of the interview and generate questions accordingly (Thomas, 2004; Fontana and Frey, 2005); the “Interviewee is not constrained by the interviewer’s pre-existing mindset” (Cameron, 2009b, p. 372).	High theme variance among respondents; may have a very low degree of generalisability and comparability; There is a potential for the interviewer to completely deviate from the main theme of research. The data management and analysis can be quite challenging; the interview is not systematised and analysis process may have low level of rigour (Cameron, 2009b; Bryman and Bell, 2011).
Guided Semi-structured Open-ended Interview	“The researcher has list of questions [outlined] on fairly specific topic to be covered, often referred to as interview guide, but the interviewee has a great deal of leeway in how to reply. Questions may not follow on exactly in the way outlined on the schedule” (Bryman and Bell, 2011, p. 467), thus, the “interviewer decides sequence and wording of questions in the course of the interview” (Patton, 2002, p. 349). Questions which the guide may not	The predefined outline of questions and themes help the researcher to make sure that the limited time for the interview are utilised optimally, all intended themes can be covered, and gaps addressed (Patton, 2002, p. 349). The interview is pretty open, flexible, conversational and situational (Patton, 2002; Cameron, 2009b). The interviewer and interviewee have some degree of freedom to have broader discussion rather than following strictly	“Important and salient topic may be inadvertently omitted. Interviewer flexibility in sequencing and wording questions can result in substantially different responses from different perspectives, thus reducing the comparability of responses” (Patton, 2002, p. 349).

Types of Interviews	Characteristics	Strength	Weakness
	include, but which can becoming relevant though the course of the interview, can be posed by the interviewer during the interview (Bryman and Bell, 2011).	defined limited set of questions (Easterby-Smith et al., 2008). In parallel, it does not allow to lose the main focus of the research, as could be the case for the unstructured open-ended interviews (Bryman and Bell, 2011). It also contains some degree of generalisability and comparability, and can be slightly easier to analyse than entirely unstructured interview (Cameron, 2009b)	
Standardised Open-ended Interview	“The exact wording and sequence of questions are determined in advance. All interviewees are asked the same basic questions in the same order. Questions are worded in completely open-ended format” (Patton, 2002, p. 349).	“Respondents answer the same questions, thus increase the comparability of responses; data are complete for each person on the topics addressed in the interview. Reduces interviewer effects and bias when several interviewers. Permits evaluation users to see and review the instrumentation used in the evaluation. Facilitates organization and analysis of the data” (Patton, 2002, p. 349).	“Little flexibility in relating the interview to particular individuals and circumstances; standardized wording of questions may constrain and limit naturalness and relevance of questions and answers” (Patton, 2002, p. 349).

As for the *main study stage* of the interview guide, each respondent was repeated about the selection criteria of their respective B2B trading counterpart for the purpose of the interview (see the section entitled “Base guideline” in the interview protocol). As already highlighted above, the research questions of this study (outlined in section 3.4 starting on page 124) were considered as the key themes. Then, the open-ended questions addressing those themes were designed in a way to gain rich data and in-depth insight of the interviewees (see corresponding column in Appendix 2). Applying semi-structured open ended interviews with the key informants, Songailiene et al. (2011, p. 395) argue that the researcher needs to give respondents freedom to speak in their own words, “(...) rather than prompt them with specific drivers and dimensions of value, if a deeper understanding (...) [is] to be gained of how value perceptions are formed in practice.” Thus, the researcher was determined to avoid altering the perceptions of the interviewees or ‘biasing’ their answers in any way. To achieve that, the researcher acted as the ‘neutral facilitator’ rather than the ‘pathfinder’ to the interviews. As part of this strategy, the researcher was careful not to approve, disapprove or suggest answers to respondents (as advised by Ticehurst and Veal, 2000). In accordance with these considerations, the researcher was flexible to carefully shape, pose and expand the open-ended interview questions to gain a thorough understanding of the key informant’s perspectives. As already noted in this chapter, the open-ended questions were not necessarily worded in a similar way during interviews for the conversation flow of the interview. Also, as Pole and Lampard (2002) argue, the “Questions should be posed in language which will be fully understood by the interviewees.” This reasoning also constituted the practice of the wording variations by the researcher during the interview. Such tactics were preferred over the more structured approach to data collection of asking interview questions with possible answers (or the questions to be so detailed that it implies ‘yes or no’ answers). These could potentially bias the interviewees and their responses.

In the main study stage of the interview guide, the consideration was given also to the checklists of the literature-based value-creating functions and sub-functions (see corresponding column in Appendix 2). As was discussed above and also falls within the argument of Easterby-Smith et al. (2008, p. 143): “Although there may be some

deviation from the sequence [in guide-based semi-structured interviews] in order to follow interesting lines of inquiry and to facilitate an unbroken discussion, the interviewer should attempt to cover all the issues (...)” targeted. For that purpose, the checklists were done separately for the supplier (3PL provider) and the customer (3PL buyer) participants. Those were derived from the literature-based conceptualisations and correspond to the supplier and customer perceived values. For the quick reference (and also for the coding/categorisation process – see sections 4.5.2 and 4.5.3 for details), the general definitions of all literature-based value-creating functions and sub-functions were summarised in advance, i.e., before the start of the interviews (see Table 4-11 starting on page 164). Following the same line of argument, the focus was made on the variability of questions on study themes to capture the in-depth understanding of the investigated issues. At the same time, notes were taken in order to, probe deeper, and to clarify responses if ambiguous (following the recommendations by, e.g., Pole and Lampard, 2002; Yates, 2004). These aspects are reflected in the interview guide document.

At the end (*finalising stage*) of the interview, there was the opportunity for the interviewer and the respondent to ask any additional questions which could emerge during the interview process (including the questions on the follow up contacts). Upon completion of the interview, the researcher thanked the key informant for taking part in the study.

The interview guide was pretested separately with one provider and one buyer of 3PL services. This exercise assisted the researcher to confirm the relevance of the study topic as well as the appropriateness of the interview guide (Easterby-Smith et al., 2008). The results were included in the data analysis, given that the interview protocol was appropriate to the research context and the purpose of the study at hand.

The codes of the participating firms, the base countries of the key informants and the lengths of the interviews are provided in Table 4-9 (see next page) and Table 4-10 (see page 160). Importantly, as will be informed in “Research Limitations and Future Research” section (starting on page 321), the analysis of the findings in relation to such characteristics as, for example, the base countries of key informants and lengths of the interviews, falls outside the scope of this research. Outside that, Table 4-9 and Table 4-10 reflect fairly similar time spent in total for the supplier and

customer participants (1276 minutes and 1244 respectively), with an average of 79.75 minutes per supplier participant and 77.75 minutes per customer respondent.

As previously mentioned, the theoretical saturation point defined the number of interviews. The researcher needs to be cautious not to cease the data collection until the saturation point is reached, as there is no single rule about the number of required interviews to reach the saturation point. At that point, the data analysis is considered to derive no new finding (e.g., Smals and Smits, 2012). The next section will discuss the methods and process of analysing the collected empirical data.

Table 4-9 Details of the Interviews with 3PL Providers

Participating 3PL Provider (Supplier)	Identifier Code	Base Country of Respondent	Interview Length (Minutes)	Trading Counterpart (3PL Buyer)
SUPA	17	Georgia	80	SUPACUS
SUPB	18	Georgia	55	SUPBCUS
SUPC	19	United Kingdom	131	SUPCCUS
SUPD	20	Belgium	71	SUPDCUS
SUPE	21	United Kingdom	64	SUPECUS
SUPF	22	Switzerland	90	SUPFCUS
SUPG	23	Switzerland	108	SUPGCUS
SUPH	24	Sweden	97	SUPHCUS
SUPI	25	United Kingdom	45	SUPICUS
SUPJ	26	Sweden	98	SUPJCUS
SUPK	27	United Kingdom	69	SUPKCUS
SUPL	28	United Kingdom	64	SUPLCUS
SUPM	29	Estonia	79	SUPMCUS
SUPN	30	Sweden	92	SUPNCUS
SUPO	31	United Kingdom	74	SUPOCUS
SUPP	32	United Kingdom	59	SUPPCUS
Total Length of Interviews (Minutes)			1276 (21 hours and 16 minutes)	
Average Interview Length per Respondent (Minutes)			79.75 (1 hour and 19.75 minutes)	

Table 4-10 Details of the Interviews with 3PL Buyers

Participating 3PL Buyer (Customer)	Identifier Code	Base Country of Respondent	Interview Length (Minutes)	Trading Counterpart (3PL Provider)
CUSA	1	Georgia	50	CUSASUP
CUSB	2	United Kingdom	30	CUSBSUP
CUSC	3	Italy	96	CUSCSUP
CUSD	4	United Kingdom	57	CUSDSUP
CUSE	5	United Kingdom	81	CUSESUP
CUSF	6	Sweden	67	CUSFSUP
CUSG	7	Norway	120	CUSGSUP
CUSH	8	Switzerland	112	CUSHSUP
CUSI	9	France	101	CUSISUP
CUSJ	10	United Kingdom	55	CUSJSUP
CUSK	11	Rumania	75	CUSKSUP
CUSL	12	Sweden	98	CUSLSUP
CUSM	13	United Kingdom	70	CUSMSUP
CUSN	14	United Kingdom	67	CUSNSUP
CUSO	15	Italy	95	CUSOSUP
CUSP	16	United Kingdom	70	CUSPSUP
Total Length of Interviews (Minutes)			1244 (20 hours and 44 minutes)	
Average Interview Length per Respondent (Minutes)			77.75 (1 hour and 17.75 minutes)	

4.5 Qualitative Data Analysis

4.5.1 Justifying the Approach(es) to Qualitative Data Analysis

As mentioned earlier in this chapter, the emergence of qualitative research and interpretive type of data analysis is associated with the confirmatory nature of conventional quantitative research and certain limitations of the positivist philosophical stance. As Sandberg (2005, p. 42) noticed, the “Advocates of interpretive approaches claim that those methodological procedures and claims for objective knowledge have significant theoretical limitations for advancing our understanding of human and organizational phenomena.” According to Prasad and

Prasad (2002), this can be a case if the researcher remains completely neutral and separates from the object of an empirical investigation.

As a solution to quantitative methodology and the positivist stance, the interpretivist paradigm with its constructionism epistemology enables the study to 'dive' into the social phenomena of human perceptions (Sandberg, 2005). In this way, the researcher can explain or explore "(...) parts of a comprehensive picture, of how they bracket off selected aspects of the subject of social inquiry" (Weaver and Gioia, 1994, p. 581). That is within the tradition of interpretivist inquiry with its hermeneutic type of qualitative data analysis, which focuses on the understanding of social life from the associated actors' perspectives (Weaver and Gioia, 1994; Woodside et al., 2005). Also, as discussed above, data collected through the in-depth interviews with its rich data can facilitate the interpretation of the actors' perspectives on the studied phenomenon, which is the intention of this research.

Importantly, Bryman and Bell (2011) agree that richness of the qualitative data is not a panacea per se. Rather, they advise the researcher to employ a rigorous analytical mechanism to enable the data management and its proper interpretation. Consequently, the scholar should avoid simplistic judgment on the data, and rather strive to uncover the complexities which can lie behind those data. This is also a promising strategy to reach a conceptually dense understanding of the studied phenomenon (Strauss, 2004). For that purpose, the four main approaches recommended for the in-depth interview-based data analysis were considered: (1) content analysis; (2) discourse analysis; (3) hermeneutics; and (4) narrative analysis (Thomas, 2004; Easterby-Smith et al., 2008; Bryman and Bell, 2011; Sekaran and Bougie, 2013). As discussed in section 4.2 (starting on page 136), hermeneutics were considered as an appropriate approach to data analysis, integrating the elements of qualitative content analysis. Its role has been recognised in the "(...) reflective analysis of autonomous text[s] (...)" (Woodside et al., 2005, p. 365) to qualitatively analyse a research participant's perspectives of what they report (Patton, 2002). Sandberg (2005) also recognises its effectiveness as the qualitative data analysis tool and calls it a tool for 'coherent interpretations.'

Despite the applicability of this analysis method for the purpose of this study, the alternative approaches were also considered. For example, once judging the use of

content analysis, its quantitative approach were disregarded (e.g., see Ticehurst and Veal, 2000; Thomas, 2004). The remark made by Krippendorff (2004, p. 87) can be informative while taking such decision: “Using numbers instead of verbal categories or counting instead of listing quotes is merely convenient; it is not a requirement for obtaining valid answers to a research question.” Bryman and Bell (2011, p. 308) also contend that “The emphasis in content analysis on measurement can easily and unwittingly result in accent being placed on what is measurable rather than on what is significant or important.” If one considers discourse analysis, it goes beyond single accounts of textual data as the representation of research categories (Bryman and Bell, 2011; Easterby-Smith et al., 2008; Thomas, 2004). Also, it has been related to multisource empirical data research for understanding the broader social context of the studied phenomenon (Easterby-Smith et al., 2008), which more fits to the critical realist stance and/or case study research rather than the data collection methods employed in this study. Also, involving interviewer and interviewee discourse as a representation of the phenomenon (as the discourse analysis approach method involves), it would be impossible to represent all identified categories (and subcategories) by relevant quotes (considering the word limits of the dissertation and large number of expected categories/sub-categories).

Careful consideration was given also to the narrative analysis approach. It can be described as “(...) the analysis of how people describe or account for events, real or imagined, often referred to as the telling stories” (Easterby-Smith et al., 2008, p. 182). Similar to the hermeneutics approach, it is recognised as an effective approach for “(...) understanding lived experience and perceptions of experience” (Patton, 2002, p. 115). This method is concerned with narrative data often collected through the (in-depth) interviews and looks for certain incidents embedded in the context of a larger story. As Sekaran and Bougie (2013, p. 352) claim, the narrative analysis “(...) process of temporal order, for instance by eliciting information about the antecedents and consequences of a certain incident in order to relate this incident to other incidents.” In relation to this consideration, Saunders et al. (2009a) noticed that the proponents of narrative analysis often critic the practice of splitting data into categories for analysing and reporting, as it could fragment the overall integrity of the narrative. This is accepted practice for qualitative content and hermeneutic

analysis, however. Still, the consideration were given to Bryman and Bell's (2011, p. 531) following note:

“(…) most approaches to the collection and analysis of data neglect the fact that people perceive their lives in terms of continuity and process, and that attempts to understand social life that are not attuned to this feature neglect the perspectives of those studied.”

When considering narrative analysis method, the primary intention of this qualitative empirical study, to gain an understanding of a studied phenomenon from the research participants' perspectives, was accounted. The decision was made to adapt the narrative analysis method to the hermeneutics data analysis method of this study. As a consequence of this integrated approach to data analysis, the fragments from key informants' responses (illustrative quotations), were placed in the contexts of relevant narratives. The exception from this rule was made only for the self-explanatory quotes. For extra clarity, the part(s) of the text passages, which illustrated certain ascribed categories (and subcategories), were underlined (see Chapter 5 starting on page 190). In such a way, hermeneutics and narrative analysis approaches acted as complementary, rather than conflicting methods of data analysis. This combinative approach is identical to some of the relationship value related qualitative studies (e.g., Biggemann and Buttle, 2012; Smals and Smits, 2012).

The following section describes the process of data analysis, which contributed to the production of “Analysis of Empirical Findings” chapter (Chapter 5).

4.5.2 Data Analysis Process - Preliminary Stage of 'Progressive Focusing'

The data analysis started from the first instances of data collection. Following the analytic induction strategy, the interplay between deductive and inductive approaches (or abductive reasoning) of theory building was utilised (Bryman and Bell, 2011). For the former, the conceptual framework and corresponding literature-based constructs (categories/value-creating functions and sub-categories/the sub-functions) and their definitions were employed (see Table 4-11 starting on the next page, for the final list of the literature-based constructs and definitions adopted in this study). Corroborating this point, Pole and Lampard (2002, p. 204) stress:

“By conceptual framework we refer to a way of making sense of the data which takes us [researchers] from the particular events or instances which constitute the data, to a broader understanding of the phenomena which constitute the focal point of the research.”

Table 4-11 Literature-based Constructs (Categories/Value-creating Functions and Sub-categories/Sub-functions)

Value-creating Functions and Sub-functions	Definitions	Notes	Related Sections of the “Literature Review” Chapter
Access	Gaining access to the new and potentially useful other actors outside the given supplier-customer dyad.	Excludes the beneficiary’s improved access to the potential customer or supplier due to the purely reference or referral impact of the trading partner.	2.4.3.1
Cost Reduction	Reducing joint total costs of the beneficiary.	Excludes the non-financially expressed costs, which is covered by the Non-monetary Efficiency value-creating function.	2.4.3.2
Low Process Cost	Achieving cost-efficient business operations by the beneficiary.	Excludes the non-financially expressed costs, which is covered by the Non-monetary Efficiency value-creating function.	2.4.3.2
Low Purchasing Price	The beneficiary getting a low purchasing price on the purchased product.		2.4.3.2
Counterpart’s (Supplier’s/ Customer’s) Expertise/Knowhow	The counterpart’s knowledge and skills in the particular area of interest for the beneficiary.		2.4.3.3
Flexibility	The counterpart’s flexibility in accommodating the unforeseen needs and requests of the beneficiary.	Being identified only in relation to the supplier as beneficiary.	2.4.2.1
Growth	A positive change in the beneficiary’s volume of sales to its customer.	Being identified only in relation to the supplier as beneficiary.	2.4.1.1

Value-creating Functions and Sub-functions	Definitions	Notes	Related Sections of the “Literature Review” Chapter
Intra-dyadic Sales Volume Growth	The same as the Growth function definition.	Being identified only in relation to the supplier as beneficiary.	2.4.1.1
Innovation	Adding innovation to the beneficiary’s business activity.	This does not include the creative or innovative ideas gained as a result of the relationship, if the ideas of the trading counterpart are not reflected into the beneficiary’s innovativeness.	2.4.2.2 and 2.4.3.4
Existing Process Improvement	Improving the existing business process of the beneficiary.	Does not include the existing process improvement which directly affects and/or is associated to the new product development, and/or existing product improvement. Those are rather covered by the New Product Development and Existing Product Improvement sub-functions, respectively.	2.4.2.2 and 2.4.3.4
Existing Product Improvement	Improving the existing product of the beneficiary.	The focus is on the quality and functionality improvements of the customer’s product.	2.4.2.2 and 2.4.3.4
New Process Development	Developing the new business process of the beneficiary.	Does not include the new process development which directly affects or is associated to the new product development or the existing product improvement. Those are rather covered by the New Product Development and Existing Product Improvement functions, respectively.	2.4.2.2 and 2.4.3.4
New Product Development	Developing a new product of the beneficiary.		2.4.2.2 and 2.4.3.4

Value-creating Functions and Sub-functions	Definitions	Notes	Related Sections of the “Literature Review” Chapter
Supplier’s Improved Product	Getting/purchasing an improved product by the beneficiary.	Being identified only in relation to the customer as beneficiary. The focus is on the quality and functionality improvements of the supplier’s product.	2.4.2.2 and 2.4.3.4
Supplier’s New Product	Getting/purchasing a new product by the beneficiary.	Being identified only in relation to the customer as beneficiary.	2.4.2.2 and 2.4.3.4
Knowledge	Attaining useful knowledge by the beneficiary from its trading counterpart.		2.4.3.5
Experience-based Knowledge	Attaining useful knowledge by the beneficiary through the working experience with the trading counterpart.		2.4.3.5
Information Communication-based Knowledge	The beneficiary receiving critical information from its trading counterpart, which can add to the beneficiary’s pull of useful knowledge.	Does not concern the information communication in relation to solving some particular problem for the beneficiary, as that is covered by Problem Solving function.	2.4.3.5
Long-term Planning	The relationship with the trading counterpart contributing to the beneficiary to improve its time horizon to envision and plan a certain business activity of interest.		2.4.3.6
Market	The possibility for the beneficiary to improve its image, reputation and/or credibility by being associated with its trading counterpart, which has a good status, image and reputation.		2.4.3.7
Reference	The beneficiary improving its image, reputation and/or credibility by promoting itself by the reference effect of working with its trading counterpart, which has a good status, image and reputation.	The beneficiary plays a more active role than the trading counterpart.	2.4.3.7

Value-creating Functions and Sub-functions	Definitions	Notes	Related Sections of the “Literature Review” Chapter
Referral	The beneficiary having the possibility to improve its image, reputation and/or credibility by being promoted through the positive referral and/or reference made by its trading counterpart which has a good status, image and reputation.	The trading counterpart plays a more active role than the beneficiary.	2.4.3.7
Motivation	The trading counterpart inspiring the actions of the beneficiary with the overall positive outcome of these actions for the beneficiary.		2.4.3.8
Extrinsic Motivation	The beneficiary’s action being driven by the external expected benefit or reward.		2.4.3.8
Intrinsic Motivation	The beneficiary’s actions being driven by the self-satisfaction and self-enjoyment purposes.		2.4.3.8
Multiplicity of Services	The multiplicity of services a customer has available from its supplier.	Being identified only in relation to the customer as beneficiary.	2.4.2.3
Non-monetary Efficiency	The production of certain output by the beneficiary with less non-monetary input as a result of the beneficiary’s relationship with its trading counterpart.		2.4.3.9
Payment Flexibility	The flexible payment method the beneficiary has available from its trading counterpart.	Being identified only in relation to the customer as beneficiary.	2.4.2.4
Profit	The beneficiary having the possibility to earn profits from its trading counterpart.	Being identified only in relation to the supplier as beneficiary.	2.4.1.2
Product Quality	The beneficiary getting from its trading counterpart the product with characteristics which meet the beneficiary’s interests.	Being identified only in relation to the customer as beneficiary.	2.4.2.5

Value-creating Functions and Sub-functions	Definitions	Notes	Related Sections of the “Literature Review” Chapter
Relational	The beneficiary’s positive evaluation of the overall relationship and/or its characteristics in place with its trading counterpart, including the emotional and relational bonds the beneficiary perceives from the counterpart.		2.4.3.10
Benevolence	The trading counterpart’s genuine interest to contribute to the welfare of the beneficiary, especially if that contribution intention goes beyond the one(s) set by the contract between these parties.		2.4.3.10
Credibility/Reliability	The beneficiary’s perception that its trading counterpart’s commitments, written statements, promises and/or words are reliable and can be fulfilled.		2.4.3.10
Integrity	The trading counterpart’s adherence to the desirable/acceptable by the beneficiary principles.		2.4.3.10
Interpersonal Relationship	The beneficiary valuing the established personal relationships and/or personal acquaintances between its own and its trading counterpart’s staff members.		2.4.3.10
Long-term Relationship/Retention	The possibility for the beneficiary to have a long-term relationship with and/or retain this with its trading counterpart.		2.4.3.10
Open Relationship	The beneficiary valuing open and transparent communication with or from its trading counterpart.		2.4.3.10
Personal	The positive emotional state the beneficiary experiences by the relationship with its trading counterpart.		2.4.3.10

Value-creating Functions and Sub-functions	Definitions	Notes	Related Sections of the “Literature Review” Chapter
Trustful Relationship	The beneficiary’s confidence that its trading counterpart will not exploit the beneficiary’s vulnerabilities; and/or the beneficiary’s perception of trust towards its counterpart in a more general level (rather than in the case of the Credibility/Reliability value-creating function).		2.4.3.10
Safeguard	The beneficiary’s reliance on the counterpart’s support, if the beneficiary encounters complications or difficulties with similar to its counterpart type of other actors (i.e., other suppliers or customers) outside the supplier-customer dyad.		2.4.3.11
Symbolic	The possibility for the trading counterpart’s brand and/or its product to generate the beneficiary’s feeling of exclusiveness and/or improved social status.		2.4.2.6
Time Compression	The possibility for the customer to achieve a high speed of market responsiveness by support from its supplier.	Does not include the high speed of responsiveness to unforeseen circumstances, which is covered by the Flexibility function.	2.4.2.7
Value-added Service	The beneficiary receiving useful additional service which the trading counterpart provides alongside with its core product offering, and which has or has no direct connection to that core product.		2.4.2.8
Volume	The volume of business being handled by the supplier for a customer.		2.4.3.12

Legend to Table 4-11:

1. The value-creating functions are written in colour coded background;
2. The sub-functions (when applicable) are produced below the corresponding functions;

3. All of the provided definitions imply the trading counterpart's support for the mentioned benefit for beneficiary (whether this aspect is mentioned or not).³ This rule applies also to Table 4-12 (starting on page 172).

In comparison, the induction process involved the identification of data, which could contribute to the new categories and sub-categories, falling outside the pre-defined conceptual framework (Sinkovics and Alfoldi, 2012). With abductive reasoning and progressive focusing (as discussed above), the researcher contrasted the data with the existing conceptual framework. This procedure led to changes towards the updated conceptual framework version (as reflected in Chapter 6 starting on page 280).

Data analysis was underpinned by a coding process, what Sekaran and Bougie (2013, p. 337) describe as the "(...) analytic process through which the qualitative data that you [the researcher] have gathered are reduced, rearranged, and integrated to form theory." In codes, they imply the "(...) labels given to unit of text which are later grouped and turned into categories" (ibid, p. 339). In relation to the term categorisation, the authors describe it as "(...) the process of organising, arranging, and classifying coding units" (ibid., p. 340).

For the purpose of data reduction, the researcher followed the pattern-matching processes (through coding, classification and categorisation). These processes were targeted on identifying common themes and sub-themes in the data, grouping them and comparing those to the conceptualised theory (Perry, 1998; Thomas, 2004). Hence, the *hermeneutic cycle of patter-matching* proposed by Sandberg's (2005, p. 55) were considered:

"(...) [data] interpretation is constituted by a circular relation between parts and whole. For example, a text can be understood only in relation to its parts and, conversely, the parts can be understood only in relation to the text as a whole. Hence, striving for coherence means that the parts of a text must fit the whole and the whole must fit the parts."

This approach also closely resembles the integrated approach on looking at textual data and capturing meaning of particular sentences or phrases in the context of

³ For example, Access value-creating function is defined as "Gaining access to the new and potentially useful other actors outside the given supplier-customer dyad." This implies the trading counterpart's contribution towards the fulfilment of this function for the beneficiary.

broader narratives (characteristic for the narrative analysis, as discussed above). In such a way, it was expected to generate an in-depth understanding of the value-creating categories (functions and sub-functions) and assign those to the respective parties (considering supplier and/or customer as beneficiaries). The patterns were looked also for those categories, which were conceptualised through the literature review, but did not appear to have corresponding quotes in the empirical data. Such perspective of data analysis is recommended by Thomas (2004, p. 223):

“Observed patterns may or may not support the guiding theory (...). It is worth [also] noting that it is sometimes the absence of an element in the data, some event did not happen or a condition that was not present, that forms an important pattern.”

Consequently, the emergence of patterns were monitored and reflected in redesigning the initial conceptual framework. This procedure followed the abductive approach of this research.

The data collection stopped once new patterns stopped emerging from additional interviews (Micheli et al., 2012). In the words of Saunders et al. (2009e, p. 235), the theoretical saturation is reached when the “(...) additional data collected provides few, if any, new insights.” After transcribing the final interviews, the researcher returned back to all of the transcripts and after reiterating all the process, arrived with the sets of categories and representative quotes. Sekaran and Bougie (2013, p. 339) affirms that “Coding is often an iterative process; you [a researcher] may have to return to your [the researcher’s] data repeatedly to increase your [the researcher’s] understanding of the data (i.e., to be able to recognize patterns in the data, to discover connections between the data, and organise the data into coherent categories).” Finally, the list of the literature-based constructs were developed, together with the data driven definitions of the (new) constructs (see Table 4-12 on the next page for the final list of the empirically-based new constructs and corresponding definitions utilised in this study).

Table 4-12 Empirical-based New Constructs (Categories/Value-creating Functions and Sub-categories/Sub-functions)

Value-creating Functions and Sub-functions	Definitions	Comments where appropriate
Bargaining Power	The beneficiary having the possibility to exert influence over the third party outside the supplier-customer dyad.	
Influencing Power	The same as Bargaining Power definition (subject to the comment in the right).	Excludes the bargaining power of the beneficiary to attain a reduced purchasing price.
Purchasing Price Negotiation Power	The beneficiary having influence to gain a reduced purchasing price from the supplier outside the supplier-customer dyad.	
Counterpart's Multilevel Organisational/ Staff Access	The beneficiary having the possibility to access the required staff members at multiple appropriate organisational levels in the trading counterpart's firm.	
Customer's Power	The customer's ability to exert an influence on its supplier in the supplier-customer dyad.	
Coercive Power	The influence being driven by the interest of the supplier to avoid the potential 'punishment' from its customer.	
Non-coercive Power	'Non-punishment' driven influence from the customer to the supplier.	
Dedicated Contact	The person (or the persons) at the trading counterpart firm dedicated to deal with the beneficiary.	
Environmental	The beneficiary realising its environmental interests (e.g., goals, objectives, strategies) by the support of its trading counterpart.	Excludes cases when the supplier's product brings both environmental and financial (profit and/or cost reduction) benefits to the beneficiary with the support of its trading counterpart. This phenomenon is rather covered by the Sustainable Product value-creating function.
Geographical Access/Coverage	The beneficiary achieving the wide geographical coverage and market access of its product by the support of its trading counterpart.	
Growth	The positive change in the size and/or volume of a certain business activity of interest for the beneficiary.	

Value-creating Functions and Sub-functions	Definitions	Comments where appropriate
Investment-based Growth	The beneficiary's investment in a certain business activity of interest as the result of relationship with its trading counterpart.	
Intra-dyadic Sales Volume Growth	The positive change in the beneficiary's volume of sales to its customer.	Applies solely to the supplier as beneficiary.
Outer-dyadic Sales Volume Growth	The improved sales volume of the beneficiary supplier outside the given supplier-customer dyad.	Applies solely to the supplier as beneficiary.
Sales Volume Growth (of Customer)	The improved sales volume of the beneficiary customer in relation to its own customer outside the given supplier-customer dyad.	Applies solely to the customer as beneficiary.
Payment	The supplier's preference of when it gets paid by its customer.	Applies solely to the supplier as beneficiary.
On-time Payment	The possibility for the supplier to receive the payment at an agreed time with its customer.	Applies solely to the supplier as beneficiary.
Speed of Payment	The preference of the supplier to receive payment from its customer in a shorter period of time than the related market average.	Applies solely to the supplier as beneficiary.
Problem Solving	The possibility for the beneficiary to identify a problem, find a solution to the problem and/or solve the problem through the problem solving oriented collaboration with the trading counterpart.	
Product Quality	The same as Product Quality function definition in Table 4-11.	Includes the product effectiveness related characteristics only. Excludes the combination of environmental and financial (profit and cost) aspects of the product characteristics, which is covered by the Product Sustainability function.
Delivery Speed	The customer getting from its supplier the 3PL service with speedy delivery outcome for the customer's goods.	Applies solely to the customer as beneficiary.
On-time Delivery	The customer getting from its supplier the 3PL service with on-time delivery outcome for the customer's goods.	Applies solely to the customer as beneficiary.
On-time Pick-up	The customer getting from its supplier the 3PL service with on-time pick-up outcome for the customer's goods.	Applies solely to the customer as beneficiary.
Pick-up Speed	The customer getting from its supplier the 3PL service with speedy pick-up outcome for the customer's goods.	Applies solely to the customer as beneficiary.

Value-creating Functions and Sub-functions	Definitions	Comments where appropriate
Right Place Delivery	The customer getting from its supplier the 3PL service with right place delivery outcome for the customer's goods.	Applies solely to the customer as beneficiary.
Right Quantity Despatch	The customer getting from its supplier the 3PL service with right quantity despatch outcome for the customer's goods.	Applies solely to the customer as beneficiary.
Right Time Despatch	The customer getting from its supplier the 3PL service with right time despatch outcome for the customer's goods.	Applies solely to the customer as beneficiary.
Safe Delivery	The customer getting from its supplier the 3PL service with safe delivery outcome for the customer's goods.	Applies solely to the customer as beneficiary.
Sustainable Product	The supplier's product bringing both, environmental and financial benefits (cost efficiency and/or profitability) simultaneously to the beneficiary.	

Legend to Table 4-11:

1. The value-creating functions are written in ■ colour coded background;
2. The sub-functions (when applicable) are produced below the corresponding functions.

In the process of defining new categories, some newly identified patterns were deemed straightforward and could be categorised (or defined) without the reference to the new literature (for example, the sub-functions of the customer perceived Product Quality function of supplier relationships). In contrast, Power function with its Coercive Power and Non-coercive Power, as well as the Sustainability function, were labelled based on referring to some literature. For the former, the classical definition adopted by El-Ansary and Stern (1972, p. 47) were referred: "(...) the ability of one individual or group to prompt another unit to do what it would not have otherwise done." In a similar vein, Leonidou et al. (2008, p. 93) stated that:

"Power is a dispositional concept denoting the ability of one party in the relationship to control the behavior of the other (...) [when] the actual alteration of the other party's behavior can only be achieved with the exercise of power."

For its sub-functions, the coercive and non-coercive mechanisms of 'power' were identified (e.g., Goodman and Dion, 2001; Jonsson and Zineldin, 2003; Leonidou et al., 2008; Liu et al., 2010). In the words of Leonidou et al. (2008, p. 93), "Coercive

power is based on the perception of one party in a working relationship that the other has the ability to mediate punishment if his/her requests are not complied with (...).” Non-coercive power, in comparisons, is not oriented on the ‘punishment’ mechanism (e.g., see Raven and French, 1958; Goodman and Dion, 2001; Leonidou et al., 2008). Also, Leonidou et al. (2008, p. 94) state that “Non-coercive power can be derived from five basic sources: (a) *reward*, based on the perception of one party that the other has the ability to mediate rewards; (b) *legitimate*, based on the perception of one party that the other has a legitimate right to prescribe behavior; (c) *referent*, based on one party's identification with the other; (d) *expert*, based on the perception of one party that the other has some special knowledge or expertise; and (e) *information*, based on the perception of one party that the other possesses some unique information (...).” Nevertheless, this thesis does not go in such a ‘sub-function’s sub-function’ detail, as identifying such a narrow level of categories is beyond the scope of this research.

As for the Sustainability function, it was associated with the triple bottom lines of environmental, social and financial performance of a firm (e.g., see Gimenez et al., 2012; Chabowski et al., 2011). However, some studies focus on the environmental and economic dimensions only, albeit staying within the general sustainability framework (e.g., Choi and Ng, 2011). Moreover, it can be argued that environmental goals have social benefits as well (Carter, 2005). Thus, the combination of environmental and financial factors is considered to define the sustainability concept in this study.

With the purpose to minimise the interpreting bias of the collected data and insure the plausibility and correctness of research findings (Hughes and Garrett, 1990; Sanders and Cuneo, 2010), this study adopted the inter-coder (inter-judge) reliability, as well as validity check procedures. These are outlines next by two proceeding sections, respectively.

4.5.3 Inter-coder Reliability Stage of Data Analysis

Reliability can be defined as “(...) the extent to which repetition of the research will yield the same results (...)”, according to Pole and Lampard (2002, p. 207). In a qualitative study like this (i.e., following the constructionism epistemology), the researcher’s interpretation of the raw data needs to be scrutinised (Easterby-Smith et

al., 2008). Scholars propose the utilisation of the inter-coder reliability procedures as the way of achieving the reliability of the qualitative findings (e.g., Hughes and Garrett, 1990; Seuring, 2008; Lemke et al., 2011). The main goal is to achieve a degree of consistency in the way independent coders classify the same data into different categories (Micheli et al., 2012). Such procedure can potentially lead towards, what Sanders and Cuneo (2010) call, the ‘social reliability’ of the study findings. That is the process when both descriptions of constructs and appropriateness of the representative quotes get examined for consistency (Hughes and Garrett, 1990; Sanders and Cuneo, 2010). According to Sekaran and Bougie (2013, p. 351), “A common used measure of interjudge reliability is the percentage of coding agreements out of the total number of coding decisions.” This definition agrees with the inter-coder reliability practice on transcribed data, collected through interviews (e.g., Lemke et al., 2011; Micheli et al., 2012). For general guidance on the inter-coder agreement rate (or inter-coder reliability index), 80% threshold is recommended as satisfactory by Sekaran and Bougie (2013) and were targeted in this study. The recommended 80%-index standard was also aimed at by Lemke et al. (2011), who stopped at a 79% agreement of coders. It is expected that the inter-coder reliability procedure should stop once the acceptable agreement rate is achieved. At that point, the results can be considered as being final.

For the inter-code reliability check, the techniques employed by Goffin et al. (2006); Lemke et al. (2011) and Micheli et al. (2012) were adopted by this study. First, the researcher prepared the definitions of constructs (categories/value-creating functions and sub-categories/sub-functions) and printed each of those on individual DIN-A4 sheets of paper. The literature-informed constructs of Table 4-11 were used for this purpose. Then, the researcher organised original transcript quotes on separate post-size cards. These original text sections represent chunks of meaning that came from the key informants. Figure 4-1 (on the next page) gives an example of both, construct definition sheet (to the left) and a single transcript card, based on the key informant’s response (right). Each of the cards also had identifier codes. For example, from the identifier code “31.19” on the transcript card in Figure 4-1, “31” represents SUPO – the participating firm, and “19” – the number code of the card from the same participant.

Figure 4-1 Exemplary Construct Definition Sheet and Transcript Card

The Construct Definition Sheet (DIN-A4)	The Transcript Card (Postcard Size)
<p style="text-align: center;">Time Compression</p> <p>Possibility for the customer to achieve high speed of market responsiveness by the help of its supplier</p> <p>Note: Does not include the high speed of responsiveness to unforeseen circumstances, which is covered by Flexibility function.</p>	<p>(...) the equipment SUPOCUS is supplying the project is the part of the larger construction, therefore <u>they [SUPOCUS] have construction schedules to meet and the schedules are always very tight, so it's absolutely essential that we [SUPO] deliver in a speedy manner, otherwise we can cause delays</u> (31.19)</p>

It is important to highlight that this study started with 42 literature-based definition sheets and 575 transcript cards (280 cards based on the 3PL providers' responses and 295 cards on 3PL buyers' responses). The coder (including the author of this thesis) was required to match the transcript cards with the literature-informed definitions of constructs (on DIN-A4 sheets of paper). As the part of coding process, the coder was also requested to write either letter 'S' (when coded in relation to the supplier as beneficiary) and/or 'C' (coded in relation to the customer as beneficiary) on the transcript cards. It was allowed to code one card to more than one construct. In such cases, the coder was required to underline the relevant parts of the text with certain colour pen, followed by writing the relevant construct name with the same colour pen on the transcript card. If it was not possible to intuitively allocate one card (or any part of it) to any of the literature-defined constructs, the coder was allowed to create new constructs that derive from the empirical data. In these cases, the coder would note the S and/or C letters and would follow the coloured pen coding procedures. These are reflected in Figure 4-2 on the next page, where 'Problem Solving' represents such a new construct. The definitions of the new constructs were, thus, based on particular meanings in the transcript cards, and falls within the abductive theory building approach of this research.

Figure 4-2 Exemplary Coding Illustrating More Than One Code per Card

The Transcript Card (Postcard Size)	The Codes on the Same Transcript Card
<p><u>We [ABBCH] are able to show to ABBCHSUPPLIER how they have performed in reality – and it’s not always a very good picture, so we are able to work with them to improve that service performance.</u> (ABBCH, 8.30)</p>	<p>-Information Communication-based Knowledge S -Problem Solving SC -Quality C -Existing Product Improvement S</p>

Initially, the coding started by the researcher and one independent coder. The same set of transcript cards and constructs’ definitions were used. After the coding exercise, the researcher compared the coding agreement rate between his own and the independent coder’s coding decisions. Empirically derived constructs and the coding decisions related to those were also included in the calculations of the agreement rate. The researcher was expected to get acquainted with the independent coder’s coding decisions. Inter-coder negotiation was required for all the coding decisions where disagreements between the two coders existed. During the negotiation process, the appropriateness of the transcript cards’ contents and the definitions of the constructs were discussed. As the result of the coders’ negotiation, the cards and definitions were updated in order to improve the categorisation system for the next coder. For the latter, the following advice by Bryman and Bell (2011, p. 303) was considered: “Make sure that there is no overlap in the categories (...). If the categories are not mutually exclusive, coders will be unsure about how to code each item.” The updated categorisation system and coding decisions were tested for the inter-coder reliability with the new coder. In case of a non-satisfactory result, the process of the inter-coder discussion and negotiation, updating/improving the categorisation system and involving a new coder was repeated.

The inter-coder reliability procedures described above are presented by Table 4-13 (starting on page 180). The left column represents the main stages of the inter-coder reliability procedure in chronological order. The middle and right columns describe the inter-coder reliability procedures in relation to the quotes from supplier and customer key informants. As shown in Table 4-13, the researcher and the senior academic in the marketing discipline (SA1) started the parallel coding process of the

transcript cards with 3PL providers' quotes. Each had individual sets of 280 transcript cards and 42 literature-based definitions, as well as the coding rules (as described in this section above). During this process, no discussion was allowed between the coders. Through this process, the researcher came up with 30 new empirically-derived constructs and SA1 identified 28 new ones. This step resulted in a 35% inter-coder reliability index. Following the non-satisfactory inter-coder reliability outcome (i.e., 80% target), the researcher and SA1 conducted the inter-coder discussion and negotiation with the purpose to improve the categorisation system. This resulted in transforming 280 existing transcript cards into 305 cards and served the purpose of breaking some of the long-narratives into easier and more straightforward to interpret ones. The definitions of the few constructs were also slightly altered on the DIN-A4 sheets, thus, eliminating the identified overlaps in the categories and making those easier to comprehend. These goals of improving the categorisation system were embedded during the entire inter-coder reliability cycles of this research.

Apparently, as Table 4-13 shows, inter-coder procedures on 3PL providers' and buyers' quotes continued until reaching the satisfactory inter-coder reliability result with the final coder (JA2). The final constructs with corresponding definitions are presented in Table 4-11 (for literature-based constructs) and Table 4-12 (for the empirically derived constructs). Also, only the results of the final coding (stage 14) were utilised for the production of the analysis section of this thesis.

Table 4-13 Inter-coder Reliability Procedure

Chronological Stages of Inter-coder Reliability Procedure	Procedures and Results from 3PL Providers' Quotes	Procedures and Results from 3PL Buyer's Quotes
<i>Coding of 3PL Providers' Quotes</i>		
Stage 1 (the researcher-SA1 parallel process)	<p>Materials (for each of the coders):</p> <ul style="list-style-type: none"> - 280 cards; - 42 literature-based definitions initially; - Coding rules. <p>The researcher exercise:</p> <ul style="list-style-type: none"> - Coding by the researcher (no inter-coder discussion allowed); - 29 empirically derived definitions at the end of the coding; - 71 definitions in total (literature-based plus empirically-based). <p>The senior academic 1 (SA1) exercise:</p> <ul style="list-style-type: none"> - Coding by SA1 (no inter-coder discussion allowed); - 27 empirically derived definitions at the end of the coding; - 69 definitions in total (literature-based plus empirically-based). 	
Stage 2	<p>The researcher exercise:</p> <ul style="list-style-type: none"> - The researcher-SA1 inter-coder reliability index check by the researcher; - 35% reliability index achieved. 	

Chronological Stages of Inter-coder Reliability Procedure	Procedures and Results from 3PL Providers' Quotes	Procedures and Results from 3PL Buyer's Quotes
<i>Coding of 3PL Providers' Quotes</i>		
Stage 3	<p>The researcher-SA1 joint exercise:</p> <ul style="list-style-type: none"> - Negotiation between the researcher and SA1; - 71 definitions summed up (with slight changes of wording in some definitions) for the next coder. - Existing 280 cards transformed into 305 cards for the next coder. 	
Stage 4	<p>Materials (based on previous inter-coder exercise):</p> <ul style="list-style-type: none"> - 305 cards; - 71 definitions initially; - Coding rules. <p>The senior academic 2 (SA2) exercise:</p> <ul style="list-style-type: none"> - Coding by Senior Academic 2 (SA2) (no inter-coder discussion allowed); - No additional definitions at the end of the coding. 	
Stage 5	<p>The researcher exercise:</p> <ul style="list-style-type: none"> - The researcher-SA2 inter-coder reliability index check by the researcher; - 45% achieved. 	
Stage 6	<p>The researcher-SA2 joint exercise:</p> <ul style="list-style-type: none"> - Negotiation between the researcher and SA2; - Existing 305 cards transformed into 320 cards for the next coder. - 71 definitions were kept (with slight changes of wording in some definitions). 	

Chronological Stages of Inter-coder Reliability Procedure	Procedures and Results from 3PL Providers' Quotes	Procedures and Results from 3PL Buyer's Quotes
<i>Coding of 3PL Buyers' Quotes</i>		
Stage 7 (the researcher-SA1 parallel process)		<p>Materials (for each of the coders):</p> <ul style="list-style-type: none"> - 295 cards; - 71 definitions initially (from previous inter-coder exercises); - Coding rules. <p>The researcher exercise:</p> <ul style="list-style-type: none"> - Coding by the researcher (no inter-coder discussion allowed); - No additional definitions at the end of the coding. <p>The SA1 exercise:</p> <ul style="list-style-type: none"> - Coding by SA1 (no inter-coder discussion allowed); - No additional definitions at the end of the coding.
Stage 8		<p>The researcher exercise:</p> <ul style="list-style-type: none"> - The researcher-SA1 inter-coder reliability index check; - 49% achieved.
Stage 9		<p>The researcher-SA1 joint exercise:</p> <ul style="list-style-type: none"> - Negotiation between the researcher and SA1; - 71 definitions remained (with slight changes of wording in some definitions); - Existing 295 cards transformed into 338 cards for the next coder.

Chronological Stages of Inter-coder Reliability Procedure	Procedures and Results from 3PL Providers' Quotes	Procedures and Results from 3PL Buyer's Quotes
<i>Parallel Coding of 3PL Providers' and 3PL Buyers' Quotes</i>		
Stage 10	Materials (based on previous inter-coder exercise): <ul style="list-style-type: none"> - 320 cards; - 71 definitions initially; - Coding rules. Junior Academic with current research and recent industry experiences in logistics and supply chain management (JA1) exercise: <ul style="list-style-type: none"> - Coding by JA1 (no inter-coder discussion allowed); - No additional definitions at the end of the coding. 	Materials (based on previous inter-coder exercise): <ul style="list-style-type: none"> - 338 cards; - 71 definitions initially; - Coding rules. JA1 exercise: <ul style="list-style-type: none"> - Coding by JA1 (no inter-coder discussion allowed); - No additional definitions at the end of the coding.
Stage 11	The researcher exercise: <ul style="list-style-type: none"> - The researcher-JA1 inter-coder reliability index check; - 65% achieved. 	The researcher exercise: <ul style="list-style-type: none"> - The researcher-JA1 inter-coder reliability index check; - 68% achieved.
Stage 12	The researcher-JA1 joint exercise: <ul style="list-style-type: none"> - Negotiation between the researcher and JA1; - 71 definitions were kept (with slight changes of wording in some definitions); - Existing 320 cards transformed into 327 cards for the next coder. 	The researcher-JA1 joint exercise: <ul style="list-style-type: none"> - Re-coding and negotiation between the researcher and JA1; - 71 definitions were kept (with slight changes of wording in some definitions); - Existing 338 cards transformed into 393 cards for the next coder.

Chronological Stages of Inter-coder Reliability Procedure	Procedures and Results from 3PL Providers' Quotes	Procedures and Results from 3PL Buyer's Quotes
<i>Parallel Coding of 3PL Providers' and 3PL Buyers' Quotes</i>		
Stage 13	Materials (based on previous inter-coder exercise): <ul style="list-style-type: none"> - 327 cards; - 71 definitions initially; - Coding rules. Junior Academic with current research experience in relationship marketing (JA2) exercise: <ul style="list-style-type: none"> - Coding by JA2 (no inter-coder discussion allowed); - No additional definitions at the end of the coding. 	Materials (based on previous inter-coder exercise): <ul style="list-style-type: none"> - 393 cards; - 71 definitions initially; - Coding rules. JA2 exercise: <ul style="list-style-type: none"> - Coding by JA2 (no inter-coder discussion allowed); - No additional definitions at the end of the coding.
Stage 14	The researcher exercise: <ul style="list-style-type: none"> - The researcher-JA2 inter-coder reliability index check; - 80% achieved. 	The researcher exercise: <ul style="list-style-type: none"> - The researcher-JA2 inter-coder reliability index check; - 82% achieved.
The End of the Inter-coder Reliability Procedure		

Legend to Table 4-13: Different colour codes represent inter-coder exercises connected with different coders.

4.5.4 Validity Checks on the Analysed Data

The validity in qualitative research assesses if the research results “(...) (1) accurately represent the collected data (internal validity) and (2) can be generalized or transferred to other contexts or settings (external validity),” as Sekaran and Bougie (2013, p. 351) explain. For checking the *internal validity* of the research, the researcher recruited two 3PL provider and two 3PL buyer participants (interviewed key informants). The researcher handed over the original audio recordings of the interviews to the respective participants (so, one would be able to listen only to their own and the researcher’s conversation), as well as the full list and definitions of categories, along with sample quotes. These participants independently crosschecked and cross-validated the research findings. They confirmed that the categorisation system, consisting of categories and sub-categories, is representative – this is field validation. Hence, the internal validity part of capturing the key informants’ perspectives on the studied phenomenon were considered accomplished (Easterby-Smith et al., 2008).

For the *external validity*, or theoretical or conceptual relevance to other research settings (Easterby-Smith et al., 2008), the close association of this study findings with existing literature in other contexts were confirmed (e.g., Ulaga and Eggert, 2006; Smals and Smits, 2012).

4.6 Theoretical Saturation

As already discussed for either stopping or continuing data collection, theoretical saturation is considered to be the guiding principle. Put differently, reaching the theoretical saturation point is the sole criterion for qualitative studies to consider ceasing the data collection. For that, the researcher conducted the Pareto Analysis based on the final outcomes of the data analysis and interpretation. In this regard, the findings of supplier (3PL provider) and customer (3PL buyer) firms were accounted separately, reflected by Chart 4-1 (on the next page) and Chart 4-2 (on page 187) respectively. The charts exhibit that the data from 3PL providers and 3PL buyers became saturated on the thirteenth and fourteenth interviews, correspondingly.

Hence, from those points onwards, additional interviews with three 3PL providers and two 3PL buyers did not produce any additional category/sub-category.

Chart 4-1 Theoretical Saturation of 3PL Providers' Data

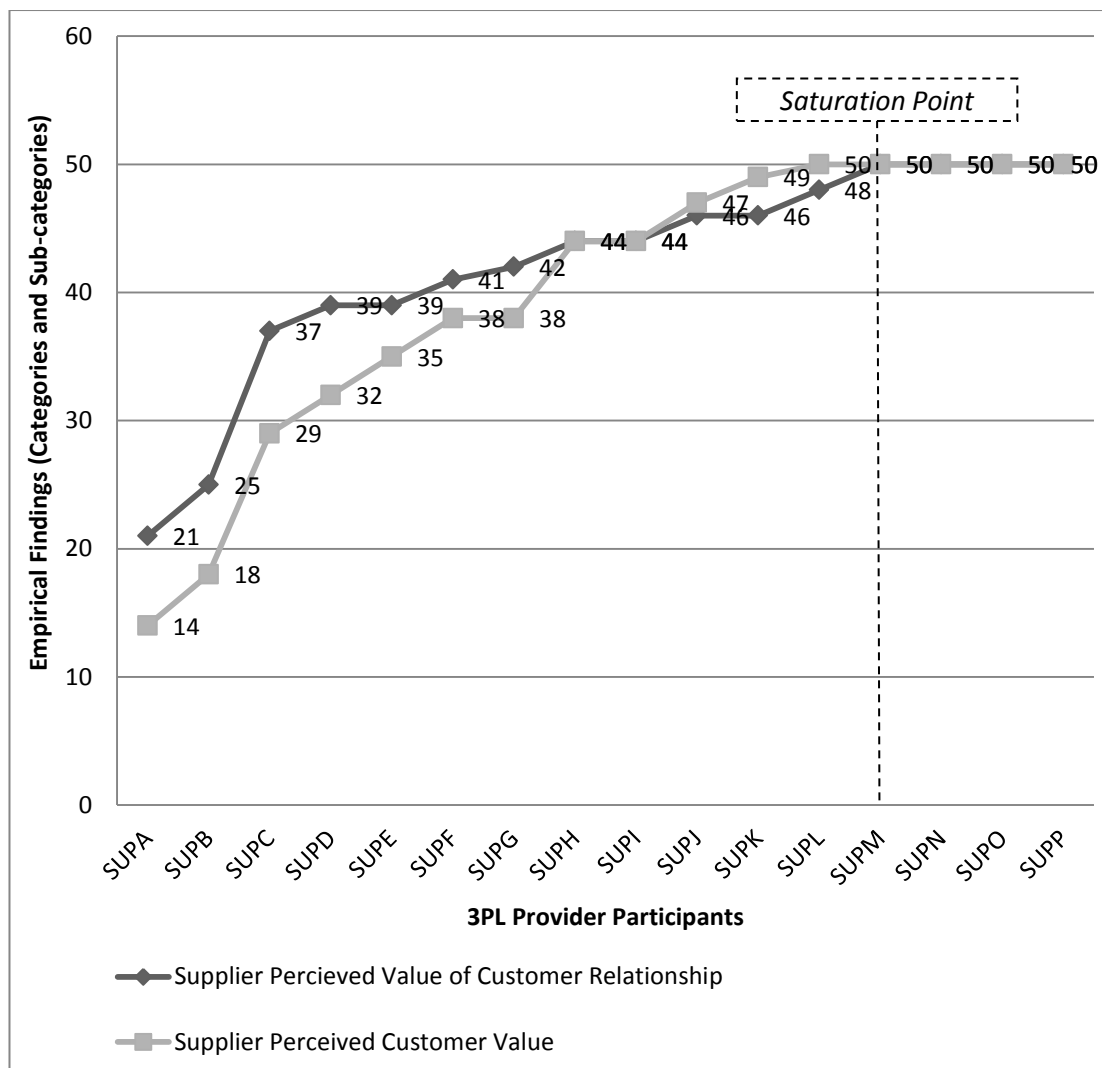
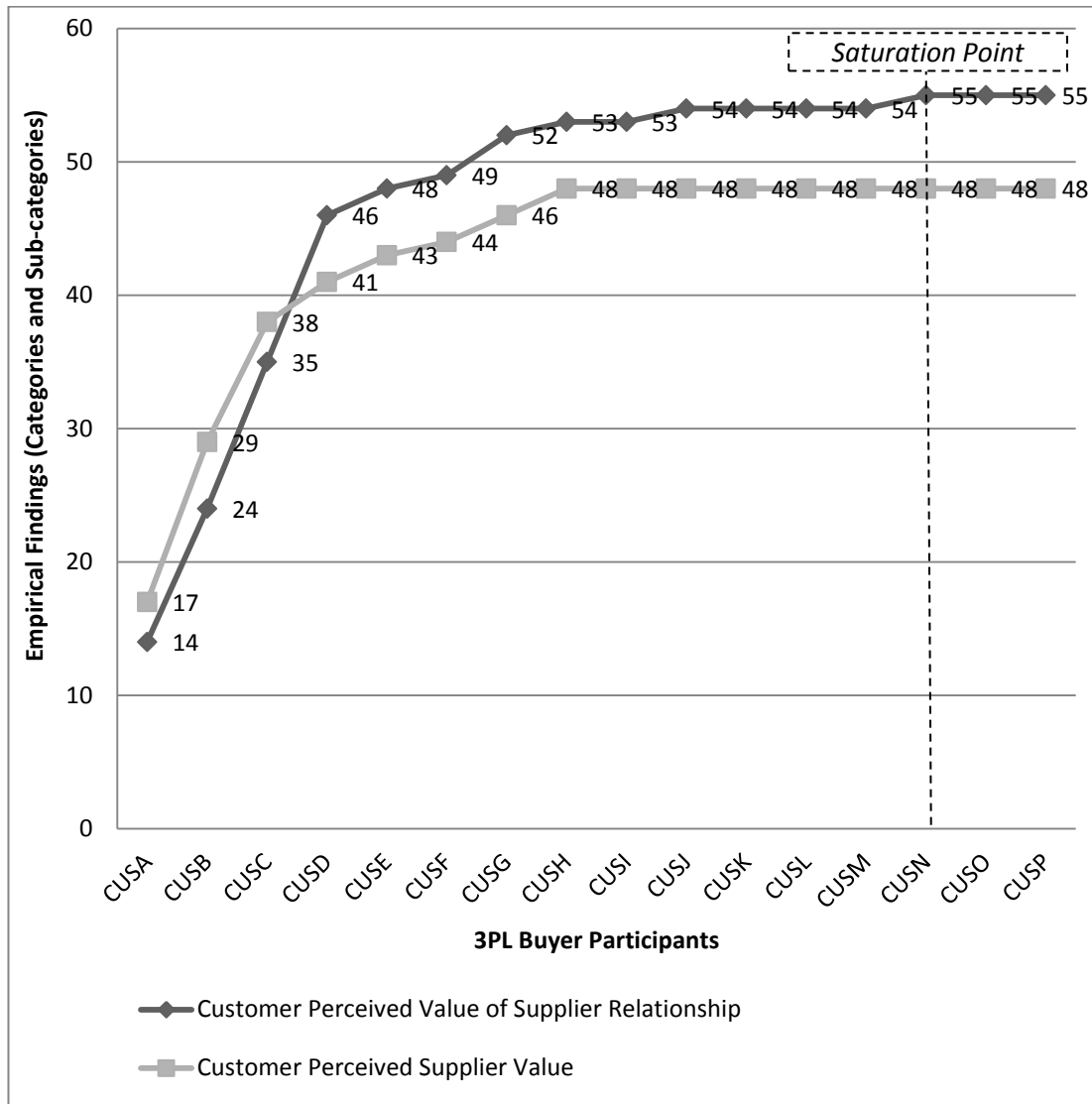


Chart 4-2 Theoretical Saturation of 3PL Buyers' Data



4.7 Identification Strategy of Key Constructs

After ensuring the reliability and validity of the findings, understanding the relative importance of the identified categories and sub-categories were crucial. Also, this study assumed that relatively important value-creating functions and sub-functions would have co-creation potential in supplier-customer relationships (considering the argument in sections 2.6 and 2.8 – starting on pages 88 and 112 respectively). For understanding the importance of a construct, the remark made by Sekaran and Bougie (2013, p. 341) was considered:

“Sometimes you [a researcher] may want to capture the number of times a particular theme or event occurs, or *how many respondents bring up certain themes or events*. Quantification of your qualitative data may provide you with a rough idea about the (relative) importance of the categories and sub-categories” (emphasis added).

The identification of important constructs is echoed in the explanation by Sandberg (2005, p. 55): “The greater the number of parts of the empirical material that accord with a specific interpretation, the more coherent it is.”

In order to differentiate the important (key) constructs from non-important (non-key) ones, the approach taken by Goffin et al. (2006) and Lemke et al. (2011) were adapted. That implied that all of the categories and sub-categories had to satisfy a 25% threshold of respondents. Remarkably, such examinations of frequencies were not targeted on excluding the non-key-constructs (i.e., non-important categories and sub-categories) from the final proposed conceptual framework. Instead, the focus was made on the production of the key and non-key constructs to differentiate important constructs (key constructs) from less important ones (non-key constructs). The results of such scrutinising are captured in Chapter 5 and further discussed in Chapter 6.

4.8 Chapter Summary

This chapter reviewed the researcher’s interpretivist philosophical position and adopted methodological approaches for conducting this study. The adopted ontological, epistemological, axiological and rhetorical positions were also addressed. The comparison was made with two other alternative philosophical positions of positivist and critical-realist stances, and specificity of conducting this research from the interpretivist paradigm standpoint. Considering the possibility to compile a literature-based preliminary conceptual framework and the exploratory nature of this study, the abductive theory building approach was adopted. With the goal to capture the subjective perceptions of the participants, this study adopted the qualitative method of empirical study, based on the in-depth interviews. For that, the analytic induction research strategy with the guided semi-structured interviews was employed. The data was collected from providers and buyers of 3PL services, which

were selected based on the purposeful sampling. Also, to understand the minimum number of interviews, Pareto Analysis was performed on the collected data. This chapter also concerned the combination of qualitative content analysis, hermeneutics and narrative analysis as the analysis method for the collected empirical data. Furthermore, the researcher outlines the inter-coder reliability method and validity aspects of this study. Finally, the approach applied to identify the key constructs was described.

Chapter 5 Analysis of Empirical Findings

5.0 Chapter Overview

This chapter presents the analysis of the empirical data on relationship value-creating functions and sub-functions perceived in 3PL supplier-customer relationships. The analysis utilises the interviewed key informants' quotes as evidence. Some of these quotes correspond to the literature-based constructs – the value creating functions and sub-functions discussed in section 2.4 (starting on page 50). Besides, the analysis of the empirical data uncovered new constructs. These are empirically derived value creation functions and/or sub-functions, without any literature definitions.

Based on the key informants' responses, the identified constructs are matched to the following perspectives:

- (1) Supplier perceived value of the customer relationship (addressed in section 5.1 starting on page 191);
- (2) Customer perceived supplier value (addressed in section 5.2 starting on page 212);
- (3) Customer perceived value of the supplier relationship (addressed in section 5.3 starting on page 235);
- (4) Supplier perceived customer value (addressed in section 5.4 starting on page 257).

The sections analysing the above aspects start with the tables, which show the empirical constructs, corresponding frequencies and associated participants of the study (see Table 5-1 starting on page 193, Table 5-3 starting on page 213, Table 5-5 starting on page 236, and Table 5-7 starting on page 258). Also, each of the four analysis sections is further divided into two consecutive parts:

- (1) The findings which correspond to the literature-based value creating functions and sub-functions in relation to the beneficiary supplier or customer (as presented in Figure 2-7 on page 116). Particularly, sections 5.1 and 5.2 incorporate the analysis in relation to the suppliers as beneficiaries. Sections 5.3 and 5.4 consider the customers as beneficiaries.

- (2) The findings which have not been conceptualised by the literature in relation to the beneficiary supplier or customer. Such new findings in relation to the supplier as beneficiary are analysed in sections 5.1.2 (starting on page 204) and 5.2.2 (starting on page 228). The new findings in connection with the customers as beneficiary are covered by sections 5.3.2 (starting on page 250) and 5.4.2 (starting on page 272).

Each of the sections addressing the empirical findings, which correspond to the literature-based conceptualisation, contains the sample analysis. It manifests the connections between the literature-based constructs and the sample quotes from the key informants' responses. This method follows the guidelines of Ramsay and Wagner (2009). For each of the perception perspectives (as shown previously in Figure 2-6 on page 115), the top-four functions, by frequency of mention, will be utilised.

The definitions of the literature-based and empirically-derived constructs, incorporated in the proceeding analysis, can be found in Table 4-11 (starting on page 164) and Table 4-12 (starting on page 172). The parts of the sample responses, informing the referred in this chapter perceived value creating functions and sub-functions, are underlined.

5.1 Empirical Findings on Supplier Perceived Value-creating Functions and Sub-functions of Customer Relationship

The empirical findings in relation to the supplier perceived value of customer relationship are summarised in Table 5-1 (starting on the next page). As can be noted from this table, the majority of the empirically found constructs correspond to those identified through the analysis of the literature (see the constructs with LBD-AIPP acronyms in Table 5-1). The analysis of the empirical data, informing these constructs, is provided in section 5.1.1.

Moreover, some of the empirical data, related to the supplier perceived value of the customer relationship, differed from the literature-based conceptualisations. This contrast gave rise to the novel findings (see constructs with LBD-NPP-NBP or N acronyms in Table 5-1). The analysis of these new findings, from the perception

perspectives of the studied suppliers, are provided in section 5.1.2 (starting on page 204).

Table 5-1 Frequency of Identified Supplier Perceived Value-creating Functions and Sub-functions of a Customer Relationship

Relationship Value-creating Functions and Sub-functions	Frequency		Supplier Respondent Firms (Firm/Identifier Code)															
	Count	%	SUPA/17	SUPB/18	SUPC/19	SUPD/20	SUPE/21	SUPF/22	SUPG/23	SUPH/24	SUPI/25	SUPJ/26	SUPK/27	SUPL/28	SUPM/29	SUPN/30	SUPO/31	SUPP/32
Access (LBD-AIPP)	3	18.75																
Bargaining Power (N)	8	50																
Influencing Power (N)	3	18.75																
Purchasing Price Negotiation Power (N)	8	50																
Cost Reduction (LBD-AIPP)	7	43.75																
Low Process Cost (LBD-AIPP)	3	18.75																
Low Purchasing Price (LBD-NPP-NBP)	6	37.5																
Counterpart's (Customer's) Expertise/Knowhow (LBD-AIPP)	2	12.5																
Counterpart's Multilevel Organisational/Staff Access (N)	1	6.25																
Customer's Power (LBD-AIPP)	9	56.25																
Customer's Coercive Power (LBD-AIPP)	4	25																
Customer's Non-coercive Power (LBD-AIPP)	7	43.75																
Dedicated Contact (LBD-AIPP)	1	6.25																
Environmental (LBD-AIPP)	13	81.25																
Growth (LBD-AIPP)	15	93.75																
Intra-dyadic Sales Volume Growth (LBD-AIPP)	5	31.25																
Investment-based Growth (N)	2	12.5																
Outer-dyadic Sales Volume Growth (N)	13	81.25																

Relationship Value-creating Functions and Sub-functions	Frequency		Supplier Respondent Firms (Firm/Identifier Code)															
	Count	%	SUPA/17	SUPB/18	SUPC/19	SUPD/20	SUPE/21	SUPF/22	SUPG/23	SUPH/24	SUPI/25	SUPJ/26	SUPK/27	SUPL/28	SUPM/29	SUPN/30	SUPO/31	SUPP/32
Innovation (LBD-AIPP)	14	87.5																
Existing Process Improvement (LBD-AIPP)	7	43.75																
Existing Product Improvement (LBD-AIPP)	13	81.25																
New Process Development (LBD-AIPP)	9	56.25																
New Product Development (LBD-AIPP)	9	56.25																
Knowledge (LBD-AIPP)	14	87.5																
Experience-based Knowledge (LBD-AIPP)	9	56.25																
Information Communication-based Knowledge (LBD-AIPP)	14	87.5																
Long-term Planning (LBD-AIPP)	7	43.75																
Market (LBD-AIPP)	16	100																
Reference (LBD-AIPP)	15	93.75																
Referral (LBD-AIPP)	8	50																
Motivation (LBD-AIPP)	8	50																
Extrinsic Motivation (LBD-AIPP)	8	50																
Intrinsic Motivation (LBD-AIPP)	1	6.25																
Non-monetary Efficiency (Time/Effort/Energy) (LBD-AIPP)	4	25																
Payment (N)	1	6.25																
On-time Payment (N)	1	6.25																
Problem Solving (N)	10	62.5																

Relationship Value-creating Functions and Sub-functions	Frequency		Supplier Respondent Firms (Firm/Identifier Code)															
	Count	%	SUPA/17	SUPB/18	SUPC/19	SUPD/20	SUPE/21	SUPF/22	SUPG/23	SUPH/24	SUPI/25	SUPJ/26	SUPK/27	SUPL/28	SUPM/29	SUPN/30	SUPO/31	SUPP/32
Profit (LBD-AIPP)	10	62.5																
Relational (LBD-AIPP)	12	75																
Benevolence (LBD-AIPP)	5	31.25																
Credibility/Reliability (LBD-AIPP)	1	6.25																
Integrity (LBD-AIPP)	6	37.5																
Interpersonal Relationship (LBD-AIPP)	5	31.25																
Long-term Relationship/Retention (LBD-AIPP)	7	43.75																
Open Relationship (LBD-AIPP)	2	12.5																
Personal (LBD-AIPP)	5	31.25																
Trustful Relationship (LBD-AIPP)	4	25																
Sustainable Product (N)	3	18.75																
Symbolic (LBD-NPP-NBP)	1	6.25																
Volume (LBD-AIPP)	13	81.25																

Legend to Table 5-1:

1. The value-creating functions are written in colour coded background;
2. The sub-functions (when applicable) are produced below the corresponding value-creating functions;
3. AIPP – Already Identified Perceived Party;
4. LBD – Literature-based Definition;
5. N – Empirically found non-literature-based *new* function;
6. NBP – (Supplier as) New Beneficiary Party;

7. NPP – (Supplier as) New Perceived Party;
8. Each ■ colour coded box informs the corresponding respondent's reference (up in the column of each such box) to the corresponding function (to the left in the row of each such box);
9. Each ■ colour coded box informs the corresponding respondent's reference (up in the column of each such box) to the corresponding sub-function (to the left in the row of each such box).

5.1.1 Findings on Supplier Perceived Value-creating Functions and Sub-functions of Customer Relationship Corresponding to the Literature-based Functions and Sub-functions

According to Table 5-1, the literature related top-four value-creating functions, by the frequency of mention, are:

- (1) **Market** (mentioned by 100% of the interviewed suppliers);
- (2) **Growth** (93.75%);
- (3) **Innovations** (87.5%); and
- (4) **Knowledge** (87.5%).

The data analysis on these functions, with corresponding sub-functions, is provided below.

Market Function:

The **Market** value-creating function implies the *possibility for the beneficiary* (a supplier, in this instance) *to improve its image, reputation and credibility by being associated with its trading counterpart, which already has a good status, image and reputation*. This function was captured in the original responses of all interviewed suppliers. For example, the response of SUPD was indicative of *improving its image, reputation and credibility by promoting itself by the reference effect of working with its trading counterpart*. This customer was ascribed the “market leader” status by SUPD:

“(...) we [SUPD] can use them [SUPDCUS] as the reference, as the market leader. So, that helps us [when attracting new customers].” (SUPD, 20.23).

This quote exemplifies the Reference sub-function and was mentioned by 93.75% of all supplier respondents.

Also, the Referral sub-function of the Market function was highlighted by 50% of supplier participants. The respondents favoured the *possibilities to improve their image, reputation and/or credibility by being promoted through the positive referral and/or reference made by their trading counterparts*. This sub-function can be represented by the following text passage:

“It has happened recently that they SUPBCUS have given good comments about SUPB to one of our prospective customers, which made that customer to take a positive decision about working with us.” (SUPB, 18.16).

Growth Function:

According to the literature, the **Growth** value-creating function for the supplier as beneficiary implies the *positive change in the supplier’s volume of sales to its customer*. However, the empirical findings generated the supplier firm’s growth related two new sub-functions. These are **Outer-dyadic Sales Volume Growth** and **Investment-based Growth** sub-function. As these two sub-functions differ from the literature-based constructs, these will be discussed in section 5.1.2 (starting on page 204, where all new constructs will be introduced). To make the Growth function consistent with the newly generated two extra sub-functions, it was re-defined as a *positive change in the size or volume of a certain business activity of interest for the beneficiary* (which is a supplier, in this instance). In turn, the classical definition of the Growth function was labelled **Intra-dyadic Sales Volume Growth** sub-function. This construct has 31.25% frequency of mention and can be captured in the following example quote:

“(...) their [SUPPCUS] increasing volumes that come into our business allow us [SUPP] to have a much bigger scale. When you have scale, you are able to buy better, you are able to buy more, whether that is fuel, whether that is warehousing space, whether we are handling cargo within the warehouse, etc.” (SUPP, 32.6).

Innovation Function:

93.75% of interviewed suppliers perceived the **Innovation** value-creating function of their customer relationship. *Adding innovation to the beneficiary’s business activity* was the literature-based definition of this function. The suppliers’ responses on the Innovation function were captured at its sub-functional levels. One of those is **Existing Product Improvement**. This sub-function was referred to by 81.25% of the sample suppliers, and as defined through the literature, implies *improving existing product quality of the supplier as the result of the customer relationship*:

“SUPBCUS is a very big company, so their requirements are very high and it pushes us [SUPB] to increase the quality of our [SUPB] services.” (SUPB, 18.1).

Interview data from an equal number of supplier respondents (56.25%) inform the **New Process Development** and **New Product Development** sub-functions for the supplier as beneficiary. The first of these sub-functions was captured when the suppliers reported how the relationship with their customers helped them to develop *new processes in their firms*. For example, SUPC explained this point as follows:

“(…) we [SUPC] work with SUPCCUS to develop (…) new ways of managing our warehouse or managing our transport (…).” (SUPC, 19.22).

New Product Development sub-function referred to the *supplier’s new product development as the outcome of the customer relationship*. For instance:

“When we [SUPL] came up with something, you know, this rail thing [SUPL’s new rail service being trialled by the help of SUPLCUS], something we have been driving and no one has ever been interested in, they [SUPLCUS] were willing to trial it, so we did.” (SUPL, 28.21).

As this excerpt shows, the customer’s involvement in the supplier’s new product trialling process, during its development phase, creates the New Product Development sub-function for the supplier.

43.75% of the interviewed suppliers’ responses were indicative of the *possibilities for their firms to improve the existing products by the relationships with their customers*. This illustrates the creation of the **Existing Process Improvement** sub-function and is evident by the following example passage:

“(…) they [SUPNCUS] are improving our [SUPN] business process. Since it is a big company, they have quote high expectations to their service suppliers [including SUPN] (…).” (SUPN, 30.01).

Knowledge Function:

87.5% of the supplier informants highlighted how *attaining useful knowledge from their respective customers* were of value to their firms. Such perception falls within the literature-based definition of the Knowledge value-creating function. The suppliers referred to two particular perspectives of the Knowledge function: (1) **Information Communication-based Knowledge**; and (2) **Experience-based**

Knowledge. The first of these sub-functions was mentioned by 87.5% of the suppliers and refers to the *knowledge attained through the working experience with the customer*. For example: *“SUPMCUS gives us [SUPM] (...) an indication about (...) the market situation.”* (SUPM, 29.11).

Experience-based Knowledge sub-function was identified by 56.25% of the supplier respondents. That was when the key informants spoke about *attaining knowledge by the means of useful information communication from the customer*. The following citation by SUPE exemplifies this Experience-based Knowledge sub-function:

“With that customer [SUPECUS] we [SUPE] have to do a lot of stuff on electronic data interchange system between SUPE and SUPECUS. From that, you get the staff [of SUPE] learning how to use the system better, (...) so it’s a learning curve for them.” (SUPE, 21.02).

These and further example quotes, informing the literature-based supplier perceived value-creating functions and sub-functions of customer relationships, are provided in Table 5-2 below.

Table 5-2 Sample Responses Supplier Perceived Value-creating Functions and Sub-functions of Customer Relationship Corresponding to the Literature-based Functions and Sub-functions

Value-creating Functions and Sub-functions	Sample Responses
Access	<p><u>“They [SUPPCUS] have other suppliers that we [SUPP] have become involved with (...), so, I think it [relationship with SUPPCUS] has helped us to develop relationships with them [the logistics suppliers of SUPPCUS]. (...) so, [for example,] they [SUPPCUS] may have a transport provider that has to integrate with our warehousing or with our contract packing, and that develops a relationship with the third-party supplier and then it becomes a triangle until the point that SUPPCUS then takes in our straight line relationship between ourselves and other transport providers (...).”</u> (SUPP, 32.20).</p>
Cost Reduction	<p>None (coded only if the respondent has referred to this function in a general level only, without referring to any of the sub-functions of this function).</p>
Low Process Cost	<p><u>“(...) it [working with SUPICUS] gives us [SUPI] economies of scale – (...) the volumes are high.”</u> (SUPI, 25.6).</p>

Value-creating Functions and Sub-functions	Sample Responses
Low Purchasing Price	This construct is discussed in section 5.1.2.3 (starting on page 205) as a new sub-function for the supplier as beneficiary. This is due to the supplier being identified as the new beneficiary party, in relation to this construct.
Counterpart's (Customer's) Expertise/Knowhow	"I think that because we [SUPH and SUPHCUS] are two big companies, <u>we understand each-other's organisational structures and their [organisational structures'] pros and cons. We can understand why things take time within SUPHCUS, and they can understand the complexity of our organisation too.</u> " (SUPH, 24.21).
Growth	None
Intra-dyadic Sales Volume Growth	"(...) <u>their [SUPPCUS] increasing volumes that come into our business</u> allow us [SUPP] to have a much bigger scale. When you have scale, you are able to buy better, you are able to buy more, whether that is fuel, whether that is warehousing space, whether we are racking within the warehouse, etc." (SUPP, 32.6).
Innovation	None
Existing Process Improvement	"(...) <u>they [SUPNCUS] are improving our [SUPN] business process.</u> Since it is a big company, they have quite high expectations to their service suppliers [including SUPN] (...)." (SUPN, 30.01).
Existing Product Improvement	"SUPBCUS is a very big company, so their requirements are very high and it pushes us [SUPB] to <u>increase the quality of our [SUPB] services.</u> " (SUPB, 18.1).
New Process Development	"(...) <u>we [SUPC] work with SUPCCUS to develop (...) new ways of managing our warehouse or managing our transport (...).</u> " (SUPC, 19.22).
New Product Development	"When <u>we [SUPL] came up with something, you know, this rail thing [SUPL's new rail service being trialled by the help of SUPLCUS],</u> something we have been driving and no one has ever been interested in, <u>they [SUPLCUS] were willing to trial it, so we did.</u> " (SUPL, 28.21).
Knowledge	None
Experience-based Knowledge	"With that customer [SUPECUS] we [SUPE] have to do a lot of stuff on electronic data interchange system between SUPE and SUPECUS. From that, <u>you get the staff [of SUPE] learning how to use the system better, (...)</u> so it's a learning curve for them." (SUPE, 21.02).
Information Communication-based Knowledge	"SUPMCUS gives us [SUPM] (...) <u>an indication about (...) the market situation.</u> " (SUPM, 29.11).

Value-creating Functions and Sub-functions	Sample Responses
Long-term Planning	<p>“They [SUPDCUS] share their information [with SUPD] about what is changing in their business model. (...) they [SUPDCUS] plan years ahead, so we can actually, as the organisation, benefit from that because once these big companies see a trend change in the market, we [SUPD] can try as a company to also adjust to that trend and be ready before the competition does. (...) We [SUPD] know their [SUPDCUS] planning for the next 5 to 10 years.” (SUPD, 20.11).</p>
Market	None
Reference	<p>“(...) we [SUPD] can use them [SUPDCUS] as the reference, as the market leader. So, that helps us [when attracting new customer].” (SUPD, 20.23).</p>
Referral	<p>“It has happened recently that they SUPBCUS have given good comments about SUPB to one of our prospective customers, which made that customer to take a positive decision about working with us.” (SUPB, 18.16).</p>
Motivation	None
Extrinsic Motivation	<p>“Warehouse belongs to SUPCCUS but it’s operated by us [SUPC] – with our people. SUPCCUS have an office in the warehouse and if they want they can walk out and have a look at their warehouse any time they want. (...) it motivates our people to run our processes and manage our systems better because SUPCCUS are there.” (SUPC, 19.23).</p>
Intrinsic Motivation	<p>“(...) every time I meet a customer such as SUPGCUS [which is proactive in environmental issues], it is a really great proof that environmental improvement is happening – it is not just that people are only talking about it. (...) so the information that I and my colleagues are getting from these companies helps us internally to create <u>proudness</u>, awareness, and momentum for these topics.” (SUPG, 23.16).</p>
Non-monetary Efficiency	<p>“Trust [which is present between SUPF and SUPFCUS] is number one, with trust you get more support, we support more and they support more. You [SUPF and SUPFCUS] take away unnecessary administrative processes because you don’t need to control.” (SUPF, 22.14).</p>
Profit	<p>“We [SUPO] have profit opportunity [from SUPOCUS] of course as well, which is the benefit [for SUPO].” (SUPO, 31.03).</p>
Relational	None
Benevolence	<p>“(...) they [SUPMCUS] are not trying to change their service provider [i.e., SUPM] [,] (...) so they are quite stable or quite loyal in that sense (...).” (SUPM, 29.9).</p>

Value-creating Functions and Sub-functions	Sample Responses
Credibility/Reliability	“We [SUPA and SUPACUS] both are responsible and <u>delivering the promises and meeting obligations at both of our sides.</u> ” (SUPA, 17.6B).
Integrity	“ <u>It [environmental proactivity]</u> is not a big selling point, but <u>it is something that both companies [SUPK and SUPKCUS] have in common.</u> ” (SUPK, 27.7).
Interpersonal relationship	“(…) <u>relationship building [with SUPFCUS] is very important [for SUPF] to have; [and] what we [SUPF] try to do is to establish a very broad and deep relationship with many people [at SUPFCUS].</u> ” (SUPF, 22.13).
Long-term Relationship/Retention	“Our [SUPB] thinking is always positive towards the customers [including SUPBCUS], we are taking into account all their requirements. We have to follow their instructions if <u>we want to continue working with them in the long run.</u> ” (SUPB, 18.8).
Open Relationship	“The <u>open</u> and trustful <u>relationship</u> with SUPACUS allows us [SUPA] to know better what our customer want and [thus, being able to] design our services for them accordingly.” (SUPA, 17.7).
Personal	“I think <u>it makes working environment much more pleasant [for SUPE] when you are dealing with customers [including SUPECUS] that are pleasant – so always works when you have a pleasant customer.</u> ” (SUPE, 21.8).
Trustful Relationship	“(…) the kind of relationship today, it’s more about building <u>trustworthy relation</u> without so much wining and dining, and I think today that kind of relation is built on meetings where you discuss strategies, where you may share knowledge, may be sometimes you go to seminars together, that is the starting point you know for the discussion.” (SUPJ, 26.22).
Volume	“The benefit for us [from SUPI] is (…) obviously <u>the volume of cargo the customer [SUPICUS] has available and also is able to give to us, from that perspective.</u> ” (SUPI, 25.01).

Legend to Table 5-2:

1. The colour code represent value-creating functions;
2. The sub-functions (when applicable) are produced below the corresponding functions;
3. The parts of the sample responses, informing the corresponding value creating functions and sub-functions, are underlined.

5.1.2 Findings on Supplier Perceived New Value-Creating Functions and Sub-functions of Customer Relationship

5.1.2.1 Bargaining Power

According to Table 5-1 (starting on page 193), the **Bargaining Power** value-creating function exists for 50% of the supplier respondents. This function is shown in Table 4-12 (starting on page 172) and demonstrates the *supplier's perception of certain customer relationships as valuable in influencing third parties outside the supplier-customer dyad*. The suppliers' responses shed light on the existence of both **Purchasing Price Negotiation Power** (mentioned by 50% of the interviewed suppliers), and **Influencing Power** (18.75% mention) value-creating sub-functions for the supplier as beneficiary. The evidence of the **Purchasing Price Negotiation Power** function is reflected in the following example quote:

"(...) the volumes [of orders from SUPDCUS to SCHEBE] are big, and because of those volumes we [SUPD] can try to get better purchasing price from our [SUPD] suppliers." (SUPD, 20.03).

As this response demonstrates, the value comes from the *supplier perceived possibility to gain lower purchasing price from its own supplier as a result of relationship with its customer*. On the other hand, the **Influencing Power** is demonstrated by the following responses of SUPK and SUPN, respectively:

"(...) the volume that we [SUPK] have [from SUPKCUS] obviously does help with our negotiation with shipping lines, with trucking companies and so on." (SUPK, 27.01).

"For our [SUPN] transport suppliers it is extremely important to have customers [like SUPNCUS] with constantly developing volumes. For us [SUPN], as for freight forwarders having customers [including SUPNCUS] that can provide these volumes, is extremely important because by this we [SUPN] can develop our business relations with our [SUPN] suppliers, and by that we [SUPN] can of course discuss and demand the expected rates, and by that we [SUPN] can demand the proper service level [from the logistics service suppliers of SUPN]." (SUPN, 30.7).

These example quotes demonstrate the definition of the Influencing Power in Table 4-12 with corresponding note. The definition said that the Influencing Power sub-function can be defined the same way as the Bargaining Power function. The corresponding note stated the exception, that the Influencing Power sub-function *excludes the bargaining power of the beneficiary to attain a reduced purchasing price.*

5.1.2.2 Counterpart's Multilevel Organisational/Staff Access

The empirical data show that *a supplier may need to access required staff members at multiple appropriate organisational levels in a customer firm.* This aspect of value creation is termed as the **Counterpart's Multilevel Organisational/Staff Access** value-creating function. It can be captured in the following quote:

"(...) when you have big business interest between two organisations [SUPJ and SUPJCUS], it's very important to have multiple layer contacts, because things can happen that you cannot know of, problems can happen, when you suddenly have the loss of money somehow and you have two different opinions on who has lost this, is it SUPJCUS that is going to pay for this or is this SUPJ? SUPJCUS says "it is you, SUPJ should pay it," and SUPJ says "no, this is you SUPJCUS." And the words can be very hard between certain business contacts at our side and their side, so sometimes it's very important to also have executive layer contacts – you know that can be the big diplomats to say "hey, we have a fire going on, and apparently we think different here, how can we sort it out?" you know, so we have a senior men on top sometimes to sort things out. That is very important." (SUPJ, 26.23).

Only one supplier referred to this function in relation to supplier perceived value of customer relationship.

5.1.2.3 Cost Reduction function related Low Purchasing Price Sub-function

The literature review showed that the **Cost Reduction** function for the supplier as beneficiary was associated with the *low process cost gained by the supplier through the relationship with its customer.* This type of perceived value was mentioned by

18.75% of the interviewed suppliers and was covered in section 5.1.1. (starting on page 197). The empirical observations of this study show that the relationships with the customers can also confer the **Low Purchasing Price** value-creating sub-function to suppliers (37.5% frequency of mentions). For example, the key informants at SUPA and SUPJCUS explain how *relationships with the selected customers enable them to lower their purchasing price with their own suppliers*:

“Working with SUPACUS gives us [SUPA] an opportunity to have reduced cost [price] with our logistics subcontractors as we have generally good volumes from SUPACUS, and we can provide and show this good volume to our own subcontractors.” (SUPA, 17.1).

“Not only SUPJCUS as such, but if I add all the big customers’ volumes [including those handles by SUPJ for SUPJCUS], of course they are big contributors for SUPJ to negotiate lower price with our [SUPJ’s own] logistics subcontractors.” (SUPJ, 26.21).

Noticeably for the SUPA respondent, the reduced price is synonymous to the reduced cost they have as a result of the relationship with SUPACUS. Both, Cost Reduction and Low Purchasing Price sub-functions contribute to the Cost reduction function: *reducing joint total costs for the beneficiary suppliers.*

5.1.2.4 Customer’s Power

56% of interviewed suppliers illustrated the **Customer’s Power** function of their customer relationship by highlighting *how their customers’ abilities to exert an influence on their organisations were benefiting their firms*. 25% of the interviewed suppliers mentioned the importance of the **Coercive Power** sub-function of the Customer’s Power. This sub-function is *driven by the supplier organisations’ fear of ‘punishment’ from their customers*. That is demonstrated by the following citations:

“Our [SUPL] KPIs (Key Performance Indicators) [in relation to serving SUPLCUS] are to hit 90% on the lead time. So, (...) we agree with SUPLCUS that on a particular lane we have to meet 90% of KPI every month, otherwise begins trouble. And what we have actually done with SUPLCUS now, they’ve implemented the penalty agreement. So, depending on the length of time outside the agreed lead time will depend on what sort of penalty SUPL have to

pay. (...) so we [SUPL] are under a pressure to make sure we meet the [agreed] lead times.” (SUPL, 28.13).

“(...) much of our [SUPJ] development in logistics industry, I think, is customer driven. It starts of that customer demands, you know certain service and we are forced to develop that to stay in the business with the customer, and that can eventually turn out to be development which you can also use for some small and medium size customers. So, these big customers are sometimes, you know, pushing us in development directions. This is very good (...) [and is the case for SUPJ from SUPJCUS].” (SUPJ, 26.3).

These two passages highlight how a customer’s power can benefit the suppliers, as the suppliers are to fulfil certain customer requests to avoid business loss with those customers (i.e., to avoid the ‘punishment’ from these customers).

One more sub-function of the Customer’s Power function was captured in the 43.75% of supplier respondents’ answers. The customer’s influence, in these instances, was of a ‘non-punishment’ nature. This perception was labelled **Non-Coercive Power** sub-function of the Customer’s Power function. SUPD offers an interesting explanation of how this sub-function can take place:

“(...) they [SUPDCUS] are very demanding customers, which automatically leads to the fact that we [SUPD] need to make sure that our own organisation is used to work into very high standards which then benefits because people [at SUPD] get used to work into high standards, and they can immediately use that also for other accounts [customers].” (SUPD, 20.10).

This statement demonstrates that the Customer’s Power can be based on the ‘non-punishment’ basis mechanism. In this case, as can be noticed, the supplier wants to follow the customer’s requests due to the perception that the given customer has a ‘legitimate’ right to prescribe behaviour. This type of the customer’s influence has no ‘punishment’ avoidance element and hence, reflects the non-coercive aspect of the power. The following passage also showcases the same approach to the supplier perceived customer’s Non-Coercive Power:

“Since it’s a big company, they have quote high expectations to their service suppliers [including SUPN], and since big part of the freight forwarding is

outsourced to us, the expectations are high, and that means that we [SUPN] have constantly to develop our business process.”(SUPN, 30.01).

5.1.2.5 Dedicated Contact

The supplier perceived Dedicated Contact function of customer relationship was referred by only SUPM (6.25% frequency of mention):

“(...) they [SUPMCUS] provide [to SUPM] dedicated contacts and clear contacts for every specific shipment basically.”(SUPM, 29.8).

This response shows that the supplier values the *possibility to deal with the customer through the dedicated contact person, allocated by that customer for this supplier firm.*

5.1.2.6 Environmental

81.25% of supplier participants appreciate the *possibility to fulfil their environmental interests through the relationship with their customers.* This kind of perception was labelled the **Environmental** function and was expressed by the following exemplary answers:

“We [SUPG globally] have a target of 30% emission, to become 30% more efficient until 2020. (...) our business unit have reduced or become 7% more efficient, which is just also fantastic, and working with SUPGCUS has also contributed to it.” (SUPG, 23.04).

“SUPLCUS is quite a green company, so they have CSR (Corporate Social Responsibility) quite high on their agenda which is great for people in the environmental department (...) because it enables them to provide their services, and SUPLCUS are a very willing participant to be involved in this.” (SUPL, 28.03).

These example passages reflect the environmental goal fulfilment targets being met by the suppliers as a result of the relationship with their customers.

5.1.2.7 Growth

93.75% of the supplier participants inform the **Growth** of a customer relationship by recognising the importance of the *positive change in the volume of business they have available from their customers.* As discussed in section 5.1.1., the existing

literature considers this function only within the boundaries of a supplier-customer dyad. Hence, this research labelled it as the *Intra-dyadic Sales Volume Growth* sub-function of the *Growth* value-creating function. Furthermore, the empirical data suggests two additional sub-functions that relate to the Growth function: (1) *Outer Dyadic Sales Volume Growth* (with 81.25% frequency) and (2) *Investment-based Growth* (with 12.5% frequency). The suppliers identifying the Outer Dyadic Sales Volume Growth pointed out that the *relationships with their respective customers were the sources of the additional business with the other (than the discussed) customers:*

“SUPOCUS likes to control a lot of its vendors; it likes to have a corporate vendor programme at place, so they only use SUPOCUS approved suppliers (...). (...) Even recently when SUPOCUS bought a UK company, that UK company wanted to use a small regional freight forwarder. However SUPOCUS said: “No, you must use our corporate suppliers, (...) this is who you will work with,” and that brings up opportunities for us [SUPO] to do business with such new customers as well.” (SUPO, 31.7).

“Through having a more competitive price and a better service [being offered from SUPP to SUPPCUS] allows us [SUPP] to take that to the market place to similar types of businesses and give them a case study to say: “look, this is what we do for customer A, we can do this service for you as well.” And then we get new customers on the back of that.” (SUPP, 32.13).

The common focus amongst these passages is the *business growth opportunity for the suppliers outside the given supplier-customer dyads.*

Furthermore, some suppliers see *the value in certain customer relationships as the driver of investments within their firms.* For instance:

“(...) it [working with SUPPCUS] allows us [SUPP] to invest, because the volumes that we get allows us to have much bigger scale for our business whether it’s road fleet, or whether it’s the size of the warehouse we are operating. For example, our contract packing has recently moved from one premise to another larger one, which is going to give this scope for growth, and again that’s off the back of initial relationship with this customer [SUPPCUS].” (SUPP, 32.04).

“I think they [SUPJCUS] bring value to us [SUPJ] when they come with the demands, like, if they come to us and say: “we’d like to have automatic invoice and self-billing,” that is something we [SUPJ] have to setup. (...) very often these kind of requirements need to come from the big customers [like SUPJCUS], because the business as such needs to be big, otherwise we will not invest in development – we don’t invest for a small customer in these things.” (SUPJ, 26.15).

For the purpose of this research, the investment related aspect of growth is termed the **Investment-based Growth** sub-function of the **Growth** function.

5.1.2.8 Payment

When speaking about the perceived value from its trading counterpart, one of the supplier participants mentioned that *“They [SUPLCUS] pay on time [to SUPL].”* (SUPLCUS, 28.25). Notably, the focus here is on the *possibility for a supplier to receive the payment at an agreed time with its customer*. This aspect of value-creation was termed the **On-time Payment** sub-function of the value-creating function and has 6.25% frequency of mention. In a broader functional level, this fits with the **Payment** function fulfilment, implying the *supplier’s preference of when it gets paid from its customer*.

5.1.2.9 Problem Solving

The collected data from 62.5% of the supplier participants shows that the *suppliers can favour working with the customers for problem solving purposes*. This empirical finding was labelled the Problem Solving function in this research. For example:

“(...) when there is a late shipment or damaged shipments, then we [SUPD and SUPDCUS] look at detailed analysis of that specific case and together with the customer [SUPDCUS] we [SUPD] try to find solutions in order to prevent that for the future (...).” (SUPD, 20.9).

“(...) they [SUPPCUS] measure transit times [of SUPP’s logistics services] to make sure that we are living up to the expectations. If any time any part of that has been a failure, shall we call it, then we [SUPP and SUPPCUS] would do a route cause analysis to understand where did that failure begin, how did that

failure begin, and what we [SUPP and SUPPCUS] can do, what corrective actions we can put in place to insure that that failure does not happen again (...).” (SUPP, 32.11).

Apparently, the suppliers’ focus in these responses is on *identifying the problem they are concerned with, finding a solution to the problem and/or solving the problem through the problem solving oriented collaboration with the customer.*

5.1.2.10 Sustainable Product

18.75% of the researched suppliers highlighted that *customers allow them to run 3PL services in a more cost efficient and/or profitable way, and with reduced environmental impact.* For example:

“(...) we [SUPH] are also developing projects together with them [SUPHCUS], mostly to find cost savings and look at how their distribution and network can develop and *be more efficient [by the utilisation of SUPH 3PL services].* In those studies we [SUPH and SUPHCUS] also look at the *CO2 emissions.* I usually say that *economy and ecology goes hand-in-hand [when running 3PL services], because if you are efficient in your distribution network from money point of view, it is often also more efficient form an energy point of view, and if it is more energy efficient, it’s also more CO2 efficient.*” (SUPH, 24.04).

“(...) to us [SUPKCUS] the value is the fact that we are collecting on one truck that reduces our costs (...), that cuts down the environmental impact. In other words, one vehicle as opposed to ten, and of course that allows us to use that volume to our advantage where we’ve got European [haulage related] trucks, that they’ve got capacity and those volumes ready to go to those tucks, which improves overall our profitability on those vehicles, and it is also more environmentally friendly to do so.” (SUPK, 27.02).

It is notable that the first quote connects the environmental aspect of realising logistics services to the cost efficiency. The second quote also adds the profitability factor to the Sustainable Product function creation. Likewise, SUPC favours the possibility to realise cost efficient, profitable and environmentally friendlier 3PL services by the support of SUPCCUS and adds that:

“(...) in our [3PL provision] business, if you are sustainable it tends to mean you are using less resources, (...) so there is very strong cost motivation for being a sustainable, (...) so, in addition to the environmental impact reduction, it also gives us cost reduction and profit (...).”(SUPC, 19.01).

Hence, the evidence informs that the **Sustainable Product** (which is 3PL service in this research) value-creating function takes place when the customer relationship makes the supplier’s product both environmentally friendlier and financially more beneficial for the supplier.

5.1.2.11 Symbolic

According to the literature-based definitions in Table 4-11 (starting on page 164), the **Symbolic** value-creating function implies the *possibility for the trading counterpart’s brand and/or its product to generate the beneficiary’s feeling of exclusiveness and/or improved social status*. However, the literature has not conceptualised this aspect in relation to the supplier as beneficiary (as previously shown in Figure 2-7 starting on page 116). Supplier perceived Symbolic function of customer relationship could be captured only from SUPF: *“SUPFCUS in the industry (in which SUPFCUS operate) is seen as the Rolls-Royce.” (SUPF, 22.15)*. In this case, the respondent implied exclusiveness which SUPF has by having business with SUPFCUS.

5.2 Empirical Findings on Customer Perceived Supplier Value-creating Functions and Sub-functions

The empirical findings in relation to the customer perceived supplier value are outlined in Table 5-3 (starting on next page). This table demonstrates that most of the empirically found value-creating functions and sub-functions were conceptualised in the literature in relation to the supplier as beneficiary (see the constructs with LBD acronym in Table 5-3). The literature has already related some of these functions to the customer perceived supplier value (see the constructs with LBD-AIPP acronyms in Table 5-3), while the others are new from this perception perspective (see the constructs with LBD-NPP in the same table). The data, informing both of these types of constructs, are analysed in section 5.2.1 (starting on page 217).

Table 5-3 Frequency of Identified Customer Perceived Supplier Value-creating Functions and Sub-functions

Relationship value-creating functions and sub-functions	Frequency		Customer Respondent Firms (Firm/Identifier Code)															
	Count	%	CUSA/1	CUSB/2	CUSC/3	CUSD/4	CUSE/5	CUSF/6	CUSG/7	CUSH/8	CUSI/9	CUSJ/10	CUSK/11	CUSL/12	CUSM/13	CUSN/14	CUSO/15	CUSP/16
Access (LBD-NPP)	4	25																
Bargaining Power (N)	3	18.75																
Purchasing Price Negotiation Power (N)	3	18.75																
Cost Reduction (LBD-NPP)	9	56.25																
Low Process Cost (LBD-NPP)	8	50																
Low Purchasing Price (LBD-NPP-NBP)	2	12.5																
Counterpart's Multilevel Organisational/Staff Access (N)	5	31.25																
Customer's Power (N)	6	37.5																
Customer's Coercive Power (N)	5	31.25																
Customer's Non-coercive Power (N)	5	31.25																
Dedicated Contact (N)	3	18.75																
Environmental (N)	10	62.5																
Geographical Access/Coverage (N)	3	18.75																
Growth (LBD-NPP)	14	87.5																
Intra-dyadic Sales Volume Growth (LBD-NPP)	7	43.75																
Investment-based Growth (N)	7	43.75																
Outer-dyadic Sales Volume Growth (N)	13	81.25																
Innovation (LBD-AIPP)	11	68.75																

Relationship value-creating functions and sub-functions	Frequency		Customer Respondent Firms (Firm/Identifier Code)															
	Count	%	CUSA/1	CUSB/2	CUSC/3	CUSD/4	CUSE/5	CUSF/6	CUSG/7	CUSH/8	CUSI/9	CUSJ/10	CUSK/11	CUSL/12	CUSM/13	CUSN/14	CUSO/15	CUSP/16
Existing Process Improvement (LBD-NPP)	2	12.5																
Existing Product Improvement (LBD-NPP)	8	50																
New Process Development (LBD-NPP)	4	25																
New Product Development (LBD-AIPP)	6	37.5																
Knowledge (LBD-AIPP)	13	81.25																
Experience-based Knowledge (LBD-AIPP)	5	31.25																
Information Communication-based Knowledge (LBD-AIPP)	13	81.25																
Long-term Planning (LBD-NPP)	8	50																
Market (LBD-AIPP)	16	100																
Reference (LBD-AIPP)	15	93.75																
Referral (LBD-AIPP)	8	50																
Motivation (LBD-NPP)	4	25																
Extrinsic Motivation (LBD-NPP)	4	25																
Non-monetary Efficiency (Time/Effort/Energy) (LBD-NPP)	2	12.5																
Payment (N)	6	37.5																
On-time Payment (N)	5	31.25																
Speed of Payment (N)	1	6.25																
Problem Solving (N)	9	56.25																
Profit (LBD-AIPP)	9	56.25																

Relationship value-creating functions and sub-functions	Frequency		Customer Respondent Firms (Firm/Identifier Code)															
	Count	%	CUSA/1	CUSB/2	CUSC/3	CUSD/4	CUSE/5	CUSF/6	CUSG/7	CUSH/8	CUSI/9	CUSJ/10	CUSK/11	CUSL/12	CUSM/13	CUSN/14	CUSO/15	CUSP/16
Relational (LBD-NPP)	14	87.5																
Benevolence (LBD-NPP)	11	68.75																
Credibility/Reliability (LBD-NPP)	1	6.25																
Integrity (LBD-NPP)	5	31.25																
Interpersonal Relationship (LBD-NPP)	6	37.5																
Long-term Relationship/Retention (LBD-NPP)	4	25																
Open Relationship (LBD-NPP)	4	25																
Personal (LBD-NPP)	3	18.75																
Trustful Relationship (LBD-NPP)	6	37.5																
Sustainable Product (N)	4	25																
Volume (LBD-AIPP)	11	68.75																

Legend to Table 5-3:

1. The value-creating functions are written in colour coded background;
2. The sub-functions (when applicable) are produced below the corresponding value-creating functions;
3. AIPP – Already Identified Perceived Party;
4. LBD – Literature-based Definition;
5. N – Empirically found non-literature-based *new* function;
6. NBP – (Supplier as) New Beneficiary Party;
7. NPP – (Supplier as) New Perceived Party;

8. Each colour coded box informs the corresponding respondent's reference (up in the column of each such box) to the corresponding function (to the left in the row of each such box);
9. Each colour coded box informs the corresponding respondent's reference (up in the column of each such box) to the corresponding sub-function (to the left in the row of each such box).
10. colour coded box represents the corresponding respondent's (CUSF, with identifier code 6) reference to the corresponding function (Relational) in a general level only (i.e., without that respondent referring to any of the sub-functions of that function).

5.2.1 Findings on Customer Perceived Supplier Value-creating Functions and Sub-functions Corresponding to the Literature-based Functions and Sub-functions

In Table 5-3, the corresponding to the literature top-four by the frequency of mention value-creating functions are:

- (1) **Market** (mentioned by 100% of the interviewed suppliers);
- (2) **Growth** (93.75%);
- (3) **Innovations** (87.5%); and
- (4) **Knowledge** (87.5%).

The empirical findings, informing these functions and corresponding sub-functions, are analysed below.

Market Function:

All of the interviewed customers emphasized that *their firm's good status, image and reputation gave the possibility for the discussed suppliers to improve their (suppliers') image, reputation and/or credibility by being associated with those customers*. These responses were further sorted into the **Reference** and **Referral** sub-functions. The former of these sub-functions were mentioned by 93.75% of the interviewed customers. These customers reported the possibility for their suppliers to *improve their (suppliers') own image, reputation and/or credibility by using the relationship with these high status, image and/or reputation customers as a reference*:

"They [CUSHSUP] are making their presentation, so they try to get a new customer on board. Normally this customer would be smaller in size than CUSH. It may be the fact that that customer aspires to be like CUSH or [three leading multinational 3PL buyer firms] and by putting up those logos, CUSHSUP says: "look Mr. customer, you can trust us, we work with all of your peer groups and the companies you aspire to be like. If we can be a supplier to [three leading multinational 3PL buyer firms], you can trust us, because they trust us," and that's the base of what the message [of CUSHSUP] is. So if you present the slide and it says here are all the brands, the big brands in the world, including CUSH, (...) the message behind that slide, the

subliminal message [of CUSHSUP] is “if I can do it for these guys, I certainly can do it for you.” (CUSH, 8.33).

The **Referral** sub-function related scenarios, where the suppliers take rather a passive role in its image, reputation and/or credibility improvement from the associations with these high status, image and/or reputation customers, were discussed by 50% of the customers. For instance, CUSA reported that they have high status, image and reputation amongst the 3PL buying firms. Then they highlighted:

“(…) we [CUSA] recommend them [CUSASUP] to other organisations [some of the prospective customers of CUSASUP]. For example, we had two daughter companies. Of course, when they [the daughter companies of CUSA] have started, they needed a forwarding company, and we recommended them not too much – 3-4 suppliers, and told them that the best one is this one [CUSASUP]. To my personal friends I always recommend them [CUSASUP], so just this [CUSASUP].” (CUSA, 1.19).

Growth Function:

The **Intra-dyadic Sales Volume Growth** sub-function was defined by this research as the *positive change in the supplier’s volume of sales to its customer* (as discussed in section 5.1.1. (starting on page 197). In relation to the supplier as beneficiary, it was mentioned by 43.75% of the customer respondents. For example: “We [CUSG] are giving them [CUSGSUP] more and more contracts, (...) so they [CUSGSUP] are growing as a company; I mean they [CUSGSUP] are getting bigger.” (CUSG, 7.21).

Investment-based Growth and **Outer-dyadic Sales Volume Growth** sub-functions represent the empirically-based new constructs of the **Growth** function. Consequently, these sub-functions will be discussed in section 5.2.2 (starting on page 228).

Knowledge Function:

The empirical findings confirm that customer perceived supplier Knowledge value-creating function, synthesised by this thesis as attaining useful knowledge by a supplier from its customer, are steered by its two sub-functions: (1) the Experience-based Knowledge and (2) the Information Communication-based Knowledge. 81.25% of the interviewed customers’ responses were associated with the definition

of the Information Communication-based Knowledge sub-function. As previously mentioned, this sub-function implies the critical information communicated by a customer, which can add to the supplier's pull of useful knowledge. This aspect can be illustrated by CUSH's response: *"I think from CUSHSUP's perspective, what they get from CUSH, they get a very honest review of their actual performance."* (CUSH, 8.29). In this quote, the customer feedback takes the form of information, which CUSH perceived to be of value for CUSHSUP.

31.25% of the interviewed customers referred to the first of these sub-functions by emphasising that their suppliers could attain useful knowledge through the working experience with these customers. For example:

"(...) because we [CUSB] are a sophisticated organisation with mature supply chain, people [employees of CUSBSUP operating CUSB's some of the infrastructure] who work in the CUSB's distribution centre [which is run by CUSBSUP personnel] will learn a lot over time, so that's big benefit for them [CUSBSUP]; and they may go on to other contracts for small retailers and smaller customers and benefit from that knowledge [by being able to introduce the gained knowledge in the business relationship with other customers]." (CUSB, 2.04).

Relational Function:

The responses confirming customer perceived supplier **Relational** value-creating function could be coded to corresponding sub-functions (i.e., Benevolence, Credibility/Reliability, Integrity, Interpersonal Relationship, Long-term Relationship/Retention, Open Relationship, Personal, and Trustful Relationship). The exception was the response of CUSF, fitting only the general definition of the **Relational** function. That is the *supplier's positive evaluation of the overall relationship or its characteristics in place with its customer, including the emotional and relational bonds the supplier perceives from the counterpart:*

"If you have a good relationship [which, as per CUSF respondent, is the case between CUSF and CUSFSUP], transport supplier [CUSFSUP] do that extra needed to fix the problem (...)." (CUSF, 6.24).

From the rest of the **Relational** value-creating related responses, the **Benevolence** sub-function was mentioned by the highest number of customer informants

(68.75%). Based on the present literature, this sub-function was defined by this research as the *customer's genuine interest to contribute to the welfare of the supplier, especially if that contribution intention goes beyond the ones set by the contract between these parties*. The following is the representative example:

“We’ve [CUSE] got a very strong brand name, and it’s good for them [CUSESUP] to be able to do that [let other current and prospective customers know that CUSESUP works with CUSE], and part of the reason that we allow them to do that is because we [CUSE] are very happy with the relationship [with CUSESUP] you know, we do, we see it, you know, it’s not just a contract, it’s a partnership, it’s relationship.” (CUSE, 5.02).

Benevolence sub-function is preceded by the next highest in frequency sub-functions: ***Interpersonal Relationship*** and ***Trustful Relationship***. Each has 37.5% frequency of mention. The former of these sub-functions was defined as the *supplier valuing the established personal relationships and/or personal acquaintances between its own and its customer’s staff members*. The following quote provides such example: *“The personal relationships to me are the bases of a good relationship [between CUSO and CUSOSUP].” (CUSO, 15.02)*. The Trustful Relationship sub-function implies the *supplier’s confidence that its customer will not exploit the beneficiary’s vulnerabilities, or perception of trust towards the customer in a more general level*. The fulfilment of this sub-function can be portrayed by the following example passage: *“We [CUSH] have a good business partnership [with CUSHSUP], I would say, good trust there.” (CUSH, 13.15).*

Integrity, Long-term Relationship/Retention and ***Open Relationship*** sub-functions come after in the frequencies of 31.25%, 25% and 25% correspondingly. The Integrity sub-functions are pinpointed in the following vignette:

“The only judgement we [CUSJ] exercise [in relation to CUSJSUP’s 3PL services] is have they been negligent in their process, have they planned properly, and in which case there would be a financial liability for them. But if they planned properly and even if they have let us down but we can see that their plans were effective plans, then we would not always penalise them for that (...). Even if the KPI (Key Performance Indicator) has been missed, we will sometimes say: “we will still pay you for that, because, actually, those

were good plans, they did not work, but they were good plans that we believe.”
So we will exercise judgment, we will not automatically penalize them.”
(CUSJ, 10.7).

This passage highlights the *fair dealing* in the core of the customer perceived supplier value creation. This is in line with the *Integrity* sub-function definition in Table 4-11. In relation to the supplier as beneficiary, it implies the *customer’s adherence to the desirable/acceptable by its supplier principles*. One of the quotes, addressing the Open Relationship sub-function, when the *supplier values open and transparent communication with or from its customer*, are provided by CUSB:

“I think we [CUSB and CUSBSUP] have a good business relationship, let’s say always open book (...) where we don’t differentiate, we don’t hold knowledge back from them for example. We share lots of information with them.”(CUSB, 2.01).

The following example passage aligns with the **Long Term Relationship/Retention** sub-function:

“The contract [of CUSE with CUSESUP] is three years but the last time we signed we did not sign at the end of three years, we signed in two years for another three years. (...) there was still one year to run on the contract (...). (...) they [CUSESUP] do take a long-term approach, so I think they are happy to do some things that don’t benefit them financially in the short-term in order to benefit themselves in the long-term.” (CUSE, 5.11).

Personal and **Credibility/Reliability** sub-functions come after with the descending frequencies of 18.75% and 6.25% respectively. The following quote corresponds to the former sub-function, as it reflects the respondent’s belief in the *positive emotional state the supplier experiences by the relationship with its customer*:

“(...) I [CUSE] want to do business with people that I can build up a good relationship with, and I think it’s essential. I think if you don’t have a good relationship, if there is suspicion on either side, it’s not comfortable, [then] it’s not reactive and it becomes very difficult.” (CUSE, 5.23).

The next response from CUSH agrees with the definition of the Credibility/Reliability sub-function. That is the customer’s perception that its

commitments, written statements, promises and/or words are considered by the supplier as reliable and possible to be fulfilled:

“If we tell our supplier we are going to move 1000 equivalent units between location A and location B, and if we want them to quote on carrying of 1000 containers, I need to make sure they do actually get those 1000 containers. (...) There is a commitment [from CUSH to CUSHSUP]: we [CUSH] have to make sure that people [at CUSH] walk the talk, we [CUSH] have to make sure that we [CUSH] honour our side of the bargain too.” (CUSH, 8.10).

These and further sample responses from interviewed customers, informing literature-based value-creating functions and sub-functions in relation to the supplier as beneficiary, are provided in Table 5-4 below.

Table 5-4 Sample Responses on Customer Perceived Supplier Value-creating Functions and Sub-functions Corresponding to the Literature-based Functions and Sub-functions

Value-creating Functions and Sub-functions	Sample Responses
Access	“CUSP has awarded the volume contract to Tesco [being the customer of both CUSP and CUSPSUP] transport departmental called Tesco Primary. (...) <u>within our contract to Tesco Primary we have a clause that says “Tesco Primary will engage CUSPSUP to provide transport services” [for inbound deliveries of CUSP goods sold from CUSP to Tesco].</u> ” (CUSP, 16.6).
Cost Reduction	None (coded only if the respondent has referred to this function in a general level only, without referring to any of the sub-functions of this function).
Low Process Cost	“We [CUSB] are one of the biggest customer [of CUSBSUP] in the UK I think. So, scale definitely [is the benefit for CUSBSUP from CUSB], and therefore place of where they can generate turnover and <u>economies of scale</u> (...)” (CUSB, 2.7).
Low Purchasing Price	This construct is discussed in section 5.2.2.3 (starting on page 229) as a new sub-function for the supplier as beneficiary. This is due to the supplier being identified as the new beneficiary party, in relation to this construct.
Counterpart’s (Customer’s) Expertise/Knowhow	None

Value-creating Functions and Sub-functions	Sample Responses
Growth function related Intra-dyadic Sales Volume Growth sub-function	<p>“The positive [for CUSASUP from CUSA] is that we [CUSA] are growing company, and <u>they [CUSASUP] will get more volume than they have had from us before. So, this is I think very positive – every year we [CUSA] are increasing the volume [of business, ordered to CUSASUP].</u>” (CUSA, 1.16).</p> <p>“<u>We [CUSG] are giving them [CUSGSUP] more and more contracts, (...) so they [CUSGSUP] are growing as a company; I mean they [CUSGSUP] are getting bigger.</u>” (CUSG, 7.21).</p>
Innovation	None
Existing Process Improvement	<p>“Sometimes people [at CUSDSUP] want to say “the <u>operations</u> are running well at the moment, can we just sort of leave it? Can we just coast along a little while?” But my approach is to say no. <u>Once we reach a certain level that becomes a minimum, and then we have to kick on them and improve again, and that’s all about constantly looking for small ideas.</u> We [CUSD together with CUSDSUP] have done big projects, we’ve done all the obvious things. <u>It’s about finding small improvements, that’s constant search for marginal improvements.</u>” (CUSD, 4.30).</p>
Existing Product Improvement	<p>“(…) we [CUSC] are very strict [to CUSCSUP] when it comes to <u>precision</u>, so (...) they [CUSCSUP] knew they need to have a better tracking system, monitoring system and <u>they know that service is number one for us. In order to reach the results with us, they [CUSCSUP] have put in place methodologies, processes, monitoring systems, the way they work [with CUSC]; and that can be often utilised [by CUSCSUP] for other customers.</u>” (CUSC, 3.17).</p>
New Process Development	<p>“(…) when it comes to <u>IT [as the part of operations process within and between CUSI and CUSISUP]</u>, we [CUSI and CUSISUP] are in those connections and sometimes they introduce things to us, and <u>pilot few things with us.</u>” (CUSI, 9.15).</p>
New Product Development	<p>“<u>We [CUSH] work with them [CUSHSUP] to develop new services, new products,</u> and allow them to sell those products and services to a wider customer base.” (CUSH, 8.18).</p>
Knowledge	None
Experience-based Knowledge	<p>“(…) because we [CUSB] are sophisticated organisation with mature supply chain, <u>people [employees of CUSBSUP operating CUSB’s some of the infrastructure] who work in the CUSB’s distribution centre [which is run by CUSBSUP personnel] will learn a lot over time, so that’s big benefit for them [CUSBSUP];</u> and they may go on to other contracts for small retailers and smaller customers and benefit from that knowledge [by being able to</p>

Value-creating Functions and Sub-functions	Sample Responses
	<p>introduce the gained knowledge in the business relationship with other customers].” (CUSB, 2.04).</p> <p>“[Once] we [CUSG and CUSGSUP] finalise the contract, the project, <u>they [CUSGSUP] get their experience</u> and we get our experience (...). (...) they, of course, provide this experience to us next time, when we are starting a new projects – <u>lessons learned</u>, and in the same sense, each individual [at CUSG] in the project, me for example, when I work next time, of course I take this experience.” (CUSG, 7.29).</p>
Information Communication-based Knowledge	<p>“I think from CUSHSUP’s perspective, what they get from CUSH, <u>they get a very honest review of their actual performance.</u>” (CUSH, 8.29).</p> <p>“(…) <u>all the possibilities that we [CUSO] foresee in the market, we share with CUSOSUP.</u>” (CUSO, 15.11).</p>
Long-term Planning	<p>“I believe that the people that works at both parties [at CUSC and CUSCSUP] on let’s say management level, or tactical operational level, enjoy the fact that they can actually build and develop a long term relationship. (...) when your time perspective is longer, then I mean I think it’s much more enjoyable for the people to <u>discuss about plans, discuss about expansion</u>, instead of discussion about price every time. So, the relationship takes another angle (...).” (CUSC, 3.01).</p>
Market	None
Reference	<p>“<u>They [CUSHSUP] are making their presentation, so they try to get a new customer on board. Normally this customer would be smaller in size than CUSH. It may be the fact that that customer aspires to be like CUSH or [three leading multinational 3PL buyer firms], and by putting up those logos, CUSHSUP says: “look Mr customer, you can trust us, we work with all of your peer groups and the companies you aspire to be like. If we can be a supplier to [three leading multinational 3PL buyer firms], you can trust us, because they trust us,” and that’s the base of what the message [of CUSHSUP] is. So if you present the slide and it says here are all the brands, the big brands in the world, including CUSH, (...) the message behind that slide, the subliminal message [of CUSHSUP] is “if I can do it for these guys, I certainly can do it for you.”</u>(CUSH, 8.33).</p> <p>“(…) <u>in terms of marketing or image, working with big companies like CUSK is beneficial for CUSKSUP.</u>” (CUSH, 11.6)</p>
Referral	<p>“(…) <u>we [CUSA] recommend them [CUSASUP] to other organisations [some of the prospective customers of CUSASUP]. For example, we had two daughter companies. Of course, when they [the daughter companies of</u></p>

Value-creating Functions and Sub-functions	Sample Responses
	<p><u>CUSA] have started, they needed a forwarding company, and we recommended them not too much – 3-4 suppliers, and told them that the best one is this one [CUSASUP]. To my personal friends I always recommend them [CUSASUP], so just this [CUSASUP].” (CUSA, 1.19).</u></p> <p><u>“(…) the fact that they [CUSJSUP] have done business with us [CUSJ] and for a long time, it gives them the credentials to be able to drive growth in their business for other retailers, so we are used as a benchmark retailer for them and I very often will talk to potential customers for them, talk about how we work and how we worked with them. (….) I have had number of conversations with my opposite members whether Logistics Directors or CEO of some other organizations [potential customers of CUSJ] and then I see, three or four month later, that they start to move their products through CUSJSUP. So we know that we are big influence on the decisions [of the potential customers of CUSJSUP] and CUSJSUP know that as well.” (CUSJ, 10.14).</u></p>
Motivation	None
Extrinsic Motivation	<p><u>“(…) they [CUSESUP] use gas on their vehicles. So, now our [CUSE] entire contract [with CUSESUP] is run on gas vehicles and it’s something that seven years ago we were talking to them a lot about. (….) now they run. I think, about 50% of their fleets on bio gas. (….) We [CUSE] have been a catalyst for them [CUSESUP] in terms of their environmental strategy, that it will benefit them. So, that was definitely a benefit to them.”(CUSE, 5.04).</u></p>
Intrinsic Motivation	None
Non-monetary Efficiency	<p><u>“In some cases better communication [between CUSK and CUSKSUP] may have been necessary. That could help to solve problems easier or in a shorter time. If there is a problem and it concerns us [CUSK], it has to be highlighted and then immediately focused to the solution [by CUSKSUP]. It’s better than hiding problems and in the last minute saying that “look, we have a problem.”(CUSK, 11.27)</u></p>
Profit	<p><u>“We [CUSK] should give them [CUSKSUP] profitability, otherwise, I think, we would not be working anymore. So, yes, the financial side [for CUSKSUP from CUSK] is there.” (CUSK, 11.7).</u></p>
Relational	<p><u>“If you have a good relationship [which, as per CUSF respondent, is the case between CUSF and CUSFSUP], transport supplier [CUSFSUP] do that extra needed to fix the problem (….)” (CUSF, 6.24).</u></p>
Benevolence	<p><u>“The contract provides the framework in which we [CUSD and CUSDSUP] operate, but to be honest, at large, contact really fits the boundaries. You</u></p>

Value-creating Functions and Sub-functions	Sample Responses
	<p>know, it says the very least that we should do is this, but what I am more interested is developing relationships and developing the trust that <u>we can do a lot more than what is actually in the contract as the minimum.</u>" (CUSD, 4.28).</p> <p>"We've [CUSE] got a very strong brand name, and it's good for them [CUSESUP] to be able to do that [let other current and prospective customers know that CUSESUP works with CUSE], and <u>part of the reason that we allow them to do that</u> is because we [CUSE] are very happy with the relationship [with CUSESUP] you know, we do, we see it, you know, <u>it's not just a contract, it's a partnership, it's relationship.</u>" (CUSE, 5.02).</p>
Credibility/Reliability	<p>"If we tell our supplier we are going to move 1000 equivalent units between location A and location B, and if we want them to quote on carrying of 1000 containers, <u>I need to make sure they do actually get those 1000 containers.</u> (...) There is a commitment [from CUSH to CUSHSUP]: <u>we [CUSH] have to make sure that people [at CUSH] walk the talk, we [CUSH] have to make sure that we [CUSH] honour our side of the bargain too.</u>" (CUSH, 8.10).</p>
Integrity	<p>"The only judgement we [CUSJ] exercise [in relation to CUSJSUP's 3PL services] is have they been negligent in their process, have they planned properly, and in which case there would be a financial liability for them. But <u>if they planned properly and even if they have let us down but we can see that their plans were effective plans, then we would not always penalise them for that (...).</u> Even if the KPI (Key Performance Indicator) has been missed, we will sometimes say: "<u>we will still pay you for that, because, actually, those were good plans, they did not work, but they were good plans that we believe.</u>" So we will exercise judgment, we will not <u>automatically penalize them.</u>" (CUSJ, 10.7).</p> <p>"(...) what we [CUSN and VAUKSUPPLIER] want to try is to have the partners instead of provider, because the provider by definition it provides the product and the service to us, and we are trying to change and trying to make it the partnership – <u>shared risks, shared rewards, shared benefits</u> – from mutual." (CUSN, 14.02).</p>
Interpersonal relationship	<p>"(...) <u>We [CUSM] have developed very good relationship with the Account Manager [at CUSMSUP] over the last few years.</u>" (CUSM, 13.01).</p> <p>"<u>The personal relationships</u> to me are the bases of a good relationship [between CUSO and CUSOSUP]." (CUSO, 15.02).</p>
Long-term Relationship/Retention	<p>"The contract [of CUSE with CUSESUP] is three years but the <u>last time we signed we did not sign at the end of three years, we signed in two years for another three years.</u> (...) there was still one year to run on the contract (...).</p>

Value-creating Functions and Sub-functions	Sample Responses
	(...) <u>they [CUSESUP] do take a long-term approach</u> , so I think <u>they are happy to do some things that don't benefit them financially in the short-term in order to benefit themselves in the long-term.</u> " (CUSE, 5.11).
Open Relationship	<p>"I think we [CUSB and CUSBSUP] have a good business relationship, let's say always <u>open book (...)</u> where we don't differentiate, we don't hold <u>knowledge back from them for example</u>. We share lots of information with them." (CUSB, 2.01).</p> <p>"(...) the way we [CUSG] work with them [CUSGSUP], you know, is <u>open and honest way and partnership.</u>" (CUSG, 7.04).</p>
Personal	<p>"(...) I [CUSE] want to do business with people that I can build up a good relationship with, and I think it's essential. I think if you don't have a good relationship, if there is suspicion on either side, it's not <u>comfortable</u>, [then] it's not reactive and it becomes very difficult." (CUSE, 5.23).</p>
Trustful Relationship	<p>"(...) the way we [CUSG] work with them [CUSGSUP], you know, is open and honest way and partnership. <u>I don't want to be tricky with them</u>, you know." (CUSG, 7.04).</p> <p>"We [CUSH] have a good business partnership [with CUSHSUP], I would say, good <u>trust</u> there." (CUSH, 13.15).</p>
Safeguard	None.
Volume	<p>"The main benefits they [CUSKSUP] have are the <u>transportation volumes that we [CUSK] offer [to CUSKSUP].</u>" (CUSK, 11.5).</p>

Legend to Table 5-4:

1. The colour code represent value-creating functions;
2. The sub-functions (when applicable) are produced below the corresponding functions;
3. The parts of the sample responses, informing the corresponding value creating functions and sub-functions, are underlined.

5.2.2 Findings on Customer Perceived Supplier New Value-Creating Functions and Sub-functions

5.2.2.1 Bargaining Power

18.75% of interviewed customers regarded themselves as the sources of the **Bargaining Power** related value-creating function for their suppliers. In general, they referred to the possibility for their suppliers to exert the influence over the third parties outside the supplier-customer dyads between these customers and their suppliers. In particular, the customers addressed the **Purchasing Price Negotiation Power** sub-function of the Bargaining Power function. For example, CUSF reported that *CUSFSUP could negotiate a lower purchasing price with its own suppliers as the result of a business relationship with CUSF*:

“CUSF volume can be a base volume for them [CUSFSUP] in order to push rates downwards when they negotiate with shipping lines and airlines.” (CUSF, 6.02).

5.2.2.2 Customer’s Multi-level Organisational/Staff Access

31.25% of the interviewed customers referred to the *supplier’s positive valuation of the possibility to access staff members at various organisational levels in a customer firm*. This aspect was termed **Customer’s Multi-level Organisational/Staff Access** value-creating function, which can be captured in the following responses:

“What really matters is the capability to access the various levels of the organisations, so, respective different levels. I mean, if people in CUSISUP want to call me, then they should be able to call me – I mean not everybody of course, but my counterparts should be able to call me when they need, and few times they did, because they wanted to raise one very specific point at my level.” (CUSI, 9.14).

“We [CUSL and CUSLSUP] have day-to-day communication [between each other]. (...) we [CUSL and CUSLSUP] have opened quite a lots of communications lines between the companies, depending on what kind of issues we are talking about.” (CUSL, 12.19).

These quotes demonstrate the existence of the customer perceived supplier **Multi-level Organisational/Staff Access** value-creating function.

5.2.2.3 Cost Reduction

12.5% of the interviewed customers reported that they had possibility to *gain lower purchasing price with their own subcontractors as a result of having business with their customers*. This was termed **Low Purchasing Price** sub-function, which is captured in the following example quote:

“(...) the large volumes we [CUSA] offer to them [CUSASUP] helps them to gain lower prices from their own agents [suppliers of transportation services], because they [CUSASUP] have possibility to go to their suppliers and say that they will lose organisation [CUSA] with this kind of volumes if they [transportation service suppliers of CUSASUP] would not give them [CUSASUP] a lower price. So, they [CUSASUP] get a lower price from their agent.” (CUSA, 1.8).

Hence, **Low Purchasing Price** was revealed to exist as the extra sub-functions of the supplier perceived customer **Cost Reduction** value-creating function. Importantly, the literature-based Low Process Cost sub-function of the Cost Reduction function was covered in section 5.2.1.

5.2.2.4 Customer's Power

Customer's Power sub-function (with 37.5% frequency of mention) was informed by its **Customer's Coercive Power** and **Customer's Non-coercive Power** sub-functions. Both of the sub-functions were mentioned by the equal number of all customer participants – 31.25%. The following statement serves to exemplify the **Customer's Coercive Power** sub-function for the supplier as beneficiary:

“(...) we [CUSC] are very strict [to CUSCSUP] when it comes to precision, so (...) they [CUSCSUP] knew they need to have a better tracking system, monitoring system and they know that service is number one for us. In order to reach the results with us and stay as our supplier, they [CUSCSUP] have put in place methodologies, processes, monitoring systems, the way they work [with CUSC] and that can be often utilised [by CUSCSUP] for other customers.” (CUSC, 3.17).

This passage shows the supplier takes *the beneficial for itself precautions, which are actioned for avoiding the 'punishment' from the customer (if the customer withdraws the business from the given supplier)*.

The example of the customer perceived supplier **Non-Coercive Power** sub-function is as follows:

“We [CUSB] are very demanding on what we require of them [CUSBSUP], because we’re working in a demanding environment, and therefore, I think, they learn from that, they learn how to succeed in a demanding environment and take that out elsewhere.” (CUSB, 2.10).

In this vignette, the customer’s right to exercise the influence on its supplier is seen as normal for the supplier, and hence, does not include the ‘punishment’ avoidance element.

The example citation reflecting both Customer’s Coercive and Non-Coercive Power sub-functions is captured in the response of key informant at CUSG:

“I am working with Shell [CUSG’s customer, which CUSG is serving by subcontracting to CUSGSUP] now, and they [Shell] have a lot of environmental requirements, (...) and we address all these requirements in one of our projects to CUSGSUP because Shell – our client told us: “unless we see commitment from CUSGSUP on these HSE (Health, Safety, Environment) specific issues, you don’t get the contract from us.” So, they [CUSGSUP] have to comply, they have to have commitment, then they get the contract [of CUSG when serving Shell], and (...) they [CUSGSUP] are ready to work with this to get the contract.” (CUSG, 7.12).

In this example, the customer’s influence on the supplier is driven by both the ‘punishment’ avoidance and the reward expectation of the supplier. These aspects can be related to the fulfilment of the Customer’s Coercive Power and Customer’s Non-coercive Power sub-functions, correspondingly.

5.2.2.5 Dedicated Contact

Customer perceived supplier **Dedicated Contact** value-creating function has 18.75% frequency of mention. This construct is evident by the next example passages:

“(...) even though it’s a global contract [between CUSM and CUSMSUP], we [CUSM and CUSMSUP] have local key account management and local contacts, and it’s all very well embedded basically.” (CUSM, 13.02).

“(...) from our [CUSO] side, we start to have a single counterpart as well [for CUSOSUP to work with], and then we are becoming even faster in the market feedback and so on [to CUSOSUP].” (CUSO, 15.9).

These passages portray the *customers' perception that the named suppliers appraise the availability of a dedicated contact within the customer firms.*

5.2.2.6 Environmental

Responses from 62.5% of all the customer participants suggested the **Environmental** value-creating function in relation to the supplier as beneficiary. That was associated with the *existence of suppliers' environmental interests, which could be fulfilled by the support of the customers.* For example:

“(...) hopefully they [CUSDSUP] will get their carbon footprint down [as a result of CUSDSUP trialling hybrid vehicles with CUSD].” (CUSD, 4.15).

“It's good for a transport supplier [including CUSFSUP] to have those companies like CUSF as a customer, because we are all the time, to some extent, in the forefront of driving environmental aspects. (...) they [CUSFSUP] are developing in running their business environmentally and then they are more competitive towards other customers. So, to some extent, they are benefiting from our relationship.” (CUSF, 6.10).

5.2.2.7 Geographical Access/Coverage

18.75% of the customer respondents highlighted that *they assist their suppliers to improve the geographical coverage of 3PL services.* For example, CUSH stated:

“(...) we [CUSH] are able to take them [CUSHSUP] into new geographical areas, take them into new markets, and to develop some competences that they have not had before.” (CUSH, 8.18).

This informs the customer perceived supplier **Geographical Access/Coverage** value-creating function.

5.2.2.8 Growth

The empirically found new sub-functions of the Growth value-creating function are **Investment-based Growth** and **Outer-dyadic Sales Volume Growth**. In relation to the customer perceived supplier value perception perspective, these sub-functions

attained 43.75% and 81.25% frequencies of mention, correspondingly. The Investment-based Growth sub-function allowed the *suppliers to invest in their certain business activity of interest, as the result of the relationship with the customers*. For example:

“(...) they [CUSOSUP] are concentrated in intermodality, and therefore, to have the longer term agreement with us [CUSC] allows them to invest in actual infrastructure.” (CUSO, 3.13).

“They [CUSHSUP] know that they have a 5 years contract with CUSH. (...) So they got a 5 years plan, they know that we don’t shop around, they know that we have the commitment to have a long term suppliers. So, I think it does give them some certainty and gives them the ability to make investments.” (CUSH, 8.40).

The customer perceived supplier **Outer-dyadic Sales Volume Growth** sub-function relates to the *supplier’s sales volume growth outside the supplier-customer dyad*. The following two quotes account this value creation aspect:

“The other key benefit [from CUSE] to them [CUSESUP] I would say is that because our haulage with them is fixed time, fixed day, so, the same every week. They can then know exactly where their vehicles are going to be, and then they can take on the other contracts around that.” (CUSE, 5.12).

“The other benefit [of CUSNSUP’s business relationship with CUSN] is that with the network that they create for CUSN, they can also offer that same services to another car manufacturers, because that networking [logistics service] infrastructure is already there.” (CUSN, 14.10).

5.2.2.9 Payment

37.5% of the customer participants informed the customer perceived supplier **Payment** function by speaking about *complying with their suppliers’ preferences of when the suppliers get paid*. Such responses can be grouped into the **On-time Payment** and **Speed of Payment** sub-functions. This research defined the former construct as the *possibility for a supplier to receive the payment at the agreed with its customer time*. 31.25% of all the customer participants referred to this sub-function. For example:

“They [CUSASUP] know that they will receive money from CUSA on time. So, they should not worry about the money.”(CUSA, 1.02).

“We [CUSD] pay them [CUSDSUP] on time. We [CUSD] also say that if there are any queries on the bill, we will still pay the bill [to CUSDSUP]. We don’t hold up a large bill, because when I finish and get the query, we will pay the bill and then resolve the query later on. So we provide them with a good cash flow by on-time payment, because we are not holding up bills because of some small problems.” (CUSD, 4.22).

Besides that, one customer’s answer produced the **Speed of Payment** sub-function (with 6.25% frequency of mention) when the customer referred to *paying its supplier in a shorter period of time than is practiced in the related market:*

“CUSC has one of the biggest advantages in the way we pay, because we have self-billing within 30 days, which is relatively unusual in the market today – the standard in the market is 90 or 120 days, this in the market of the Southern Europe (...). (...) we definitely have competitive advantage for the payment terms we have [with CUSCSUP].” (CUSC, 3.10).

5.2.2.10 Problem Solving

The answers from 56.25% of the interviewed customers indicate customer perceived supplier **Problem Solving** value-creating function. For instance:

“We [CUSH] are able to show to CUSHSUP how they have performed in reality – and it’s not always a very good picture, so we are able to work with them to improve that service performance.” (CUSH, 8.30).

“What we [CUSJ] have, what I have is a team of individuals who work with the site management, we use a number of CUSJSUP sites. They work with the site management team to understand what the issues are, and to overcome those issues. (...) it’s generally a meeting where the two individuals, the two teams are working together to overcome what the problem is.” (CUSJ, 10.6).

These statements address the *possibility for the suppliers to identify problems, find solutions to the problems and/or solve the problems through the problem solving oriented collaboration with the customers.* This value creation aspect was entitled the Problem Solving function.

5.2.2.11 Sustainable Product

25% of the interviewed customer firms supplied evidence about the **Sustainable Product** value-creating function for the supplier as beneficiary. In their answers, the respondents reflected *their support in realising suppliers' interests to run 3PL services in environmentally friendlier and financially beneficial (cost efficient and/or profitable) ways:*

“(...) we [CUSC] try to align our needs to the needs of their [CUSCSUP] portfolio. So, they can optimise the cargo flow network, which means that with some partners [including CUSCSUP] we are not strict, that we can allow some flexibility and negotiate time for them to pick up or deliver. So, they can optimise the other network that they have, so they can make a profit out of the other network and have a sustainable business [from both, environmental and financial perspectives].” (CUSC, 3.5).

“Within Tesco [being the customer of both, CUSPSUP and CUSP] sustainability initiative, they [CUSPSUP] have very intentionally adapted rail as a dominant modal type. Tesco and CUSPSUP were looking for a rail partner to backload the train and utilise the train, and CUSP was delighted to have the opportunity to support that rail service. And it was our first scale utilisation of rail for us in the UK, and we [CUSP] have now extended the use of that rail service (...). (...) [Following that] we [CUSP and CUSPSUP] are absolutely gaining on cost (...) and achieve sustainability [from both, environmental and financial perspectives].” (CUSP, 16.5).

The following example citations clearly show the inseparability of environmental and financial benefits the 3PL service need to impose in order that it be considered sustainable:

“CUSN is very committed to reduce emissions and freight cost and so on and so forth, which is why we have a look at different options of road, rail, air, sea, so on and so force. However, that [the environmental impact reduction] is not the bases of what is the best and most optimum route for every piece to get from supplier [of products for CUSN] to here [the place where CUSN gets the goods]. The driving factor is not emissions cost. The driving factor is that if it is a fully optimised route [thus more cost efficient 3PL service], if you fully

optimise that route, then the immediate benefit is the emissions reduction.”
(CUSN, 14.5).

“(…) the main area [of environmentally related collaboration between CUSO and CUSOSUP] is to reduce in the transportation – to optimise the transportation, and this activity has a lot to do with the environmental scope. But we [CUSO and CUSOSUP] are, let’s say, taking care about it more from a cost point of view.” (CUSO, 15.20).

These quotes once again emphasise the distinctive characteristic of the Sustainable Product value-creating function to be connected to both the environmental and financial benefits for the supplier as beneficiary as perceived by the customers.

5.3 Empirical Findings on Customer Perceived Value-creating Functions and Sub-functions of Supplier Relationship

Table 5-5 (starting on the next page) presents the summary of the empirical findings on the customer perceived value of the supplier relationship. As visible from this table, the majority of the empirically identified constructs correspond to the literature-based findings (see the constructs with LBD-AIPP acronyms in Table 5-5). The data, corresponding to these results, are analysed in section 5.3.1 (starting on page 240).

Also, the empirical data has generated new constructs, not previously conceptualised by the literature (see constructs with N acronym in Table 5-5). The researched customers’ perceptions of these new constructs are analysed in section 5.3.2 (starting on page 250).

Table 5-5 Frequency of Identified Customer Perceived Value-creating Functions and Sub-functions of Supplier Relationship

Relationship Value-creating Functions and Sub-functions	Frequency		Customer Respondent Firms (Firm/Identifier Code)															
	Count	%	CUSA/1	CUSB/2	CUSC/3	CUSD/4	CUSE/5	CUSF/6	CUSG/7	CUSH/8	CUSI/9	CUSJ/10	CUSK/11	CUSL/12	CUSM/13	CUSN/14	CUSO/15	CUSP/16
Access (LBD-AIPP)	2	12.5																
Cost Reduction (LBD-AIPP)	14	87.5																
Low Process Cost (LBD-AIPP)	6	37.5																
Low Purchasing Price (LBD-AIPP)	13	81.25																
Counterpart's (Supplier's) Expertise/Knowhow (LBD-AIPP)	12	75																
Counterpart's Multilevel Organisational/Staff Access (N)	8	50																
Customer's Power (N)	11	68.75																
Customer's Coercive Power (N)	9	56.25																
Customer's Non-coercive Power (N)	8	50																
Dedicated Contact (N)	6	37.5																
Environmental (N)	10	62.5																
Flexibility (LBD-AIPP)	4	25																
Geographical Access/Coverage (N)	2	12.5																
Growth (N)	5	31.25																
Investment-based Growth (N)	1	6.25																
Sales Volume Growth (N)	4	25																
Innovation (LBD-AIPP)	12	75																
Existing Process Improvement (LBD-AIPP)	4	25																

Relationship Value-creating Functions and Sub-functions	Frequency		Customer Respondent Firms (Firm/Identifier Code)															
	Count	%	CUSA/1	CUSB/2	CUSC/3	CUSD/4	CUSE/5	CUSF/6	CUSG/7	CUSH/8	CUSI/9	CUSJ/10	CUSK/11	CUSL/12	CUSM/13	CUSN/14	CUSO/15	CUSP/16
New Process Development (LBD-AIPP)	6	37.5																
Supplier's Improved Product (LBD-AIPP)	7	43.75																
Supplier's New Product (LBD-AIPP)	8	50																
Knowledge (LBD-AIPP)	15	93.75																
Experience-based Knowledge (LBD-AIPP)	2	12.5																
Information Communication-based Knowledge (LBD-AIPP)	15	93.75																
Long-term Planning (LBD-AIPP)	6	37.5																
Market (LBD-AIPP)	4	25																
Reference (LBD-AIPP)	4	25																
Referral (LBD-AIPP)	3	18.75																
Multiplicity of Services	7	43.75																
Non-monetary Efficiency (Time/Effort/Energy) (LBD-AIPP)	10	62.5																
Payment Flexibility (LBD-AIPP)	1	6.25																
Problem Solving (N)	10	62.5																
Product Quality (LBD-AIPP)	14	93.75																
Delivery Speed (N)	2	12.5																
On-time Delivery (N)	12	87.5																
On-time Pick-up (N)	1	6.25																
Pick-up Speed (N)	1	6.25																

Relationship Value-creating Functions and Sub-functions	Frequency		Customer Respondent Firms (Firm/Identifier Code)															
	Count	%	CUSA/1	CUSB/2	CUSC/3	CUSD/4	CUSE/5	CUSF/6	CUSG/7	CUSH/8	CUSI/9	CUSJ/10	CUSK/11	CUSL/12	CUSM/13	CUSN/14	CUSO/15	CUSP/16
Right Place Delivery (N)	2	12.5																
Right Quantity Despatch (N)	1	6.25																
Right Time Despatch (N)	1	6.25																
Safe Delivery (N)	6	37.5																
Relational (LBD-AIPP)	15	93.75																
Benevolence (LBD-AIPP)	14	87.5																
Credibility/Reliability (LBD-AIPP)	4	25																
Integrity (LBD-AIPP)	6	37.5																
Interpersonal Relationship (LBD-AIPP)	6	37.5																
Long-term Relationship/Retention (LBD-AIPP)	4	25																
Open Relationship (LBD-AIPP)	4	25																
Personal (LBD-AIPP)	7	43.75																
Trustful Relationship (LBD-AIPP)	7	43.75																
Safeguard (LBD-AIPP)	1	6.25																
Sustainable Product (N)	6	37.5																
Time Compression (LBD-AIPP)	6	37.5																
Value-added Service (LBD-AIPP)	6	37.5																
Volume (LBD-AIPP)	6	37.5																

Legend to Table 5-5:

1. The value-creating functions are written in ■ colour coded background;
2. The sub-functions (when applicable) are produced below the corresponding value-creating functions;
3. AIPP – Already Identified Perceived Party;
4. LBD – Literature-based Definition;
5. N – Empirically found non-literature-based *new* function;
6. Each ■ colour coded box informs the corresponding respondent's reference (up in the column of each such box) to the corresponding function (to the left in the row of each such box);
7. Each ■ colour coded box informs the corresponding respondent's reference (up in the column of each such box) to the corresponding sub-function (to the left in the row of each such box).
8. ■ colour coded box represents the corresponding respondent's (CUSO, with identifier code 15) reference to the corresponding function (Growth) in a general level only (i.e., without that respondent referring to any of the sub-functions of that function).

5.3.1 Findings on Customer Perceived Value-creating Functions and Sub-functions of Supplier Relationship Corresponding to the Literature-based Functions and Sub-functions

According to Table 5-5, the literature related top-four by the frequency of mention value-creating functions are:

- (1) **Knowledge** (referred to by 93.75% of the interviewed customers);
- (2) **Relational** (93.75%);
- (3) **Cost Reduction** (87.5%); and
- (4) **Counterpart's (Supplier's) Expertise/Knowhow** (75%)⁴.

The data analysis on these functions, with corresponding sub-functions (when applicable), is provided below. Notably, the analysis of the literature-based Product Quality function, which has 93.75% frequency of mention, was not considered for inclusion in this section. This function was addressed only at the newly found by this research sub-functional level. Consequently, its analysis is shifted to section 5.3.2 (starting on page 250).

Knowledge Function:

The **Knowledge** value-creating function of supplier relationship, defined as *attaining useful knowledge by the customer from its supplier*, was considered from the two sub-functions perspectives by the customer respondents. These are **Experience-based Knowledge** and **Information Communication-based Knowledge**. The latter of these two constructs implies the *customer improving its pull of useful knowledge by receiving critical information from its supplier*. It was addressed by 93.75% of all the customer respondents and can be illustrated by the following vignette: “(...) all the possibilities that CUSOSUP foresee in the market, they share with us.” (CUSO, 15.12). The Experience-based Knowledge was mentioned only by two customers (thus, attaining 12.5% frequency of mention), when they referred to the *useful knowledge which they attained through the working experience with their suppliers*. For example, as CUSB articulated:

⁴ The Innovation value-creating function also has 75% frequency of mention in Table 5-5, however, the Counterpart's (Supplier's) Expertise/Knowhow were selected due to its lower alphabetical position.

“It [working with CUSBSUP] helps us to benchmark our [CUSB] own logistics. So, about 50% of our logistics network is outsource to 3PL providers, so about 50% of the logistics operations is in house; so CUSBSUP helps us to benchmark our own logistics performance and logistics performance of the other third-parties (...).” (CUSB, 2.5).

Concurring with the Experience-based Knowledge construct definition, this passage suggests that the customer’s knowledge is derived from the working experience with, rather than from the communication of the information from the supplier.

Relational Function:

The customer perceived **Relational** value-creating function of supplier relationship related to the *customer respondents’ positive evaluations of the relationships in place with their suppliers*. All its literature-based eight sub-functions (i.e., **Benevolence**, **Credibility/Reliability**, **Integrity**, **Interpersonal Relationship**, **Long-term Relationship/Retention**, **Open Relationship**, **Personal**, and **Trustful Relationship**) were empirically confirmed to exist. From these, the one with the highest frequency of interviewed customers (87.5%) is **Benevolence**. It is related to the *customer perceived supplier’s genuine interest to contribute to the welfare of the customer beyond the contract terms in place between these parties*. CUSH explained that as follows: “(...) they [CUSHSUP] are trying to help us [CUSH] in whichever way they can.”(CUSH, 13.16). So, it is not simply about the contract fulfilment which the customer expects to get from the supplier, but something which the customer also considers to be as a supplier’s authentic desire to ‘help.’

An equal number of customers highlighted the perceived **Personal** and **Trustful Relationship** sub-functions from their suppliers (each receiving 43.75% frequency of mention). The first mentioned of these sub-functions is related to the *positive emotional state a customer experiences by the relationship with its supplier*. The following response from CUSG represents its fulfilment: “Personally we [CUSG] enjoy working with them [CUSGSUP] (...).” (CUSG, 7.38). The Trustful Relationship sub-function relates to *a customer’s confidence that its supplier will not exploit the customer’s vulnerabilities, and/or the perception of trust towards the beneficiary at a more general level*. This construct is evident by the following

example response: “It’s key for me [CUSK] to have a very good, open, trustful relationships with my carriers [including CUSK].” (CUSK, 11.04).

37% of the interviewed customers referred to the **Integrity** and **Interpersonal Relationship** sub-functions. The former of these two sub-functions relate to a *supplier’s adherence to the desirable/acceptable by the customer* principles. That is captured in the following example quote:

“We [CUSI] want to see in every possible dimension how to be more [environmentally] sustainable. So, we need to make sure that our partners, whoever they are, also have this view and strive to do things about that. (...) CUSI wants to work with service providers [including CUSISUP] who have the vision that in terms of environmental sustainability some things must be done.”
(CUSI, 9.04).

Here, the environmental sustainability vision represents the credo for CUSI, which has the desire that CUSISUP maintain the same orientation. The **Interpersonal Relationship** sub-function is about *a customer valuing the established personal relationships and/or personal acquaintances between its own and its supplier’s staff members*. The following response from CUSE exemplifies this aspect: “(...) we [CUSE] very much like to build partnerships with people [at CUSESUP].” (CUSE, 5.17).

Each of the **Credibility/Reliability**, **Long-term Relationship/Retention**, and **Open Relationship** sub-functions was captured from 25% of all customers’ responses. **Credibility/Reliability** sub-function implies a customer’s perception *that its supplier’s commitments, written statements, promises and/or words are reliable and can be fulfilled*. The answers of CUSD can exemplify this: “(...) I [CUSD] have (...) trust that they [CUSDSUP] will actually do the job, and generally speaking they do.” (CUSD, 4.24). The **Long-term Relationship/Retention** sub-function was defined as *the possibility for the customer to retain and have a long-term relationship with its supplier*, and can be represented by the following quote: “CUSD want to develop strong and long term relationships with our suppliers [including CUSDSUP].” (CUSD, 4.9). Finally, the **Open Relationship** sub-function takes place when *a customer values open and transparent communication with or from its supplier*. This is highlighted in the following sketch from CUSE’s answer:

“We [CUSE and CUSESUP] have a very good relationship, very open relationship.”
(CUSE, 5.18).

Cost Reduction Function:

The ***Cost Reduction*** value-creating function of supplier relationship gets fulfilled by *the reduction of joint total costs of the customer*. The customers’ responses were sorted into the ***Low Purchasing Price*** and ***Low Process Cost*** sub-functions. They attained 87.5% and 37.5% frequencies of mention, respectively. The former of these sub-functions refers to the *customer getting a low purchasing price on the purchased product from the supplier* and can be represented by the next sample quote: *“One of the main benefits from our [CUSH] relationship with CUSHSUP is that we [CUSH] get very competitive pricing levels from CUSHSUP.”*(CUSH, 8.01). The Low Process Cost sub-function was evidenced by the *customers achieving cost-efficient business operations as the result of the relationship with their suppliers*. For instance:

“We can’t reduce the stock and consequently the inventory carriage cost if we don’t have reliable inbound shipments [from CUSLSUP]. When we are sure about the inbound lead time, the transport lead-time, it’s also calculated [by CUSLSUP] when the parts need to be in stock in our warehouse, enabling our organisation [CUSL] to reduce the overall supply chain running cost.” (CUSL, 12.17).

Counterpart’s (Supplier’s) Expertise/Knowhow Function:

75% of the studied customers perceive that *suppliers have knowledge and skills in the areas of interest for the customers*, thus, informing the ***Counterpart’s (Supplier’s) Expertise/Knowhow*** sub-function for the customer as beneficiary. The following response from CUSF gives a corresponding example:

“All our [CUSF] suppliers [including CUSFSUP] are expected to have the full knowledge in the respected transport modes, so anything else is simply not accepted. I mean, we must have top quality transport supplier who has all the competence and knowledge.” (CUSF, 6.21).

In this particular quote, the supplier’s knowledge in running high quality transport services by the relevant modes of transport is emphasised.

These and further example quotes from the customer informants, referring to the literature-based value-creating functions and sub-functions in relation to the customer as beneficiary, are produced in Table 5-6 below.

Table 5-6 Sample Responses on Customer Perceived Value-creating Functions and Sub-functions of Supplier Relationship Corresponding to the Literature-based Functions and Sub-functions

Value-creating Functions and Sub-functions	Sample Responses
Access	<p>“Of course, as soon as you have a big logistics provider CUSLSUP, it <u>opens up some contacts of course, even globally (...). (...)</u> although we have a <u>contact with a Swedish office, we of course actually have foreign contacts within CUSLSUP in Germany and wherever.</u>” (CUSL, 12.23).</p>
Cost Reduction	<p>None (coded only if the respondent has referred to this function in a general level only, without referring to any of the sub-functions of this function).</p>
Low Process Cost	<p>“[CUSBSUP] gives [to CUSB] good consistent service – (...) timely delivery and <u>good cost management</u> [of CUSB’s part of the supply chain operations].” (CUSB, 2.11).</p> <p>“<u>We can’t reduce the stock and consequently the inventory carriage cost if we don’t have reliable inbound shipments [from CUSLSUP].</u> When we are sure about the inbound lead time, the transport lead-time, it’s also calculated [by CUSLSUP] when the parts need to be in stock in our warehouse, <u>enabling our organisation [CUSL] to reduce the overall supply chain running cost.</u>” (CUSL, 12.17).</p>
Low Purchasing Price	<p>“(…) we [CUSA] always recheck the prices [of CUSASUP against the CUSASUP’s some of the competitor logistics providers] and <u>if we [CUSA] have better price [from any of the CUSASUP’s competitor logistics providers], they should give us [CUSA] better price.</u> (...) they [CUSASUP] don’t have from us exclusive, and they know that sometimes we are sending the orders to their competitors.” (CUSA, 1.9).</p> <p>“One of the main benefits from our [CUSH] relationship with CUSHSUP is that <u>we [CUSH] get very competitive pricing levels from CUSHSUP.</u>” (CUSH, 8.01).</p>
Counterpart’s (Supplier’s) Expertise/Knowhow	<p>“All our [CUSF] suppliers [including CUSFSUP] are expected to have the <u>full knowledge in the respected transport modes,</u> so anything else is simply not accepted. I mean, we must have top quality transport supplier who has <u>all the competence and knowledge.</u>” (CUSF, 6.21).</p> <p>“<u>They [CUSKSUP] got to know what they are doing, so they have a set of</u></p>

Value-creating Functions and Sub-functions	Sample Responses
	<u>skillsets that has to be there.</u> ” (CUSK, 11.22)
Flexibility	“We [CUSC] know we can count on a handful of suppliers like CUSCSUP, and we had already examples in Spain or in Italy where other suppliers failed and <u>CUSCSUP jumped in with very short notice.</u> ” (CUSC, 3.18).
Innovation	None
Existing Process Improvement	“We [CUSL and CUSLSUP] work on the day-to-day <u>operations [of CUSL] improvements.</u> ” (CUSL, 12.13).
Existing Product Improvement	None
New Process Development	“We [CUSD] want to work with strong, competitive companies who can give us a good service. If giving a reference [to CUSDSUP] helps them win a business, an extra bit of business and strength in their business, then it improves their commercial viability, makes them a stronger company. It’s very hard to see a tangible benefit which comes from that. There may be some <u>cost optimisation or some other new process development initiative that this customer [of CUSDSUP] make them do, that they [CUSDSUP] can bring to us [CUSD].</u> ” (CUSD, 4.20).
New Product Development	None
Supplier’s Improved Product	“We [CUSH] are able to show to CUSHSUP how they have <u>performed in reality – and it’s not always a very good picture,</u> so we are able to work with them to <u>improve that service performance [provided by CUSHSUP to CUSH].</u> ” (CUSH, 8.30).
Supplier’s New Product	“(…) <u>they [CUSLSUP] are able to add new [3PL] services to do existing contract. There is always a possibility to have a reasonable chat with them and also add services that we have not had before, so that’s one benefit [for CUSL] to have them [CUSLSUP].</u> ” (CUSL, 12.04).
Knowledge	None
Experience-based Knowledge	<p>“<u>It [working with CUSBSUP] helps us to benchmark our [CUSB] own logistics.</u> So, about 50% of our logistics network is outsource to 3PL providers, so about 50% of the logistics operations is in house; so <u>CUSBSUP helps us to benchmark our own logistics performance and logistics performance of the other third-parties (…).</u>” (CUSB, 2.5).</p> <p>“(…) We [CUSI and CUSISUP] need to have the <u>intelligence to understand each-others’ organisation and networks.</u>” (CUSI, 9.10).</p>

Value-creating Functions and Sub-functions	Sample Responses
Information Communication-based Knowledge	<p>“(…) I [CUSE] might say [to CUSESUP] “ok, we have this problem, which we are trying overcome at the moment,” and they are very happy to offer some solutions, not always solutions that involve them, but sometimes just you know <u>ideas</u> because they have a lot of experience as well. For instance, the Sustainability Head [of CUSE] has been in to our company a number of times, <u>made a presentation to our marketing team about all the environmental credentials of CUSESUP are doing</u> [with CUSE], from which our marketing team would then be able to take some of those facts and figures and use them, you know, within our advertising, within our branding (…).” (CUSE, 5.10).</p> <p>“(…) <u>all the possibilities that CUSOSUP foresee in the market, they share with us.</u>” (CUSO, 15.12).</p>
Long-term Planning	<p>“We [CUSI and CUSISUP] also try to understand what has been done in other industries or in other fields in terms of environmental sustainability. I think we should not underestimate value of these informal exchanges. I mean it’s not about if we decide about a new service, or if we decide to make price recession, but that’s discussions between multinational companies which are globally present and which try to <u>understand how they should do their business today and tomorrow, but also in 5 and 10 years from now.</u>” (CUSI, 9.7).</p>
Multiplicity of Services	<p>“(…) CUSLSUP has <u>several services that we [CUSL] can use</u>, so that’s one of the benefits [for CUSL].” (CUSL, 12.5).</p>
Non-monetary Efficiency	<p>“Indeed one of the most important things [in the relationship between CUSM and CUSMSUP] is that the rates are negotiated globally, so (…) the costs are controlled (…) centrally [by the headquarters of CUSM and CUSMSUP] and we don’t negotiate them locally any more. (…) [By this] <u>we [CUSM] save a lot of time (…).</u> (…) So <u>we [CUSM] don’t really get involved in that process.</u>” (CUSM, 13.12).</p>
Payment Flexibility	<p>“<u>We [CUSA] work on credit. After receiving the container in our warehouse, we have around 2-3 weeks [to make payment for the logistics service to CUSASUP], but no limit, it could be around 200,000 GEL or more does not matter, without any limits, so we [CUSA] have flexible payment terms with them [CUSASUP].</u>” (CUSA, 1.01).</p>
Product Quality	<p>None of the quotes relates to this function without sub-functional level orientations – see section 5.3.2.8 (starting on page 254) for corresponding analysis.</p>
Market	None

Value-creating Functions and Sub-functions	Sample Responses
Reference	<p>“(…) <u>what is gonna help CUSHSUP, most of all, is to be able to brand this [CUSHSUP’s own environmentally friendlier services and proactive corporate environmental strategy] with CUSH in the future, that together CUSH and CUSHSUP working in partnership to take care of 2,000 tons of CO2 emissions reduction for example in 2040, whatever it might be.</u> And that’s going to be, I think, for CUSHSUP’s perspective, to attract major customer companies [current and potential] with CO2 emissions’ reduction targets.” (CUSH, 8.27).</p>
Referral	<p>“They [CUSDSUP] are not allowed to make any mention of the fact that they have a commercial relationship with us [CUSD] unless we [CUSD] authorise it. But, <u>occasionally, we allow them to do things something like this where we can get some mutual benefit – publicity for both of us [for example].</u>” (CUSD, 4.16).</p>
Relational	None
Benevolence	<p>“If you have a good relationship [which, as per CUSF respondent, is the case between CUSF and CUSFSUP], <u>transport supplier [CUSFSUP] do that extra needed to fix the problem (…)</u>” (CUSF, 6.24).</p> <p>“(…) <u>they [CUSHSUP] are trying to help us [CUSH] in whichever way they can.</u>” (CUSH, 13.16).</p>
Credibility/Reliability	<p>“<u>Trust means that I [CUSD] have some degree of trust that they [CUSDSUP] will actually do the job, and generally speaking they do.</u>” (CUSD, 4.24).</p> <p>“We [CUSG] know that <u>they [CUSGSUP] will not disappoint us.</u>” (CUSG, 7.37).</p>
Integrity	<p>“<u>We [CUSI] want to see in every possible dimension how to be more [environmentally] sustainable. So, we need to make sure that our partners, whoever they are, also have this view and strive to do things about that. (…)</u> CUSI wants to work with service providers [including CUSISUP] <u>who have the vision that in terms of [environmental] sustainability some things must be done.</u>” (CUSI, 9.04).</p> <p>“(…) <u>When there is an issue or when times are hard [with CUSN], everyone [CUSN and CUSNSUP] is to share that risk.</u> (…) When the times are good and the business [of CUSN] is good and car sales are very liquid, then both parties [CUSN and CUSNSUP] share that reward.” (CUSN, 14.04).</p>
Interpersonal relationship	<p>“(…) we [CUSE] very much like to <u>build partnerships with people [at CUSESUP].</u>” (CUSE, 5.17).</p>

Value-creating Functions and Sub-functions	Sample Responses
	<p>“<u>The personal relationships</u> to me are the bases of a good relationship [between CUSO and CUSOSUP].” (CUSO, 15.02).</p>
Long-term Relationship/Retention	<p>“CUSD want to develop strong and <u>long term relationships</u> with our suppliers [including CUSDSUP].” (CUSD, 4.9).</p> <p>“(…) because we [CUSM] have invested a lot of time in our sites as well in implementing and dealing with them [CUSMSUP], we [CUSM] are familiar with how the processes work. (...) it would take a lot of time and effort to set the new logistics service suppliers up. So, it’s our interest, as much as theirs too, you know, to develop <u>long-term partnership relationship</u>.” (CUSM, 13.18).</p>
Open Relationship	<p>“We [CUSE and CUSESUP] have a very good relationship, very <u>open relationship</u>.” (CUSE, 5.18).</p> <p>“(…) they [CUSGSUP] work with <u>open book principle</u> [with CUSG].” (CUSG, 7.36).</p>
Personal	<p>“The good relationship is something we have to work every day to ensure that <u>I am comfortable</u>, when there is a problem it gets a rights level of attention, it gets resolved.” (CUSD, 4.25).</p> <p>“Personally we [CUSG] <u>enjoy</u> working with them [CUSGSUP] (...).” (CUSG, 7.38).</p>
Trustful Relationship	<p>“I would say that I [CUSF] will not outsource to the supplier in which I don’t have <u>trust</u> (...) [which, as per respondent, is the case for CUSF in relation to CUSFSUP] – that is important during the business relation.” (CUSF, 6.25).</p>
Safeguard	<p>“Another benefit they [CUSBSUP] bring to us [CUSB] is to be able to divide up the unions strength – we are in a very unionised environment in supermarket distribution. (...) <u>If we run all the distribution centres ourselves, then the unions would be capable of making demands and having a national agreements and having national strike actions for example, which would cripple a business [of CUSB]. So, because we [CUSB] have different companies running logistics [including CUSBSUP], the worst that could happen at any one point in time is that one distribution centre stop working because of the strike action.</u>” (CUSB, 2.15).</p>
Time Compression	<p>“We have in CUSH thousands of different supply chains. (...) we have some products which make the stock, so those products we tend to have a high level of repetition; we sell through distributors, retailers direct in some cases. So, that side of the business <u>we [CUSG] are looking very much about</u></p>

Value-creating Functions and Sub-functions	Sample Responses
	<u>speed of delivery (...) and having product available for sale.</u> ” (CUSH, 8.14).
Value-added Service	“There is a fact that <u>they [CUSDSUP] take care of licences and other technical issues [for CUSD, in addition to the core logistics service being purchased by CUSD from CUSDSUP].</u> ” (CUSD, 4.01).
Volume	“We know that <u>there is no capacity problem [with CUSISUP]. (...) we have never had any problems with capacity [with CUSISUP].</u> ” (CUSI, 9.17).

Legend to Table 5-6:

1. The colour code represent value-creating functions;
2. The sub-functions (when applicable) are produced below the corresponding functions;
3. The parts of the sample responses, informing the corresponding value creating functions and sub-functions, are underlined.

5.3.2 Findings on Customer Perceived New Value-Creating Functions and Sub-functions of Supplier Relationship

5.3.2.1 Counterpart's Multilevel Organisational/Staff Access

Half of the interviewed customers (i.e., 50%) informed the **Counterpart's Multilevel Organisational/Staff Access** function. This was done by them reporting the *possibility to access relevant multilevel staff members at their respective supplier firms*. The following response can exemplify this value creation aspect:

“What is important for us [CUSI] is to see what is the readiness of the organisation we have in front of us to organise themselves in such a way that we secure the various level of interaction. (...) we [CUSI and CUSISUP] secure the right interactions within our organisations.” (CUSI, 9.02).

“We [CUSK and CUSKSUP] have the escalation points, (...) that when something cannot be dealt or we have an issue and locally cannot be solved, then we go to escalate to the next level, so it's about involving the next level of management.” (CUSK, 11.03).

5.3.2.2 Customer's Power

68.75% of all the customer respondents mentioned the *possibility for their firms to influence the actions of their suppliers with a favourable outcome for these customers*. This was termed **Customer's Power** function in relation to a customer as beneficiary. Such responses further informed the **Customer's Coercive Power** and **Customer's Non-coercive Power** sub-functions of the Customer's Power function. The first of these constructs, referred to by 56.25% of the interviewed customers, implies the *customer's influence being driven by the interest of the supplier to avoid the potential 'punishment' from its customer*. This can be illustrated by the following example passages:

“If they [CUSJSUP] fail on the KPIs (Key Performance Indicators), then I would expect that to be a contractual liability to them – a financial penalty. (...)But that is part of the deal, that's what enables us to hold them to account.” (CUSJ, 10.04).

“Contractually, we [CUSD] have KPI levels with them [CUSDSUP], whereby we set certain level, below which we could exit the contract.” (CUSD, 4.6).

50% of the customer respondents' quotes reflected the 'non-punishment' driven influence of their firms to their suppliers, hence, the label Non-coercive Power sub-function. It is captured from the following examples quote:

"Sometimes we [CUSK] may be putting pressure [on CUSKSUP], but it's driven by the business. Also, I am not asking impossible things and not asking things that are not reasonable." (CUSK, 11.28).

This passage also underlines the belief of the customer that its organisation has reasonable requests and consequently the supplier also would consider its influence as a right norm.

5.3.2.3 Dedicated Contact

Several passages from customers' responses indicate that the customers value the availability of dedicated contact person(s) within the supplier firms. This point was made by 37.5% of all the customer participants and this research entitled it as the **Dedicated Contact** value-creating function. This construct can be demonstrated by the following sample citations:

"One simple thing is that with CUSOSUP, as perhaps with other important providers, we [CUSO] have single contact – I have a single contact partner that is basically like key account, that is able to follow my requests and indications, knowing very well what my target is, and so he can drive his organisation exactly in the direction that I would like to perceive." (CUSO, 15.77).

"(...) the key account [at CUSMSUP for CUSM] is very important [for CUSM] because Key Account Manager brings together the procedure, so they know exactly how each site is set, what their requirements are, and they got direct relationships with all the sites (...) to make sure everything is going smoothly. (...) Any kind of urged request I get, I can ask them [to CUSMSUP], and they can escalate it. So, our requests are not segregated." (CUSM, 13.7).

5.3.2.4 Environmental

Customer respondents highlight the aspects which informs the existence of **Environmental** value-creating function for some of them (representing 62.5% frequency of mention). They put a heavy emphasis on realising their environmental

interests (e.g., goals, objectives, strategies) by the support of their suppliers. This is evident from the following example: *“We [CUSH] partner with CUSHSUP to optimise our [CUSH] CO2 footprint.”* (CUSH, 8.20). CUSH also added:

“CUSHSUP created its own software of environmental impact assessment, which allows us to run some ‘what if’ scenarios. So, what if we move 30% of our airfreight to ocean-freight for example (...). (...) unless you measure it [environmental impact], you can’t actually analysis and improve it.” (CUSH, 8.25).

In this instance, CUSH benefits from the environmental impact measurement service of CUSHSUP, which contributes to the environmental impact reduction of CUSH. In a similar vein, CUSL claimed:

“We [CUSL] need to understand what effect we [CUSL] do have on the environment, how our transport affects environment, and that’s the first step. The second step is of course to be looking into improvement of those, to reduce those emissions, but as a start you need to know where you are. (...) actually, what is going on right now is that we are collecting data [from CUSLSUP] to see how much our transport affect the environment. (...) then, from that point we [CUSL together with CUSLSUP] can work on reductions [of the environmental impact] and etc. So, there is a benefit of working with CUSLSUP on environmental issues.” (CUSL, 12.7).

There is no doubt that the Environmental value-creating function can exist for the 3PL buyer firms with environmental interests, if the suppliers’ offerings can meet the fulfilment of those interests.

5.3.2.5 Geographical Access/Coverage

Two of the participating customer firms (i.e., 12.5% of the interview customers) referred to their *suppliers’ capabilities to provide 3PL services to the wider geographical areas of interests for the customers*:

“(...) as long as I [CUSF] work with the global suppliers like CUSFSUP, or Schenker or Panalpina, if we would have request [to these logistics providers] for transporting to new areas, for instance Africa is coming now as the destination, we know that company like CUSFSUP for sure will develop and investigate good solutions [for CUSF] at the same time while we [CUSF] are

investigating the things; so I think we [CUSF] can add new lanes to our global contract with CUSFSUP.” (CUSF, 6.11).

“We [CUSH and CUSHCUS] are both going to new markets together and we help each-other develop services in those markets.” (CUSH, 8.41).

The customers such a perception is termed **Geographical Access/Coverage** value-creating function by this research.

5.3.2.6 Growth

The responses of the customer firms show that some of them (31.25% of the interviewed customers) perceive **Growth** as a value-creating function from their suppliers. That results in the *positive change in the size and/or volume of a certain business activity of interest for the customer*. Amongst such respondents, CUSO's is the only one who perceived this value aspect only at a functional level: *“(...) we [CUSO] in this moment want to grow and they support us to grow.” (CUSO, 15.25).* This passage highlights the customer's desire for growth and the supplier's contribution in this regard.

The other customer respondents' answers could be sorted into the **Sales Volume Growth (of Customer)** and **Investment-based Growth** sub-functions. The former of these two constructs was informed by 25% of the customers. They did that by reporting the *improved sales volume in relation to their own customers, which was enabled by the support of the suppliers*. For instance:

“I am working with Shell [CUSG's customer, which CUSG is serving by subcontracting to CUSGSUP] now, and they [Shell] have a lot of environmental requirements, (...) and we address all these requirements in one of our projects to CUSGSUP because Shell – our client told us: “unless we see commitment from CUSGSUP on these HSE (Health, Safety, Environment) specific issues, you don't get the contract from us. (...) they [CUSGSUP] are ready to work with this and as a result CUSG can get extra business volumes from Shell.” (CUSG, 7.12).

Similarly, CUSJ stated:

“The first time we [CUSJ] introduced garments to the website we really had no idea how successful that was going to be, but immediately we introduced

hanging garments we found that they were very successful online and immediately we've found that we had a need to develop additional capacity (...) and CUSJSUP within three months established a new online hanging garment fulfilment centre for us. (...) So when the business develops and growth in ways that you cannot always forecast, you are not just be reliant on your own infrastructure to support it." (CUSJ, 10.8).

What CUSJ added to this quote, informed the Investment-based Growth sub-function for them, embedded in the *possibility for a customer to invest in a certain business activity of interest as the result of relationships with its suppliers:*

"So, when we [CUSJ] have achieved that scale [through the use of CUSJSUP], we [CUSJ] were then able to make the decision to invest in the technology to pour that growing volumes to our own in-house facility." (CUSJ, 10.12).

This is the only quote from the customer respondents on the Investment-based Growth sub-function of the supplier relationship.

5.3.2.7 Problem Solving

Most of the interviewed customers (62.5% of the sample) report that they can *solve problems with the support of the discussed by them suppliers.* For instance:

"The good relationship is something we [CUSD] have to work every day to ensure that I [CUSD] am comfortable [in working with CUSDSUP] – when there is a problem it gets a rights level of attention [from CUSDSUP], it gets resolved, and probably it gets resolved properly." (CUSD, 4.25).

"[When] I am expressing my problem [to CUSKSUP], my concern and asking for what is the cause and what is the correct direction, it's happening next that they are investigating, they are finding what drives the situation, and then they are coming up with the recovery or contingency plan. When it is acceptable, then we accept it and move on; if not, I say "ok, I need better."" (CUSK, 11.26).

These are the illustrative examples capturing customer perceived **Problem Solving** value-creating function of a supplier relationship.

5.3.2.8 Product Quality

93.75% of the customer key informants identified various aspects related to the **Product Quality** value-creating function. Those took place by the customers

reporting various *desirable for them product characteristics, which their suppliers could provide.*

The most widely spread sub-function is the **On-time Delivery** (with 87.5% frequency), as the customers referred to their suppliers' *on-time delivery* performance of the customers' goods. For example:

"They [CUSFSUP] are actually granting us [CUSF] a good quality service, like delivering on time – according to the promised time (...)." (CUSF, 6.20).

"The requirements from our [CUSL] side is that they [CUSLSUP] need to deliver at least 98% on time, (...) and there is from time to time less than 98%, but they pretty much fulfil that requirement." (CUSL, 12.16).

CUSC response demonstrates that in-addition to the on-time delivery, the **On-time Pick-up** (with 6.25% frequency of mention) can also be the matter of interest for a customer:

"(...) it's of vital importance for us [CUSC] that the goods are picked-up on time (On-time Pick-up) and delivered on time (On-time Delivery)." (CUSC, 3.8).

The **Safe Delivery** and **Right Place Delivery** (with 37.5% and 12.5% frequencies of mention, respectively) can be two other value-creating functions for a customer, as demonstrated from the following example responses:

"(...) we CUSN discuss with CUSNSUP (...) if every vehicle arrived at a right place (Right Place Delivery) and the right time (...); how many vehicles were significantly late, (...) any damage that we found or experienced (Safe Delivery). That is done weekly (...)." (CUSN, 14.8).

"(...) they [CUSOSUP] have to deliver the transit time. So, how many times they [CUSOSUP] are delivering on time; then we have [other] quality issues, like damages, like problems in the packaging (Safe Delivery) and so on; and then we have wrong deliveries in case of their mistake in the final places of deliveries (Right Place Delivery). These are the main key performance indicators that we track month-by-month." (CUSN, 15.29).

The **Pick-up Speed**, **Right Quantity Despatch** and **Right Time Despatch** characteristics of the 3PL services also emerged as the sub-functions of the **Product**

Quality value-creating function. Each of these sub-functions has 6.25% frequency of mention. As CUSD highlighted:

“[CUSD looks at the following characteristics in 3PL services of CUSDSUP:] one, when the goods arrive at the warehouse [of CUSDSUP], how quickly does it take them to get them into the warehouse (Pick-up Speed); secondly, once we have an order for the customer, if the order is taken and dispatched in the right quantity (Right Quantity Despatch) and at the right time (Right Time Despatch); and then thirdly, is it actually delivered to the customer at the required date and time in a good condition – these are like basic fundamentals.” (SUSD, 4.5).

12.5% of the interviewed customers mentioned the **Delivery Speed** sub-function and can be inferred from the following responses:

“We have in CUSH thousands of different supply chains. (...) we have some products which make the stock, so those products we tend to have a high level of repetition; we sell through distributors, retailers direct in some cases. So, that side of the business we [CUSG] are looking very much about speed of delivery and reliability of delivery for having product available for sale. (...)” (CUSH, 8.14).

“The turnaround is very good, so if I [CUSM] need something [from CUSMSUP], I can rely on them [CUSMSUP], I can give them a call and they will get me something within next 24 hour or so. They are very good, which I can't say about some of the other forwarders.” (CUSM, 13.5).

Hence, these findings show that a customer perceived Product Quality value-creating function of a supplier relationship can combine in itself the sub-functions which were discussed above.

5.3.2.9 Sustainable Product

Findings from the 37.5% of the customer respondents show that they value the *supplier's product which can generate environmental and financial benefits simultaneously for the customer firms*. For example, as CUSC reported:

“(...) we [CUSC] facilitate the usage of for instance of alternative fuels and eco-driving [by CUSCSUP], and these are the tools for, let's say, lower

environmental impact purposes, and also for cost reduction purposes [at CUSCSUP, with the transferable effect also onto CUSC].”(CUSC, 3.03).

Another corresponding example is provided by CUSE:

“CUSESUP got a license to run two of the extra-long vehicles (...). So, these trailers are longer and taller than standard trailers, so actually we [CUSE] get 50% more stock on these trailers. (...) we [CUSE] want be minimising road miles, we want to minimize this diesel, (...) so, by that [usage of the longer trailers], actually, we’ve reduced the number of vehicles we are using with them as a result of this (...). So, they [CUSESUP] actually take vehicles off the road which does not benefit them financially of course but it benefits us financially, it also benefits everybody environmentally.” (CUSE, 5.03).

These citations actualised the customer perceived **Sustainable Product** value creating function of a supplier relationship.

5.4 Empirical Findings on Supplier Perceived Customer Value-creating Functions and Sub-functions

The empirical study results on the supplier perceived customer value are reflected in Table 5-7 (starting on the next page). This table demonstrates that the literature has already theorised most of the empirically found value-creating functions and sub-functions in relation to the customer as beneficiary (see the constructs with LBD acronym in Table 5-7). Only a few of these constructs have been referred to by previous research in relation to the supplier perceived customer value creation perspective (see the constructs with LBD-AIPP acronyms in Table 5-7). Also, some of the literature-based constructs are found to be new from this perception perspective (see the constructs with LBD-NPP in the same table). The empirical data, addressing these latter two types of the constructs, are analysed in section 5.4.1 (starting on page 262).

Also, the empirical study informed new value-creating functions, not previously addressed by the literature in relation to the customer as beneficiary (see the constructs with LBD-NPP-NBP or N acronyms in Table 5-7). The studied suppliers’ perceptions of these new constructs are analysed in section 5.4.2 (starting on page 272).

Table 5-7 Frequency of Identified Supplier Perceived Customer Value-creating Functions and Sub-functions

Relationship Value-creating Functions and Sub-functions	Frequency		Supplier Respondent Firms (Firm/Identifier Code)															
	Count	%	SUPA/17	SUPB/18	SUPC/19	SUPD/20	SUPE/21	SUPF/22	SUPG/23	SUPH/24	SUPI/25	SUPI/26	SUPK/27	SUPL/28	SUPM/29	SUPN/30	SUPO/31	SUPP/32
Access (LBD-NPP)	2	12.5			■												■	
Bargaining Power (N)	2	12.5								■		■						
Influencing Power (N)	2	12.5								■		■						
Cost Reduction (LBD-NPP)	8	50			■			■				■	■	■	■	■	■	■
Low Process Cost (LBD-NPP)	7	43.75			■			■				■	■	■	■	■	■	
Low Purchasing Price (LBD-NPP)	6	37.5			■			■					■	■	■	■	■	■
Counterpart's (Supplier's) Expertise/Knowhow (LBD-NPP)	5	31.25								■		■				■	■	■
Counterpart's Multilevel Organisational/Staff Access (N)	2	12.5									■							■
Customer's Power (N)	7	43.75	■	■	■	■				■		■		■				
Customer's Coercive Power (N)	5	31.25		■	■					■		■		■				
Customer's Non-coercive Power (N)	5	31.25	■	■	■	■					■							
Dedicated Contact (N)	8	50	■	■	■		■			■		■			■			■
Environmental (N)	12	75			■	■		■	■	■	■	■		■	■	■	■	■
Flexibility (LBD-NPP)	3	18.75						■						■				■
Geographical Access/Coverage (N)	5	31.25				■				■		■	■	■			■	
Growth (LBD-NPP)	6	37.5			■	■						■	■	■		■		
Sales Volume Growth (of Customer) (N)	5	31.25			■	■					■	■	■			■		
Innovation (LBD-AIPP)	15	93.75	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■

Relationship Value-creating Functions and Sub-functions	Frequency		Supplier Respondent Firms (Firm/Identifier Code)															
	Count	%	SUPA/17	SUPB/18	SUPC/19	SUPD/20	SUPE/21	SUPF/22	SUPG/23	SUPH/24	SUPI/25	SUPJ/26	SUPK/27	SUPL/28	SUPM/29	SUPN/30	SUPO/31	SUPP/32
Existing Process Improvement (LBD-NPP)	5	31.25																
New Process Development (LBD-AIPP)	3	18.75																
Supplier's Improved Product (LBD-NPP)	8	50																
Supplier's New Product (LBD-NPP)	12	75																
Knowledge (LBD-AIPP)	14	87.5																
Experience-based Knowledge (LBD-NPP)	2	12.5																
Information Communication-based Knowledge (LBD-AIPP)	14	87.5																
Long-term Planning (LBD-AIPP)	2	12.5																
Market (LBD-NPP)	3	18.75																
Reference (LBD-NPP)	2	12.5																
Referral (LBD-NPP)	1	6.25																
Multiplicity of Services (N)	2	12.5																
Non-monetary Efficiency (Time/Effort/Energy) (LBD-NPP)	3	18.75																
Problem Solving (N)	11	68.75																
Product Quality (LBD-NPP)	11	68.75																
Delivery Speed (N)	5	31.25																
On-time Delivery (N)	11	68.75																
On-time Pick-up (N)	1	6.25																
Right Place Delivery (N)	1	6.25																
Safe Delivery (N)	3	18.75																

Relationship Value-creating Functions and Sub-functions	Frequency		Supplier Respondent Firms (Firm/Identifier Code)															
	Count	%	SUPA/17	SUPB/18	SUPC/19	SUPD/20	SUPE/21	SUPF/22	SUPG/23	SUPH/24	SUPI/25	SUPJ/26	SUPK/27	SUPL/28	SUPM/29	SUPN/30	SUPO/31	SUPP/32
Relational (LBD-AIPP)	12	75																
Benevolence (LBD-AIPP)	9	56.25																
Credibility/Reliability (LBD-NPP)	3	18.75																
Integrity (LBD-NPP)	3	18.75																
Interpersonal relationship (LBD-NPP)	5	31.25																
Long-term Relationship/Retention (LBD-AIPP)	1	6.25																
Open Relationship (LBD-NPP)	3	18.75																
Personal (LBD-AIPP)	2	12.5																
Trustful Relationship (LBD-NPP)	4	25																
Sustainable Product (N)	5	31.25																
Time Compression (LBD-NPP)	5	31.25																
Value-added Service (LBD-NPP)	3	18.75																
Volume (LBD-NPP)	3	18.75																

Legend to Table 5-7:

1. The value-creating functions are written in colour coded background;
2. The sub-functions (when applicable) are produced below the corresponding value-creating functions;
3. AIPP – Already Identified Perceived Party;
4. LBD – Literature-based Definition;
5. N – Empirically found non-literature-based *new* function;
6. NPP – (Customer as) New Perceived Party;

7. Each ■ colour coded box informs the corresponding respondent's reference (up in the column of each such box) to the corresponding function (to the left in the row of each such box);
8. Each ■ colour coded box informs the corresponding respondent's reference (up in the column of each such box) to the corresponding sub-function (to the left in the row of each such box).
9. ■ colour coded box represents the corresponding respondent's (SUPN, with identifier code 30) reference to the corresponding function (Growth) in a general level only (i.e., without that respondent referring to any of the sub-functions of that function).

5.4.1 Findings on Supplier Perceived Customer Value-creating Functions and Sub-functions Corresponding to the Literature-based Functions and Sub-functions

As Table 5-7 shows, the literature related top-four by the frequency of mention value-creating functions are:

- (1) **Innovation** (addressed by 93.75% of the interviewed suppliers);
- (2) **Knowledge** (87.5%);
- (3) **Relational** (75%); and
- (4) **Cost Reduction** (50%).

These functions with the corresponding sub-functions are analysed next.

Innovation Function:

Innovation value-creating function for the customer as beneficiary implies *adding innovation to the customer's business activity*. It was expressed from its four sub-function perspectives by the supplier respondents in relation to their customers as beneficiaries. These are: (1) **Supplier's New Product** (mentioned by 75% of all the supplier key informants); (2) **Supplier's Improved Product** (50%); (3) **Existing Process Improvement** (31.25%); and (4) **New Process Development** (18.75%). The first of these sub-functions was described as *getting/purchasing a new product by a customer from its supplier*. It can be captured in the following sample response: "(...) we [SUPC] can develop a solution on one customer and bring it to SUPCCUS." (SUPC, 19.25). The Supplier's Improved Product sub-function was described as *getting/purchasing an improved product by the customer from its supplier*. The following response exemplifies this construct:

"Our world [3PL business] is extremely dynamic – everything is changing (...) and we are in the frontline of all these changes. We have to be involved in this process and by developing this process we have to be aware of everything that is happening and try to improve solutions provided to the customer [SUPNCUS]." (SUPN, 30.15).

The suppliers referred to the Existing Process Improvement sub-function by reporting that *they improve the existing process of their customers*.

This can be represented by SUPP's response:

"We [SUPP] actively review with our customer [SUPPCUS] what they do not only with us, but also on a global scale and we have in the past been actively involved in putting forward presentations to "this is how we think your supply chain could work, how it could improve," and some of the advices they [SUPPCUS] have implemented." (SUPP, 32.21).

The suppliers provided the evidence on the New Process Development sub-function by reporting *their contribution to the new process development of their customer*. The next passage illustrates this construct:

"If SUPJCUS would like to set up a special let's say the rail service that goes from Germany right to Sweden with special pre- and on-carriage connection into factories from suppliers, it's not too many companies [like SUPJCUS] that can do that (...)." (SUPJ, 26.12).

Surprisingly, the literature-informed **Existing Product Improvement** and **New Product Development** sub-functions of the supplier perceived customer Innovation value-creating functions was not addressed by any of the supplier respondents.

Knowledge Function:

Knowledge value-creating function, in relation to the customer as beneficiary, suggests the *attainment of useful knowledge by the customer from its respective supplier*. The supplier respondents referred to this value creation aspect at its two sub-function levels: (1) **Information Communication-based Knowledge** (mentioned by 87.5% of the supplier respondents); and (2) **Experience-based Knowledge** (12.5%). The former construct gets fulfilled by the *communicated by the supplier critical information which can add to the customer's pull of useful knowledge* and can be illustrated by SUPO's answer:

"(...) we [SUPO] make sure that we give them [SUPOCUS] a very good overview of the market. (...) From us they get a very good spread of all the available options in the market, so from us they get a lot more market intelligence." (SUPO, 31.17).

The Experience-based Knowledge sub-functions is realised by *attaining useful knowledge by the customer through the working experience with its supplier*. This value creation aspect can be noted in the following example response:

“I think because we [SUPP and SUPPCUS] work for a number of years, we understand how their business operates, and they understand how we operate. So I think on both sides there is mutual knowledge of how both companies work (...).” (SUPP, 32.9).

Relational Function:

The ***Relational*** value-creating function was defined as the *customer’s positive evaluations of the relationship in place with its supplier*. Supplier respondents addressed this construct from its literature-based eight sub-functional perspectives. To start with, the sub-function, informed by most of the supplier respondents is ***Benevolence*** (with 56.25% frequency of mention). It involved *the suppliers’ genuine interests to contribute to the welfares of their customers*. For instance:

“It was already agreed with SUPBCUS that our coordinator will be dedicated exclusively for this account available for them 24 hour a day. Thus, they know with whom at SUPB to deal at any time they require.” (SUPB, 18.9).

In this passage, SUPB signifies the special service arrangements, set up solely for SUPBCUS. It was the feeling of goodwill and compassion which SUPB perceived this arrangement would entail at SUPBCUS.

Such sub-functions as ***Interpersonal Relationship*** and ***Trustful Relationship*** follow in a descending frequency order (31.25% and 25%, respectively). The first of these constructs imply that the *customer is valuing the established personal relationships and/or personal acquaintances between its own and its supplier’s staff members*. This can be represented by the next passage:

“(…) there is a personal connection between, as I said, business unit leaders [at SUPP] and their equivalence within SUPPCUS. (...) The personal connection I think has to be strong, and I think through those personal connections we [SUPP and SUPPCUS] have got trust.” (SUPP, 32.25).

The Trustful Relationship sub-function gets fulfilled by the *customer’s confidence that its supplier will not exploit the customer’s vulnerabilities, and/or the customer’s perception of trust towards its supplier at a more general level*. As SUPA reported:

“I can also add that very important benefit, which both of our companies have, is the trustful relationships between us.” (SUPA, 17.6).

From the **Credibility**, **Integrity**, and **Open Relationship** sub-functions, each was addressed by 18.75% of all the interviewed suppliers. The **Credibility** sub-function for the customer as beneficiary implies the *customer's perception that its supplier's commitments, written statements, promises and/or words are reliable and can be fulfilled*. It can be exemplified by the excerpt from SHCBE's answer:

"(...) you [SHCBE] have to make sure that you deliver [to SUPDCUS], you know, whatever promise taken or whatever KPIs (Key Performance Indicators), and from that, first of all, as for business relationship, you can also grow a personal relationship [with SUPDCUS] (...)." (SUPDCUS, 20.17).

The Integrity sub-function gets fulfilled by the *supplier's adherence to the desirable/acceptable by the customer principles* and can be epitomised by the following sample quote:

"I think that sustainable customer of ours is not the customer trying to squeeze us on profit, because if they squeezed us on profit, we are at the end of the day, most time, we got to deliver bad service [this is not the case between SUPF and SUPFCUS however, according to the respondent]. (...) they deal with us in a fair manner." (SUPF, 22.12).

In the case of the Open Relationship sub-function, the *customer values the open and transparent communication with or from its supplier*. For example, SUPL directly points to it by stating that *"It's a very open relationship [between SUPL and SUPLCUS] (...)." (SPUL, 28.11).*

The **Personal** and **Long-term Relationship/Retention** sub-functions were mentioned by 18.75% and 6.25% of all the supplier respondents. The Personal sub-function incorporates the *positive emotional state a customer experiences by the relationship with its supplier*. The following vignette provides such an example:

"(...) I have not experienced that specifically with SUPJCUS, but (...) if the customer does not like his Key Account Manager from SUPJ, because he think he is rude, he is incompetent or whatever the customer thinks, we have to do something about it. Otherwise, you [SUPJ] don't get any business, as simple as that, it's that people, you know." (SUPJ, 26.9).

The Long-term Relationship/Retention sub-function reflects the *possibility for the customer to retain and have a long-term relationship with its supplier*. This construct was informed by SUPD: “(...) *for them [SUPDCUS] it’s important to maintain relationship with us [SUPD] because, you know, it’s not so easy to replace partners of that [SUPD] size.*” (SUPD, 20.20).

Cost Reduction Function:

Interviewed suppliers’ data confirm that **Cost Reduction** value-creating function for the customer as beneficiary (i.e., *the reduction of joint total costs of the customer*) is driven by its two sub-functions: the **Low Process Cost** and the **Low Purchasing Price**. The first of these constructs gets realised by *achieving the cost-efficient business operations by the customer from the relationship with its supplier*. It was mentioned by 43.75% of all the supplier respondents and can be evinced by the following example passage:

“*They [SUPMCUS] try to have as small stocks in their warehouses as possible, because they can achieve less inventory carrying costs, so this is why precise services [which SUPM provides to SUPMCUS] is important.*” (SUPM, 29.21).

The Low Purchasing Price sub-function was referred to by 37.5% of the interviewed suppliers. They highlighted how their respective *customers could get a low purchasing price on the purchased product from these suppliers*. For instance, as SUPO reported:

“*SUPOCUS is always clever because they always make sure that there is a competitive environment. SUPOCUS always gets the quotes and takes the lowest quotes, always. (...) if they don’t like your price, they just don’t award you the business, because there is always somebody who is the cheapest; and they engage with the cheapest. (...) If you succeed you know you succeeded because you where the cheapest.” (SUPO, 31.12).*

These and further sample responses from interviewed suppliers, informing the literature-based value-creating functions and sub-functions in relation to the customer as beneficiary, are provided in Table 5-8 (starting on the next page).

Table 5-8 Sample Responses on Supplier Perceived Customer Value-creating Functions and Sub-functions Corresponding to the Literature-based Functions and Sub-functions

Value Creating Functions and Sub-functions	Sample Responses
Access	<p>“(…) we [SUPO] charter the ship on their [SUPOCUS] behalf. <u>They [SUPOCUS] kind of evaluate whether they want to go to that ship-owner directly next time</u>, or whether they want to stay through ourselves. (…)</p> <p>We [SUPO] don’t have any control mechanism because we use asset owners and the asset owners will never be exclusive with us. (…)</p> <p>So, they [SUPOCUS] do not want to pay a forwarder’s [SUPO’s] premium – on any shipments they do with X [name of the vessel operator firm], they want to get X’s rates directly, <u>contract directly</u> and not pay a 5% mark-up on commission to a forwarder [SUPO].” (SUPO, 31.20).</p>
Cost Reduction	<p>None (coded only if the respondent has referred to this function in a general level only, without referring to any of the sub-functions of this function).</p>
Low Process Cost	<p>“<u>The cost savings really are for SUPLCUS [from SUPL]</u>, because (…)</p> <p>we [SUPL] are increasing the utilisation [of cargo carriage unit] which <u>saves them money</u>.” (SUPL, 28.12).</p> <p>“They [SUPMCUS] try to have as small stocks in their warehouses as possible, because <u>they can achieve less inventory carrying costs</u>, so this is why precise services [which SUPM provides to SUPMCUS] is important.” (SUPM, 29.21).</p>
Low Purchasing Price	<p>“(…) they [SUPPCUS] indirectly benefit as well [when SUPPCUS promotes SUPP by own recommendation to other prospective customers of SUPP], because back to the volume argument, and by having them [SUPPCUS] on board we are getting more customers on board, and then they [SUPPCUS] can come back to us later and say “ok, you are growing your business because of our business, therefore <u>we expect better rates from you</u>,” so it’s a cycle.” (SUPP, 32.5).</p>
Counterpart’s (Supplier’s) Expertise/Knowhow	<p>“SUPNCUS is manufacturing material that is (…)</p> <p>very hazardous, it’s classified as dangerous cargo, and that’s why <u>the knowledge base [which SUPN has] of the transportation of dangerous cargo, of hazardous cargo is quite important</u>.” (SUPN, 30.03).</p>
Flexibility	<p>“The value we [SUPF] can bring to them is <u>being very proactive and agile to changes to adapt to the unforeseen needs</u> of SUPFCUS.” (SUPF, 22.8).</p>
Innovation	<p>None</p>

Value Creating Functions and Sub-functions	Sample Responses
Existing Process Improvement	<p>“We [SUPP] actively review with our customer [SUPPCUS] what they do not only with us, but also on a global scale and we have in the past been actively involved in putting forward presentations to <u>“this is how we think your supply chain could work, how it could improve,”</u> and some of the <u>advices they [SUPPCUS] have implemented.</u>” (SUPP, 32.21).</p>
Existing Product Improvement	None
New Process Development	<p>“<u>If SUPJCUS would like to set up a special let’s say the rail service that goes from Germany right to Sweden with special pre- and on-carriage connection into factories from suppliers, it’s not too many companies [like SUPJCUS] that can do that (...).</u>” (SUPJ, 26.12).</p>
New Product Development	None
Supplier’s Improved Product	<p>“Our world [3PL business] is extremely dynamic – everything is changing (...) and we are in the frontline of all these changes – we have to be involved in this process and by developing this process <u>we have to be aware of everything that is happening and try to improve solutions provided to the customer [SUPNCUS].</u>” (SUPN, 30.15).</p> <p>“We [SUPO] also have quarterly meetings with SUPOCUS that I initiate with the senior logistics management [of SUPOCUS], and from those meetings <u>we [SUPO] always have takeaway actions and development points, and whenever there is any kind of service issue whatsoever, (...) we [SUPO] make sure that we deal with issues as they come in and resolve them and then move on.</u>” (SUPO, 31.5).</p>
Supplier’s New Product	<p>“(…) we [SUPC] can <u>develop a solution on one customer and bring it to SUPCCUS.</u>” (SUPC, 19.25).</p>
Knowledge	None
Experience-based Knowledge	<p>“By working with us, they build their knowledge in how to manage outsourced logistics processes.” (SUPB, 18.17).</p> <p>“I think because <u>we [SUPP and SUPPCUS] work for a number of years, we understand how their business operates, and they understand how we operate. So I think on both sides there is mutual knowledge of how both companies work (...).</u>” (SUPP, 32.9).</p>
Information Communication-based Knowledge	<p>“(…) we [SUPL] <u>will always provide SUPLCUS with information as to what the market is going to do rate wise.</u>” (SUPL, 28.10).</p>

Value Functions and Sub-functions	Creating and Sub-creating Sample Responses
	“(…) we [SUPO] make sure that <u>we give them [SUPOCUS] a very good overview of the market. (…)</u> From us they get a very good spread of all the available options in the market, so from us they get a lot more market <u>intelligence.</u> ” (SUPO, 31.17).
Long-term Planning	“ <u>They [SUPLCUS] can use the lead times [advised by SUPL] to work out when their [SUPLCUS] products will be available in their shops. So, (…)</u> then they can plan their marketing – the TV adverts, their billboard marketing, around knowing when these products gonna hit. (…) <u> we [SUPL] need to be able to tell them [SUPLCUS] safe lead time that we can match to make sure that when the product turns up, it goes straight to the shop and can be bought.</u> ” (SUPL, 28.14).
Multiplicity of Services	“(…) [by] working with the company like SUPI you [SUPICUS] have got a lot of <u>different services and options,</u> which are what interested them [SUPICUS].” (SUPI, 25.8).
Non-monetary Efficiency	“Dedicated contact or correct contacts [in SUPM] are important [for SUPMCUS] (…) <u> because they [SUPMCUS] have a lot of big variety of destinations or origins where there are other countries which they do business with, and they know exactly whom to turn to in case of questions or problems – this is important [for SUPMCUS] in order not to lose time.</u> ” (SUPM, 29.04).
Payment Flexibility	None
Product Quality	None of the quotes relates to this function without sub-functional level orientations – see section 5.3.2.8 for corresponding analysis.
Market	None
Reference	“ <u>The thing we [SUPL and SUPLCUS] have done recently actually is, we, for the environmental collaboration part what we [SUPL and SUPLCUS jointly] did, we [SUPL and SUPLCUS jointly] have been nominated for European Supply Chain Excellence Award, so we [SUPL and SUPLCUS jointly] have been shortlisted in the environmental improvement category. (…)</u> so that obviously is great marketing for us [SUPL], great marketing for <u>SUPLCUS.</u> ” (SUPL, 28.7).
Referral	“(…) <u>not often but yearly or sometimes I do hold presentations in public forums for example, or in conferences, etc. where of course a lot of our competitors but also a lot of our customers are there presented, and there I can use SUPHCUS as an example and I can mention then that “together with SUPHCUS we did this and this and the findings are these and these, and we manage to reduce CO2 emissions.” etc. So, of course, that is good</u>

Value Functions and Sub-functions	Creating and Sub-creating Sample Responses
	for both our and <u>their reputation</u> , because it shows that they work actively with the <u>environmental issues</u> and it shows that we do it too.” (SUPH, 24.14)
Relational	None
Benevolence	“It was already agreed with SUPBCUS that our [SUPBCUS] coordinator will be dedicated <u>exclusively</u> for this account available for them 24 hour a day, thus they know with whom at SUPB to deal any time they require.” (SUPB, 18.9).
Credibility/Reliability	“(…) you [SHCBE] have to make sure that you <u>deliver [to SUPDCUS]</u> , you know, whatever promise taken or whatever KPIs (Key Performance Indicators), and from that, first of all, as for business relationship, you can also grow a personal relationship [with SUPDCUS] (…).” (SHCB, 20.17).
Integrity	<p>“I think that sustainable customer of ours is not the customer trying to squeeze us on profit, because if they squeezed us on profit, we are at the end of the day, most time, we got to deliver bad service [this is not the case between SUPF and SUPFCUS however, according to the respondent]. (…) <u>they deal with us in a fair manner</u>.” (SUPF, 22.12).</p> <p>“<u>It [environmental proactivity]</u> is not a big selling point, but <u>it is something that both companies [SUPK and SUPKCUS] have in common</u>.” (SUPK, 27.7).</p>
Interpersonal relationship	<p>“(…) we [SUPN] are flexible enough to have <u>personal relation</u> to our customer [SUPNCUS], so we [SUPN] are <u>personally involved</u> in communicating to our customer [SUPNCUS] – <u>they know that they have the person [at SUPN]</u> that is in charge of keeping this relation [with SUPN] and in a charge of keeping the service at the proper and highest possible level.” (SUPN, 30.5).</p> <p>“(…) there is a <u>personal connection between, as I said, business unit leaders [at SUPP] and their equivalence within SUPPCUS</u>. (…) <u>The personal connection I think has to be strong</u>, and I think through those personal connections we [SUPP and SUPPCUS] have got trust.” (SUPP, 32.25)</p>
Long-term Relationship/Retention	“(…) for them [SUPDCUS] it’s also important to <u>maintain relationship with us [SUPD]</u> because, you know, it’s not so easy to replace partners of that [SUPD] size.” (SUPD, 20.20).
Open Relationship	“(…) we [SUPM] are trying to create as <u>open atmosphere</u> as possible for them [SUPMCUS] to come up with some kind of their demands as <u>openly</u>

Value Creating Functions and Sub-functions	Sample Responses
	<p>(...) as possible (...).” (SUPM, 29.7).</p> <p>“It’s a very <u>open relationship [between SUPL and SUPLCUS] (...).”</u> (SUPL, 28.11).</p>
Personal	<p>“(…) I have not experienced that specifically with SUPJCUS, but (...) if the customer does not <u>like his Key Account Manager from SUPJ</u>, because he think he is rude, he is incompetent or whatever the customer thinks, we have to do something about it, otherwise you [SUPJ] don’t get any business, as simple as that, it’s that people, you know.” (SUPJ, 26.9).</p>
Trustful Relationship	<p>“I can also add that very important benefit which both of our companies have is the <u>trustful relationships</u> between us.” (SUPA, 17.6).</p>
Time Compression	<p>“(…) the equipment SUPOCUS is supplying the project is the part of the larger construction, therefore <u>they [SUPOCUS] have construction schedules to meet and the schedules are always very tight, so it’s absolutely essential that we [SUPO] deliver in a speedy manner, otherwise we can cause delays.</u>” (SUPO, 31.19).</p>
Value-added Service	<p>“<u>From SUPK Supply Chain Analysis [supply chain analysis service offered by SUPK to SUPKCUS, in addition to the 3PL service as a core product offered from SUPK to SUPKCUS] perspective, if you are talking about process improvements, that may well mean there are lots of duplication within their [SUPKCUS] business, that will mean [as the result of Supply Chain Analysis] that the resources that are focusing on duplication can be focused elsewhere to add value to their [SUPKCUS] business.</u>” (SUPK, 27.17).</p>
Volume	<p>“<u>What we [SUPC] bring to the table [to SUPCCUS] is (...) scale – if you are SUPCCUS, you cannot work with lots of smaller operators, you got to work with someone quite big because the scale of their [SUPC] business is so huge that they need a logistics provider which can cope with the scale of SUPCCUS, so they need a provider like us.</u>” (SUPC, 19.24).</p>

Legend to Table 5-8:

1. The colour code represent value-creating functions;
2. The sub-functions (when applicable) are produced below the corresponding functions;
3. The parts of the sample responses, informing the corresponding value creating functions and sub-functions, are underlined.

5.4.2 Findings on Supplier Perceived Customer New Value-Creating Functions and Sub-functions

5.4.2.1 Bargaining Power

From all the interviewed suppliers, 12.5% informed the **Bargaining Power** value-creating function for the supplier as beneficiary. That was embedded in the suppliers' responses, that the *relationship with them allowed their customers to exert influence over the third parties*. None of the answers touched the bargaining power of the beneficiary to attain a reduced purchasing price. Consequently, these were ascribed the **Influencing Power** sub-function title (hence, this has the frequency of mention similar to the Bargaining Power function). For example:

“SUPJCUS is also within the transport industry, they are manufacturing trucks and buses, so that means that we [SUPJ and SUPJCUS] have many mutual interests in terms of how we would like to have transport policy rules and regulations be developed on the market, so we also have very close relationship to them when it comes to public affairs, how we go forward to influence Swedish government and authorities and how we would like them [Swedish government and authorities] to support the industry.” (SUPJ, 26.04).

5.4.2.2 Counterpart's Multilevel Organisational/Staff Access

The **Counterpart's Multilevel Organisational/Staff** function in relation to the customer as beneficiary was addressed by 12.5% of all the supplier participants. The suppliers stated that *their customers have the possibility to access the required staff members at multiple appropriate organisational levels in these supplier firms*. One example of such responses was produced by SUPP:

“(...) they [SUPPCUS] are key account customer [of SUPP], they have got direct contacts with our business unit leaders, (...) and our chief executive is involved with them as well. The benefit for them [SUPPCUS] is that they get the reaction and quality of service [from SUPP].” (SUPP, 32.17).

5.4.2.3 Customer's Power

43% of the investigated supplier organisations inform the **Customer's Power** function for the customer as beneficiary. This is evidenced once they *regard the customers' influence towards these suppliers as beneficial for those customers*. More

particularly, these responses could be split into the **Customer's Coercive Power** and the **Customer's Non-Coercive Power** sub-functions. The following quotes can be considered in relation to the former of these sub-functions:

“Our [SUPL] KPIs (Key Performance Indicators) [in relation to serving SUPLCUS] are to hit 90% on the lead time. So, (...) we agree with SUPLCUS that on a particular lane we have to meet 90% of KPI every month, otherwise begins trouble. And what we have actually done with SUPLCUS now, they've implemented the penalty agreement. So, depending on the length of time outside the agreed lead time will depend on what sort of penalty SUPL have to pay. (...) so we [SUPL] are under a pressure to make sure we meet the [agreed] lead times.” (SUPL, 28.13).

“(...) We benefit [from delivering free emission reporting service to SUPH] in a way that we keep the business, for SUPHCUS it is not something to discuss really – we have to provide them with those data [of emissions of the logistics services which SUPH manages for SUPHCUS] if we want to be their supplier. (...) they [SUPHCUS] are very mature to environmental issues.” (SUPH, 24.8).

*These quotes exemplify that the influence from the customers are driven by the interest of the supplier to avoid the potential 'punishment' from these customers. Hence, the **Customer's Coercive Power** sub-function takes place, which was mentioned by 31.25% of all the supplier respondents.*

Equally, 31.25% of supplier respondents discussed the situation when *their firms' actions can be influenced by their customers on a 'non-punishment basis,' in a way that is beneficial for these customers.* This research labelled such a perception aspect as the **Customer's Non-Coercive Power**. The following example quotes can be considered as the evidence of this sub-function:

“(...) customer [including SUPBCUS] is always right – we [SUPB] should always follow their instructions whether they think right or wrong; this is, actually, our company policy which our customers (including SUPBCUS) value” (SUPB, 18.03).

“(...) the size [of the customer] is important, because (...) this type of customers [like SUPNCUS] they have much higher demands that puts you sometimes to

work on most possible limits at both, as a human being, as a professional, as a supplier to the expected services” (SUPN, 30.18).

5.4.2.4 Dedicated Contact

Half of the interviewed suppliers report that *they contribute to their selected customers’ value creation by making available dedicated persons to deal with those customers.* For example:

“(…) there is an Account Manager – a contract manager within SUPC, whose job is to manage the relationship with SUPCCUS” (SUPC, 19.15).

“They [SUPECUS] have a key contact [in SUPE] which is myself and I think that’s the benefit for them because they can contact me alone and I would deal with any issue or resolve anything that they have” (SUPE, 21.10).

This research has labelled such a value creation aspect the **Dedicated Contact** value-creating function.

5.4.2.5 Environmental

75% of the supplier respondents took into account their respective chosen customers’ environmental interests when talking about the environmental aspects which can contribute to their customers’ value creation. For example:

“For us [SUPN] environmental issues are important, especially which are related to the customers [including SUPNCUS] that have own environmental policy of using environmentally oriented companies – transport companies and their subsidiaries, and of course sometimes we are required additional reports [which SUPN provides to SUPNCUS] on what has been done [by SUPN in general] in order to reduce the carbon emissions (...).” (SUPN, 30.13).

“(…) we [SUPC] have a lot of customers, we have brands that are heavily built on being sustainable (...) [with] very heavy carbon targets, so if we want to do business with those customers, unless we can demonstrate that we will contribute to their environmental target, we are less likely to win that business. We [SUPC] bring projects to the table [for SUPCCUS] that reduce their environmental impact.” (SUPC, 19.8).

These quotes demonstrate the *suppliers' beliefs in their contributions to the customers' value-creation processes by supporting their environmental goals*. Hence, the supplier perceived customer **Environmental** value-creating function is exemplified.

5.4.2.6 Geographical Access/Coverage

31.25% of the interviewed suppliers reported that their *customers need to get 3PL services to wide geographical areas and markets globally*. The fulfilments of such needs were labelled as **Geographical Access/Coverage** value-creating function. For instance:

"We [SUPH] have our global network, we can probably deliver shipments everywhere in the world. They [SUPHCUS] benefit from that we are so big SUPH network, I think that is the most important that we can provide [to SUPHCUS] services to almost everywhere." (SUPH, 24.18).

"They [SUPKCUS] want a partner that can support them when they are entering difficult markets. So, if we look at some of the open coming countries, then, you know, that's where they will be looking for our [SUPK] expertise, so we can add value there." (SUPK, 27.9).

5.4.2.7 Growth

37.5% of the supplier respondents identified themselves as the *contributing factor in accommodating Growth for the discussed by them customers*. At a rather general level, SUPN informs:

"We [SUPN] can help them [SUPNCUS] grow by improving the quality of our [SUPN] services." (SUPN, 30.20).

Besides, the **Growth** value-creating function is reflected in the *possibility for the customers to get the required logistics services when facing and/or targeting growth in sales volumes to their own customers*. This kind of the perception is labelled **Sales Volume Growth (of Customer)** value-creating function. 31.25% of all the supplier respondents referred to this sub-function. This construct can be captured in the following passages:

"The things that we [SUPD] are offering [to SUPDCUS] is lots of resources from our side, that if the customer [SUPDCUS] access our global network, it helps

them to (...) meet their requirements in the sales growth perspective, because they see the growth in their business, so they want to make sure that they has right partner to grow with them, to make sure that we offer the capacity.” (SUPD, 20.7).

“We [SUPL] know that next year SUPLCUS by the help from SUPL will start doing exports to other places around the world to new customers [of SUPLCUS] (...) [,] so we [SUPLCUS and SUPL] will start working on that.” (SUPD, 28.26).

5.4.2.8 Problem Solving

Problem Solving value-creating function for the customer as beneficiary (with 68.75% frequency) is reflected in the 68.75% of the interviewed suppliers’ responses. These responses informed about the *possibility for the customer to identify a problem, find a solution to the problem and/or solve the problem through the problem solving oriented collaboration with the suppliers*. This point is illustrated by the following exemplary quotes:

“(...) we [SUPD and SUPDCUS] look at what has been the performance on all the countries, and what has been hiccups and why have the hiccups happened, and what we can jointly do together with the customer in order to prevent this in the future, so, to set corrective events and action plan.” (SUPD, 20.8).

“(...) if there is an issue [between SUPM and SUPMCUS], we have the meetings together and discuss about what can be changed, what are the reasons for problems and what we [SUPM and SUPMCUS] should do differently.” (SUPM, 29.24).

5.4.2.9 Product Quality

The literature-based definition of the **Product Quality** value-creating function addresses the supplier’s product characteristics which meet the customer’s interests. The supplier respondents identified multiple characteristics related to the Product Quality function, which were labelled on the level of the sub-functions. From these constructs, the most prevalent is the **On-time Delivery** sub-function, which was mentioned by 68.75% of all the interviewed suppliers. They addressed their capability to deliver the customers’ *freight on time*. For example:

“Timing is very important when working with this customer [SUPBCUS] – the delivery of the goods is to be made in the agreed time [by SUPB].” (SUPA, 18.04).

“(…) they [SUPJCUS] have just-in-time philosophy, so they like to have the goods, the freight arriving to the factory and the stores when they need it – not too early, and definitely not too late. (…) and I think we are one of the companies that can do that [for SUPJCUS].” (SUPJ, 26.10).

SUPF’s was the only one from all the suppliers’ responses, which exemplified the **On-time Pick-up** of the customer’s freight function:

“(…) there are highest restrictions and expectations in the industry, so the quality level we [SUPF and SUPFCUS] have agreed to be above 98% performance; so anything less than 98% of performance in terms of on-time pick-up or delivery it’s actually non-performance, and I think we are at 98.9% in average (…).” (SUPF, 22.01).

31.25% of all the supplier respondents talked about the importance to arrange a *speedy delivery* for their customers. For example:

“(…) the equipment SUPOCUS is supplying the project is the part of the larger construction, therefore they [SUPOCUS] have construction schedules to meet and the schedules are always very tight, so it’s absolutely essential that we [SUPO] deliver in a speedy manner, otherwise we can cause delays.” (SUPO, 31.19).

“(…) the ability [of SUPM] to move freight suddenly with a short pre-notice if they [SUPMCUS] have received some kind of peek demands from their customers and need high speed of delivery [is one of the value drivers for SUPMCUS from SUPM] (…).” (SUPM, 29.22).

This characteristic of the product quality suggests the **Delivery Speed** sub-function.

Delivering a customer’s freight to the right place and implementing that delivery without damage are valuable characteristics of a supplier’s product. These are termed as **Right Place Delivery** and **Safe Delivery** sub-functions respectively (with 6.25% and 18.75% frequencies, correspondingly) and can be illustrated as follows:

“I think from SUPKCUS point of view their business will grow if they have reliable supply chain and satisfied customers, if products are where they are

supposed to be, in the right place (Right Place Delivery), in the right condition (Safe Delivery), delivered on time, [and in such a way] we [SUPK] help them grow as an organization.” (SUPK, 27.8).

Following these findings, the supplier perceived **Product Quality** value-creating function for the customer as beneficiary encompasses **Delivery Speed, On-time Delivery, On-time Pick-up, Right Place Delivery**, and **Safe Delivery** sub-functions.

5.4.2.10 Sustainable Product

31.25% of the supplier respondents asserted that *their products need to be both environmentally sustainable and cost efficient* in order to create value for the customers. For example, SUPC provided the viewpoint that:

“(…) our [SUPC] environmentally sustainable options [provided to SUPCCUS] need to be cost efficient (…). If you do not tick that box, we will not be competitive and therefore we will not win further business with SUPCCUS and therefore, automatically, will not be sustainable commercially.” (SUPC, 19.5).

Furthermore, in support to this statement, SUPC added:

“They [SUPCCUS] expect us [SUPC] to do strong work on transport, so to minimize their fuel cost and environmental impact, which goes hand in hand.” (SUPC, 19.6).

This viewpoint is corroborated by the statement of SUPF:

“(…) the best impact [environmental impact reduction] we [SUPF] can do on environmental side for our customers [including SUPFCUS] is to increase utilisation of a truck, or a container, or a whatever. I mean, the more you utilise closer to 100%, the less emissions per kilo you have. But it is also a big financial impact, you reduce money [of transportation per given weight]. These are the clearest things we [SUPF] are doing [for SUPFCUS].” (SUPF, 22.6).

These text passages emphasise the *integrity of environmental and financial benefits that the suppliers’ products are expected to bring to their customers*. This kind of perception was entitled the **Sustainable Product** value-creating function.

5.5 Chapter Summary

This chapter analysed the findings from interviewed supplier and buyer firms of 3PL services. The empirical data, in terms of the value-creating functions and sub-functions, were analysed from the four perception perspectives: (1) Supplier Perceived Value of Customer Relationships; (2) Customer Perceived Supplier Value; (3) Customer Perceived Value of Supplier Relationships; and (4) Supplier Perceived Customer Value. The analysis confirmed the prevalence of certain literature-based value-creating functions and sub-functions related to each of these perception perspectives. Furthermore, the empirical investigation revealed the new constructs not previously conceptualised as the value-creating functions and/or sub-functions by the literature in relation to the supplier as beneficiary and/or the customer as beneficiary.

The above analysis makes it possible to discuss the findings in relation to two main objectives of this research: (1) *To capture perceived values in supplier-customer relationships*; (2) *To explore the potential of supplier-customer relationship value co-creation*.

Chapter 6 Discussion of Findings

6.0 Chapter Overview

This chapter discusses the empirical findings in light of the research objectives. The first objective was *to capture perceived values in supplier-customer relationships*. The findings corresponding to this objective are first addressed in section 6.1, where the empirically identified constructs (value creating functions and sub-functions) are contrasted with previous literature findings. Then, those constructs are discussed in relation to three *beneficiary perspectives*:

- (1) When the supplier is the beneficiary;
- (2) When the customer is the beneficiary;
- (3) When the supplier and the customer are mutual beneficiaries.

Section 6.2 (starting on page 285) expands the discussion on the identified value-creating constructs from four *general perception perspectives*:

- (1) Supplier perceived value of the customer relationship (section 6.2.1 starting on page 285);
- (2) Customer perceived supplier value (section 6.2.2 starting on page 290);
- (3) Customer perceived value of the supplier relationship (section 6.2.3 starting on page 294);
- (4) Supplier perceived customer value (section 6.2.4 starting on page 299).

Section 6.3 considers the empirical findings in relation to the second objective of this research – *to explore the potential of supplier-customer relationship value co-creation*. This argument connects to three co-creation perspectives:

- (1) Supplier as beneficiary;
- (2) Customer as beneficiary;
- (3) Supplier and customer as mutual beneficiaries.

The discussed empirical findings will give rise to the proposed conceptual framework of this research, which is produced in the “Conclusion” chapter (see Chapter 7 starting on page 313).

6.1 Value-creating Functions and Sub-functions in Supplier-Customer Relationships

As highlighted in section 2.3 (starting on page 17), relationship value studies started to adopt the functionalist perspective on the relationship value creation (e.g., Biggemann and Buttle, 2012; Töytäri et al., 2015). This perspective considers the value functions as the creators of overall value for the beneficiary. Table 4-11 (starting on page 164) summarised the current literature-based list of value-creating functions and sub-functions in supplier-customer relationships. Also, these constructs were sorted into three *beneficiary perspectives*:

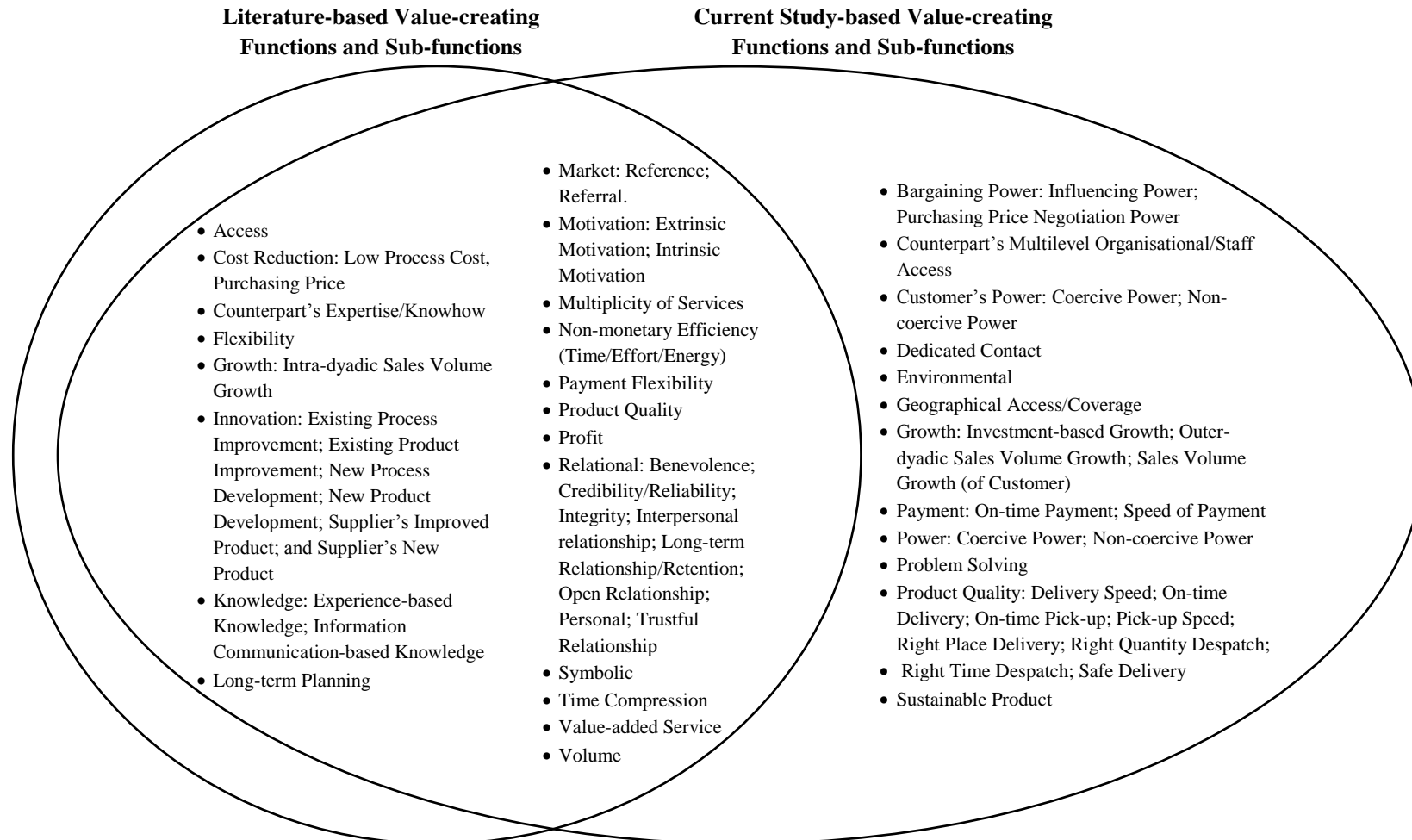
- (1) Identified only in relation to a supplier as beneficiary;
- (2) Identified only in relation to a customer as beneficiary; and
- (3) Identified in relation to both a supplier and a customer as beneficiaries.

These perspectives were discussed in section 2.4, summarised in Figure 2-2 (see page 49) and further reflected in Figure 2-7 (see page 116).

The full list of the empirically informed value-creating functions and sub-functions are produced in the Venn diagram in Figure 6-1 (on the next page). The list of identified value-creating functions and sub-functions shown in the centre of this figure is extensive. One has to remember, however, that it is an accumulation of all functions and sub-functions that originally came from a number of published articles (as provided in the rows of individual articles in Table 2-2 on page 30). The present investigation identified all of them in a single study and even moved beyond that with additional functions and sub-functions that have not been associated with the value creation before (see the right hand side of Figure 6-1). This outcome represents a clear contribution to the existing literature.

Due to the empirical investigation, the identified value-creating functions and sub-functions now have clear and distinct (i.e., non-overlapping) meanings. This is evident from the satisfactory inter-coder index, achieved by the researcher through the inter-coder reliability exercise (recall section 4.5.3 starting on page 175). The internal validity checks of the study results further confirmed the accurate representation of the studied phenomenon in the context of 3PL outsourcing relationships.

Figure 6-1 Venn Diagram of Supplier-Customer Value-creating Functions and Sub-functions Informed by the Empirical Study



Value-creating functions and sub-functions relate to the *supplier as beneficiary* and/or the *customer as beneficiary*. An updated Venn diagram is shown in Figure 6-2 (on the next page) that summarises the results of the empirical study in light of who the beneficiary is:

- (1) Left, the functions and sub-functions for the *supplier as beneficiary* are listed;
- (2) Right, the relevant functions and sub-functions for the *customer as beneficiary* are shown; and
- (3) Centre, the overlap outlines the functions and sub-functions relevant for *suppliers and customers* where they can *jointly* benefit.

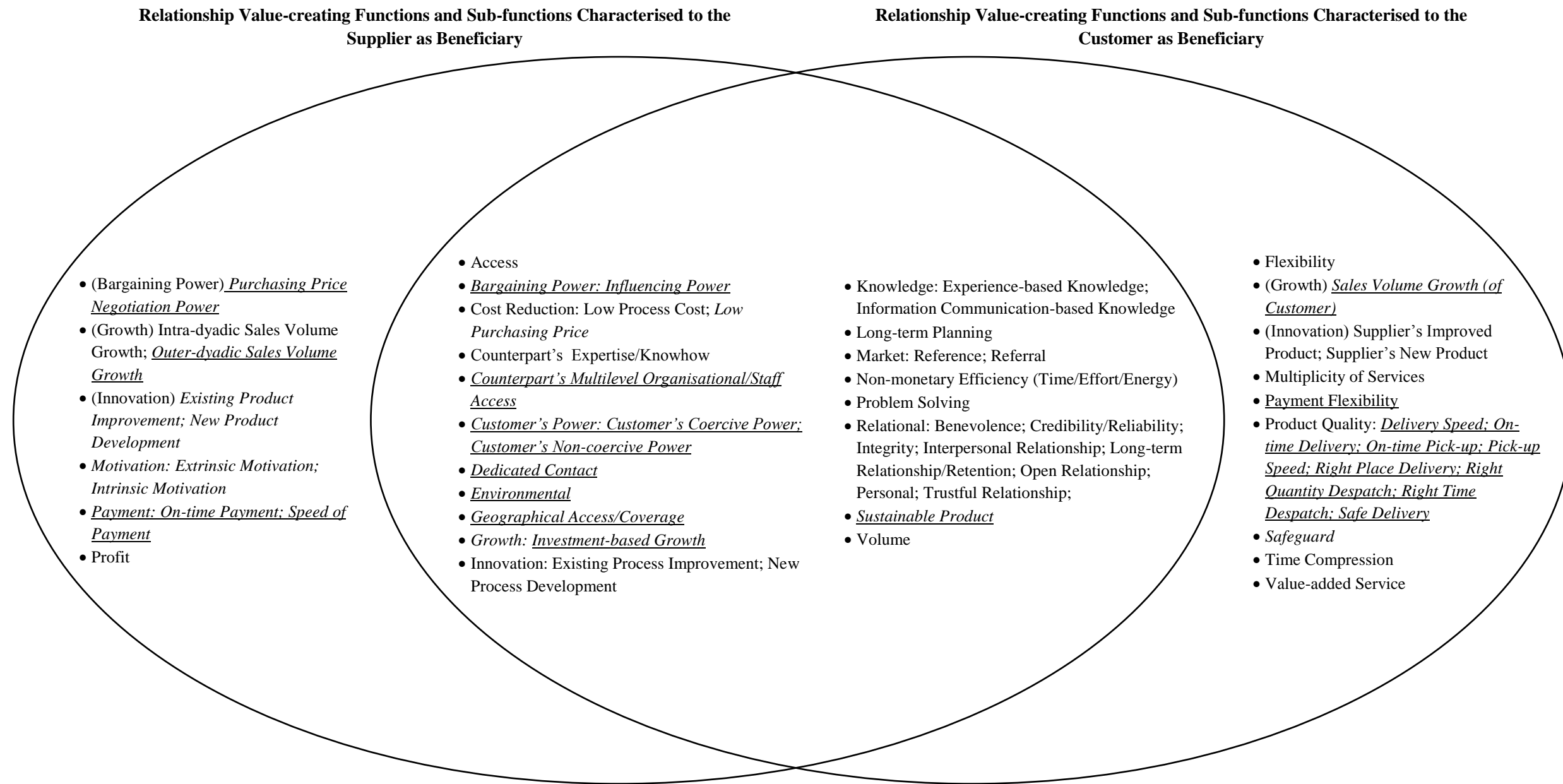
Figure 6-2 is an outcome of the empirical study and is similar to the literature-based Figure 2-2 (see page 49). The empirically informed figure demonstrates the relatedness of the value-creating functions and sub-functions to the beneficiaries in supplier-customer dyads.

Figure 6-2 also shows the empirical findings which differ from the literature-based conceptualisations; any differences are indicated in *italics*. Also, any empirically derived new constructs in relation to the supplier as beneficiary and/or customer as beneficiary are underlined. The changes from the literature-based conceptualisation can be identified when contrasting Figure 6-2 with Figure 2-2 on page 49.

As previously explained (see section 2.5 starting on page 76), identifying the value-creating constructs in relation to the supplier and/or customer as beneficiary, is not enough for understanding who perceives the value. Neither is it enough to judge the value co-creation potential in supplier-customer relationships (recall section 2.6 starting on page 88). In order to make ‘co-creation’ happen, a supplier’s and a customer’s perceptions towards the value-creation construct and intended beneficiary need to match. This was conceptualised in section 2.8 (starting on page 112). Demonstrating the value co-creation condition, Figure 2-6 (see page 81) indicated the four perception perspectives from two dyadic positions:

- (1) Supplier perceived value of customer relationship (own value);
- (2) Customer perceived supplier value (other value);
- (3) Customer perceived value of supplier relationship (own value);
- (4) Supplier perceived customer value (other value).

Figure 6-2 Venn Diagram of Value-creating Functions and Sub-functions in Relation to the Supplier and/or Customer as Beneficiaries Informed by the Empirical Study



Legend to Figure 6-2:

1. The findings which differ from the literature-based conceptualisation are in *italics*;
2. The empirically found new value-creating functions and sub-functions are underlined;
3. Each of the value-creating functions in brackets has been included solely to show the correspondence between it and preceding sub-function(s)⁵.

⁵ For example, the Growth function and its Investment-based Growth sub-function are characterised to both, the supplier and customer as beneficiaries and are located in the middle area of the figure. In contrast, the Sales Volume Growth (of Customer) sub-function of the Growth function both are characterised only to the supplier as beneficiary and is located in the right side area of the figure. 'Growth' in brackets precedes 'Sales Volume Growth (of Customer)' solely as the reminder that the latter sub-function relate to the former function. For the same purpose, the Growth function in brackets precede its other two sub-functions characterised solely to the supplier as beneficiary – 'Intra-dyadic Sales Volume Growth' and 'Outer-dyadic Sales Volume Growth' located in the left side area of the figure.

One can imagine that perceptions of the two parties agree for certain value functions and sub-functions, i.e., one party has the perception that the other party receives a given value and the other party agrees having received it. With other value functions, that agreement cannot be found. This is all a matter of perception. Before embarking further on this, it is important to discuss the four *general perception perspectives* first. This will be done next, based on the empirical findings. The empirical results on the matching and mismatching process of views, indicated in the centre of Figure 2-6, will be explored afterwards.

6.2 Perception Parties on Supplier-Customer Value-creating Functions and Sub-functions

6.2.1 Supplier Perceived Value-creating Functions and Sub-functions of Customer Relationship

In this section, creating the supplier perceived value of customer relationship is discussed. Various studies have attempted to understand which value creating functions and sub-functions drive such perception (e.g., Walter et al., 2001; Purchase et al., 2009). The results differ across those studies (see Table 2-4 starting on page 77), but this research has brought these together by combining various identified supplier perceived value-creating functions and sub-functions of customer relationships. So far, the discussions in the literature are largely conceptual. This study provides empirical evidence and clarifies which of the empirically identified value creating functions and sub-functions represent key constructs, based on the number of mention. It is important to remember that the 25% threshold of such mention (frequency) is required and represents the cut-off point in Table 6-1 on the next page (where, the frequencies of the constructs, meeting the key construct criterion, are highlighted).

Table 6-1 The Empirical Study-based List and Frequencies of Supplier Perceived Value-creating Functions and Sub-functions of Customer Relationship

Value Creating Functions and Sub-functions	Frequency in %	Key Construct?
<i>Market</i>	100	Yes
<i>Reference</i>	93.75	Yes
<i>Referral</i>	50	Yes
<i>Growth</i>	93.75	Yes
<u><i>Outer-dyadic Sales Volume Growth</i></u>	81.25	Yes
Intra-dyadic Sales Volume Growth	31.25	Yes
<u><i>Investment-based Growth</i></u>	12.5	No
<i>Innovation</i>	87.5	Yes
Existing Product Improvement	81.25	Yes
New Process Development	56.25	Yes
New Product Development	56.25	Yes
Existing Process Improvement	43.75	Yes
<i>Knowledge</i>	87.5	Yes
Information Communication-based Knowledge	87.5	Yes
Experience-based Knowledge	56.25	Yes
<u><i>Environmental</i></u>	81.25	Yes
Volume	81.25	Yes
Relational	75	Yes
Long-term Relationship/Retention	43.75	Yes
Integrity	37.5	Yes
Benevolence	31.25	Yes
Interpersonal relationship	31.25	Yes
Personal	31.25	Yes
Trustful Relationship	25	Yes
Open Relationship	12.5	No
Credibility/Reliability	6.25	No
<u><i>Problem Solving</i></u>	62.5	Yes
Profit	62.5	Yes
<u><i>Customer's Power</i></u>	56.25	Yes
<u><i>Customer's Non-coercive Power</i></u>	43.75	Yes
<u><i>Customer's Coercive Power</i></u>	25	Yes
<u><i>Bargaining Power</i></u>	50	Yes
<u><i>Purchasing Price Negotiation Power</i></u>	50	Yes
<u><i>Influencing Power</i></u>	18.75	No

Value Creating Functions and Sub-functions	Frequency in %	Key Construct?
Motivation	50	Yes
Extrinsic Motivation	50	Yes
Intrinsic Motivation	6.25	No
Cost Reduction	43.75	Yes
Low Purchasing Price	37.5	Yes
Low Process Cost	18.75	No
Long-term Planning	43.75	Yes
Non-monetary Efficiency (Time/Effort/Energy)	25	Yes
Access	18.75	No
<i>Sustainable Product</i>	18.75	No
Counterpart's (Customer's) Expertise/Knowhow	12.5	No
<i>Counterpart's Multilevel Organisational/Staff Access</i>	6.25	No
<i>Dedicated Contact</i>	6.25	No
<i>Payment</i>	6.25	No
<i>On-time Payment</i>	6.25	No
<i>Symbolic</i>	6.25	No
<i>Safeguard</i>	0	N/A

Legend to Table 6-1:

1. The value-creating functions are written in colour coded background;
2. The sub-functions (when applicable) are produced below the corresponding functions;
3. The findings which differ from the literature-based conceptualisation are in *italics*;
4. The empirically found new value-creating functions and sub-functions are underlined;
5. The frequencies of the categories, mentioned by 25% or more number of respondents, are highlighted;
6. The literature-based functions or sub-functions, with no mention (0%), do not exist for the subject perceived parties and cannot be considered against the key construct criterion (hence, N/A).

Similar to Table 5-1 (on page 193), Table 6-1 presents the empirically identified constructs in relation to the supplier perceived value of the customer relationship. The functions are listed in frequency order, starting with the Market function (with 100% frequency of mention) and ending with the Safeguard function (with no mention, thus have no frequency – 0%). The empirical constructs in *italic* differ from literature-based conceptualisations. To illustrate this, the Safeguard function in italic was included in the table above as the literature propositions about its existence differ from the empirical result. Also, the new constructs that the present

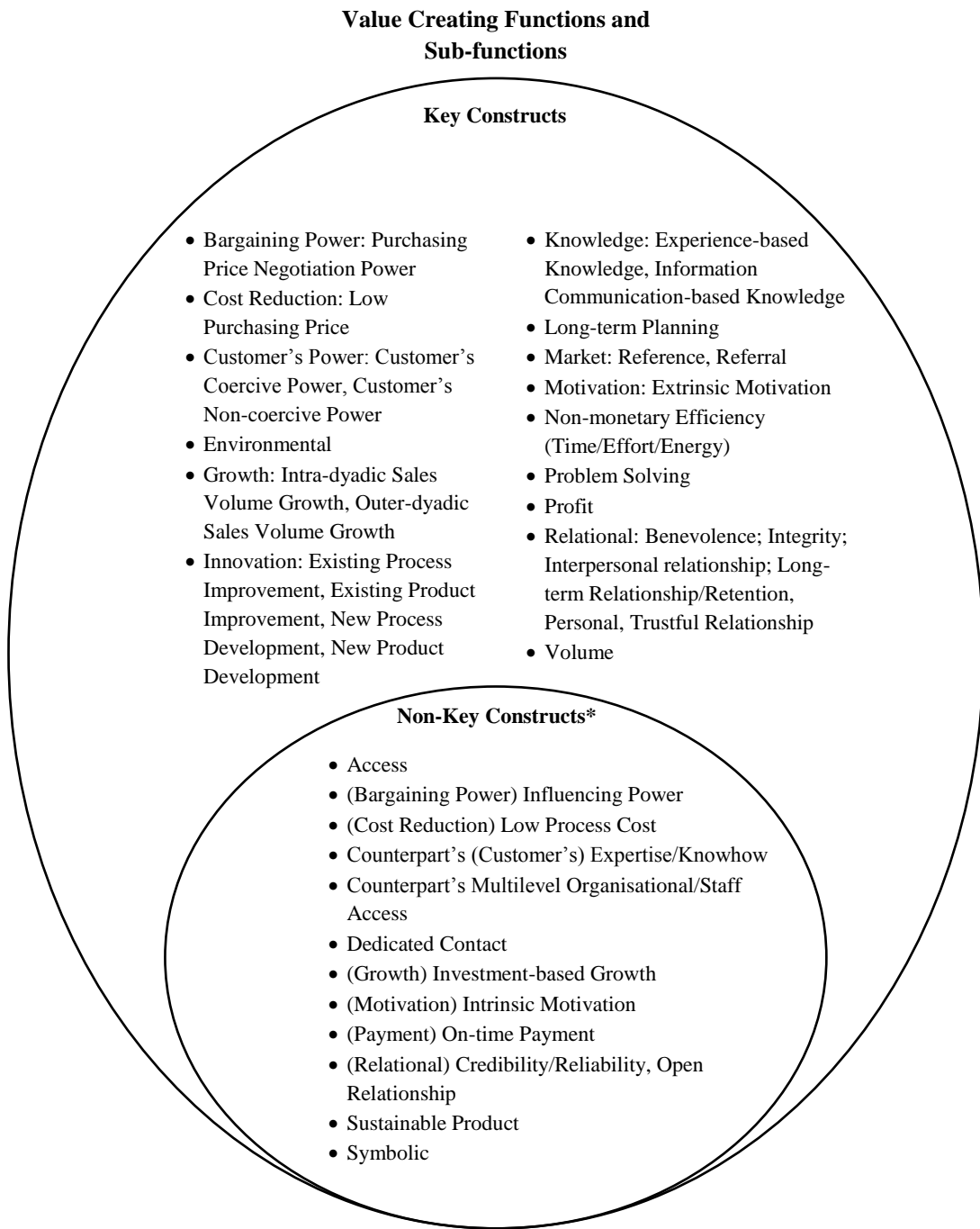
investigation uncovered, are underlined. The differences can be captured by comparing the supplier perceived value of the customer relationship part found in Figure 2-7 (see page 116) with the empirically derived Table 6-1. Important to highlight herein, that the formatting approach of Table 6-1 is adopted in below produced tables in this chapter. Table 6-1 demonstrates that all, but Safeguard, value-creating functions and sub-functions of customer relationship were referred to by at least one supplier firm. Also, some of the supplier key informants' responses generated new constructs that have not yet been captured by the literature. Nevertheless, Table 6-1 makes it visible that not all of these factors fulfil the key construct criteria. For example, the literature-based supplier perceived Market function, and its Reference and Referral sub-functions, have met the key construct criterion. Similarly, the literature-based supplier-perceived Relational value-creating function and its sub-functions, with the exceptions of Open Relationship and Credibility/Reliability sub-functions, reached or exceeded the key construct compliance target.

The key construct threshold was met, for example, by the empirically informed new Customer's Power function, with its Customer's Non-coercive Power and Customer's Coercive Power sub-functions. The newly found Bargaining Power function with its Purchasing Price Negotiation Power sub-function gained the key construct status. However, as visible in Table 6-1, the Influencing Power sub-function of the same Bargaining Power function, did not meet the key construct criterion.

Overall, the empirical findings analysed in section 5.1 (starting on page 191) and discussed in this section, enriched the interpretation of the supplier perceived value-creating functions and sub-functions of customer relationships. The Venn diagram in Figure 6-3 on the next page provides an overview and differentiates between key and non-key constructs. The key constructs are located outside the smaller oval, while the ones within that smaller oval represent the non-key constructs.

Customers also perceive certain values that suppliers receive as beneficiaries and the next section will discuss this in detail.

Figure 6-3 Venn Diagram of the Supplier Perceived Value-creating Functions and Sub-functions of Customer Relationship Based on the Empirical Findings



*Note: Each of the value-creating functions in brackets has been included solely to show its correspondence with the preceding sub-function(s).⁶ This rule applies also to Figure 6-4 (on page 293), Figure 6-5 (on page 298) and Figure 6-6 (on page 302) below.

⁶ For example, the Cost Reduction function and its Low Purchasing Price sub-functions meet the key construct criterion. In contrast, the Low Process Cost sub-function does not meet such criterion. Placing 'Cost Reduction' in brackets before 'Low Process Cost' is just a reminder that the latter is the sub-function of the former function.

6.2.2 Customer Perceived Supplier Value Creating Functions and Sub-functions

A number of studies argue about the importance for customers to understand how they can contribute to the overall value of their suppliers (e.g., Brandon-Jones et al., 2010; Pardo et al., 2011). However, as identified in section 2.5 (starting on page 76), there is a considerable lack of studies that explore this aspect (e.g., Smals and Smits, 2012). It, therefore, comes as no surprise that only a very limited number of customer perceived supplier value-creating functions and sub-functions are suggested in the literature (as summarised in Figure 2-3 on page 89 and further reflected in Figure 2-7 on page 116).

The results of the empirical data analysis in relation to customer perceived supplier value are given in Table 5-3 (starting on page 213), which also inform Table 6-2 (starting on the next page). When it comes to customer perceived supplier value-creating functions and sub-functions, the empirical evidence in Table 6-2 needs to be contrasted with the literature-based conceptual framework in Figure 2-7 (see page 116). For example, the New Product Development sub-function of the Innovation value-creating function and the Profit function were mentioned by the customer respondents in relation to the suppliers as beneficiaries. This corresponds with the findings in Smals and Smits' (2012) study. Table 2-4 (see page 77) can be referred to for the literature-based customer perceived supplier value-creating functions and sub-functions with all corresponding sources. While these represent minorities, the definitions of the literature-based constructs in relation to the supplier as beneficiary could be utilised to sort the customer respondents' quotes. For example, some scholars suggested the Access function as a contributing factor to the supplier perceived value of customer relationship (e.g., Blois, 2004; Songailiene et al., 2011). Interestingly, the literature did not conceptualise the Access function in relation to the customer perceived supplier value. However, the empirical study found this to be otherwise.

Table 6-2 The Empirical Study-based List and Frequencies of Customer Perceived Supplier Value-creating Functions and Sub-functions

Value Creating Functions and Sub-functions	Frequency in %	Key Construct?
Market	100	Yes
Reference	93.75	Yes
Referral	50	Yes
<i>Growth</i>	87.5	Yes
<i>Outer-dyadic Sales Volume Growth</i>	81.25	Yes
<i>Intra-dyadic Sales Volume Growth</i>	43.75	Yes
<i>Investment-based Growth</i>	43.75	Yes
<i>Relational</i>	87.5	Yes
<i>Benevolence</i>	68.75	Yes
<i>Interpersonal relationship</i>	37.5	Yes
<i>Trustful Relationship</i>	37.5	Yes
<i>Integrity</i>	31.25	Yes
<i>Long-term Relationship/Retention</i>	25	Yes
<i>Open Relationship</i>	25	Yes
<i>Personal</i>	18.75	No
<i>Credibility/Reliability</i>	6.25	No
<i>Knowledge</i>	81.25	Yes
Information Communication-based Knowledge	81.25	Yes
Experience-based Knowledge	31.25	Yes
<i>Innovation</i>	68.75	Yes
<i>Existing Product Improvement</i>	50	Yes
New Product Development	37.5	Yes
<i>New Process Development</i>	25	Yes
<i>Existing Process Improvement</i>	12.5	No
<i>Volume</i>	68.75	Yes
<i>Environmental</i>	62.5	Yes
<i>Cost Reduction</i>	56.25	Yes
<i>Low Process Cost</i>	50	Yes
<i>Low Purchasing Price</i>	12.5	No
<i>Problem Solving</i>	56.25	Yes
<i>Profit</i>	56.25	Yes
<i>Long-term Planning</i>	50	Yes
<i>Customer's Power</i>	37.5	Yes

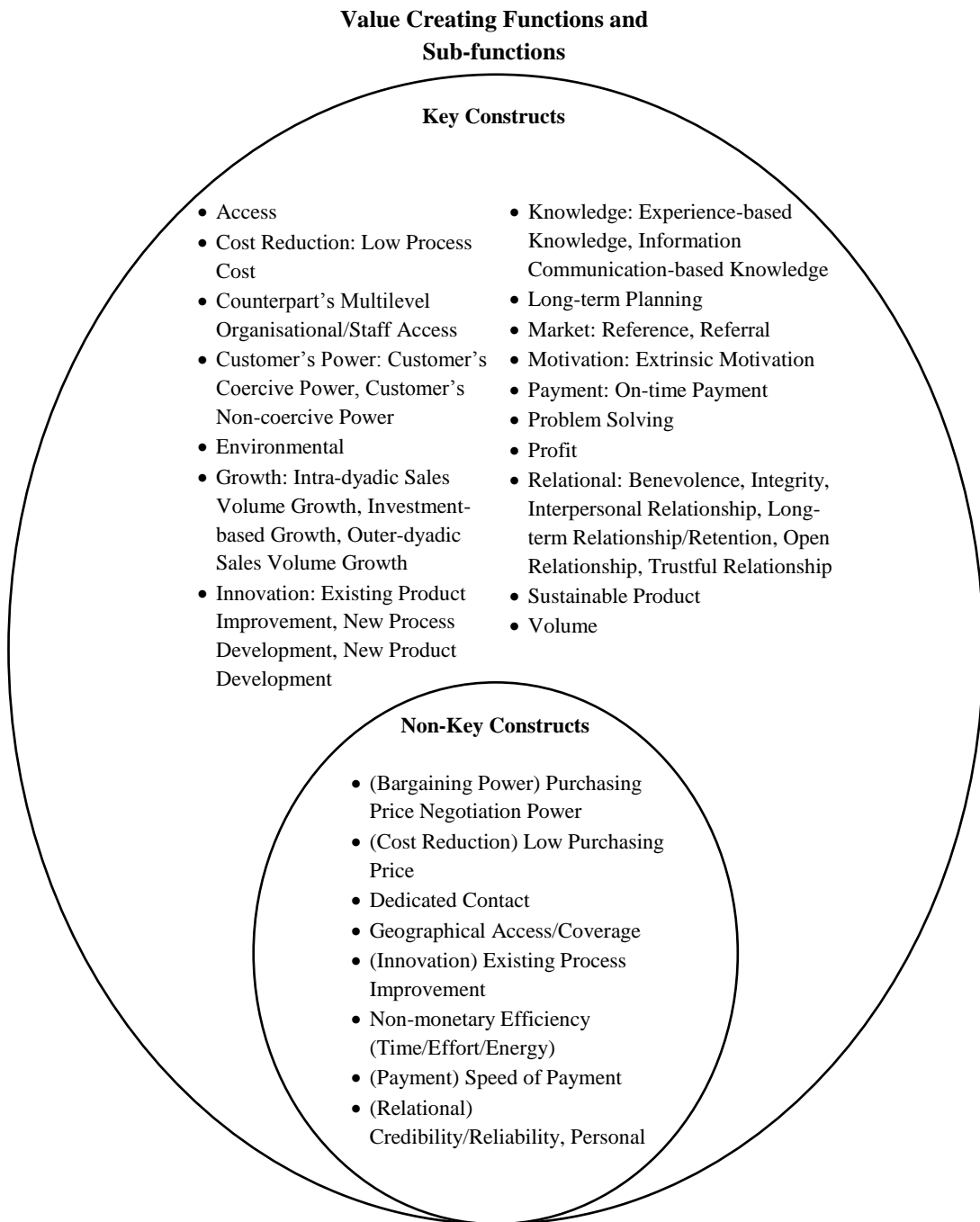
Value Creating Functions and Sub-functions	Frequency in %	Key Construct?
<i>Customer's Coercive Power</i>	31.25	Yes
<i>Customer's Non-coercive Power</i>	31.25	Yes
<u>Payment</u>	37.5	Yes
<u>On-time Payment</u>	31.25	Yes
<u>Speed of Payment</u>	6.25	No
<u>Counterpart's Multilevel Organisational/Staff Access</u>	31.25	Yes
<u>Access</u>	25	Yes
<u>Motivation</u>	25	Yes
<u>Extrinsic Motivation</u>	25	Yes
<u>Sustainable Product</u>	25	Yes
<u>Bargaining Power</u>	18.75	No
<u>Purchasing Price Negotiation Power</u>	18.75	No
<u>Dedicated Contact</u>	18.75	No
<u>Geographical Access/Coverage</u>	18.75	No
<u>Non-monetary Efficiency (Time/Effort/Energy)</u>	12.5	No

Legend to Table 6-2:

1. The value-creating functions are written in ■ colour coded background;
2. The sub-functions (when applicable) are produced below the corresponding functions;
3. The findings which differ from the literature-based conceptualisation are in *italics*;
4. The empirically found new value-creating functions and sub-functions are underlined;
5. The frequencies of the categories, mentioned by 25% or more number of respondents, are highlighted;
6. The literature-based functions or sub-functions, with no mention (0%), do not exist for the subject perceived parties and cannot be considered against the key construct criterion (hence, N/A).

The data presented in Table 6-2 lists customer perceived supplier value-creating functions and/or sub-functions and highlights all key constructs (with a minimum of 25% number of mention, in a grey background). These are all empirically discovered and some of those can be found in the literature. The 25% threshold splits all constructs into key and non-key ones (see Venn diagram in Figure 6-4 on the next page).

Figure 6-4 Venn Diagram of the Customer Perceived Supplier Value-creating Functions and Sub-functions Based on the Empirical Findings



To sum up, the analysis of customer respondents' answers confirms the literature-based list of customer perceived supplier value-creating functions and sub-functions. It also extends the multifaceted nature and understanding of the customer perceived supplier value creation by complementing the literature findings with new relevant functions and sub-functions, which were not previously conceptualised in a similar way. The key constructs can be found in the outer-circle of Figure 6-4, while the inner-circle lists the constructs that do not meet the 25% frequency threshold.

Alongside the supplier as beneficiary and associated perceptions on the value-creating functions and sub-functions, the supplier-customer relationships are also associated with the value creation for the customer as beneficiary. The next section moves to the discussion of the empirical findings on the value-creating functions and sub-functions in relation to the customer perceived value of the relationship with suppliers.

6.2.3 Customer Perceived Value Creating Functions and Sub-functions of Supplier Relationship

The literature review highlighted the present literature focus on the value that customers perceive to get from their suppliers (see Table 2-6 on page 81). Contrasting and combining existing studies have resulted into the variety of value creating functions and sub-functions customers perceive to receive from suppliers. The literature findings were summarised in Figure 2-3 (see page 89), and included into the preliminary conceptual framework in Figure 2-7 (see Venn diagram on page 116). Based on the analysis of customer respondents' quotes, this study empirically examined the literature-based theorising of those customer perceived value-creating functions and sub-functions of supplier relationships. The empirically informed functions and sub-functions, as well as the associated respondents' frequencies in Table 5-5 are summarised in Table 6-3 (starting on the next page). This table adopts the formatting and representative meanings of the above two tables in this chapter (e.g., functions in *italic* imply that the findings are different from literature-based conceptualisations).

Table 6-3 The Empirical Study-based List and Frequencies of Customer Perceived Value Creating Functions and Sub-functions of Supplier Relationship

Value Creating Functions and Sub-functions	Frequency in %	Key Construct?
Knowledge	93.75	Yes
Information Communication-based Knowledge	93.75	Yes
Experience-based Knowledge	12.5	No
Product Quality	93.75	Yes
<i>On-time Delivery</i>	87.5	Yes
<i>Delivery Speed</i>	12.5	No
<i>Right Place Delivery</i>	12.5	No
<i>On-time Pick-up</i>	6.25	No
<i>Pick-up Speed</i>	6.25	No
<i>Right Quantity Despatch</i>	6.25	No
<i>Right Time Despatch</i>	6.25	No
Relational	93.75	Yes
Benevolence	87.5	Yes
Personal	43.75	Yes
Trustful Relationship	43.75	Yes
Integrity	37.5	Yes
Interpersonal Relationship	37.5	Yes
Credibility/Reliability	25	Yes
Long-term Relationship/Retention	25	Yes
Open Relationship	25	Yes
Cost Reduction	87.5	Yes
Low Purchasing Price	81.25	Yes
Low Process Cost	37.5	Yes
Counterpart's (Supplier's) Expertise/Knowhow	75	Yes
Innovation	75	Yes
Supplier's New Product	50	Yes
Supplier's Improved Product	43.75	Yes
New Process Development	37.5	Yes
Existing Process Improvement	25	Yes
<i>Existing Product Improvement</i>	0	N/A
<i>New Product Development</i>	0	N/A
<i>Customer's Power</i>	68.75	Yes
<i>Customer's Coercive Power</i>	56.25	Yes
<i>Customer's Non-coercive Power</i>	50	Yes
<i>Environmental</i>	62.5	Yes

Value Creating Functions and Sub-functions	Frequency in %	Key Construct?
Non-monetary Efficiency (Time/Effort/Energy)	62.5	Yes
<i>Problem Solving</i>	62.5	Yes
<i>Counterpart's Multilevel Organisational/Staff Access</i>	50	Yes
<i>Multiplicity of Services</i>	43.75	Yes
<i>Dedicated Contact</i>	37.5	Yes
Long-term Planning	37.5	Yes
<u>Sustainable Product</u>	37.5	Yes
Time Compression	37.5	Yes
Value-added Service	37.5	Yes
Volume	37.5	Yes
Growth	31.25	Yes
<i>Sales Volume Growth (of Customer)</i>	25	Yes
<i>Investment-based Growth</i>	6.25	No
Flexibility	25	Yes
Market	25	Yes
Reference	25	Yes
Referral	18.75	No
Access	12.5	No
<i>Geographical Access/Coverage</i>	12.5	No
<i>Payment Flexibility</i>	6.25	No
Safeguard	6.25	No
<i>Motivation</i>	0	N/A
<i>Extrinsic Motivation</i>	0	N/A
<i>Intrinsic Motivation</i>	0	N/A

Legend to Table 6-3:

1. The value-creating functions are written in ■ colour coded background;
2. The sub-functions (when applicable) are produced below the corresponding functions;
3. The findings which differ from the literature-based conceptualisation are in *italics*;
4. The empirically found new value-creating functions and sub-functions are underlined;
5. The frequencies of the categories, mentioned by 25% or more number of respondents, are highlighted;
6. The literature-based functions or sub-functions, with no mention (0%), do not exist for the subject perceived parties and cannot be considered against the key construct criterion (hence, N/A).

With regards to the customer perceived value-creating functions of supplier relationship, Table 6-3 confirms most of the literature-based functions empirically (as shown previously in the corresponding part of Figure 2-7 on page 116). The Innovation function and its Supplier's New Product sub-function are one of those. However, the Existing Product Improvement and New Product Development sub-functions of the same customer perceived Innovation value-creating function of supplier relationship were not mentioned by any of the customer respondents. This is shown in the 0% frequency written against each of these sub-functions in the table. This falsifies the proposition of scholars about these value-creating sub-functions as a contributing factor to the customer perceived value of the supplier relationship (e.g., Hald et al., 2009; Ritter and Walter, 2012). Also, in contrast with the propositions of Walter et al. (2003) and Ritter and Walter (2012), the Motivation function and its Extrinsic Motivation and Intrinsic Motivation sub-functions for the customer as beneficiary, are not confirmed by the present study.

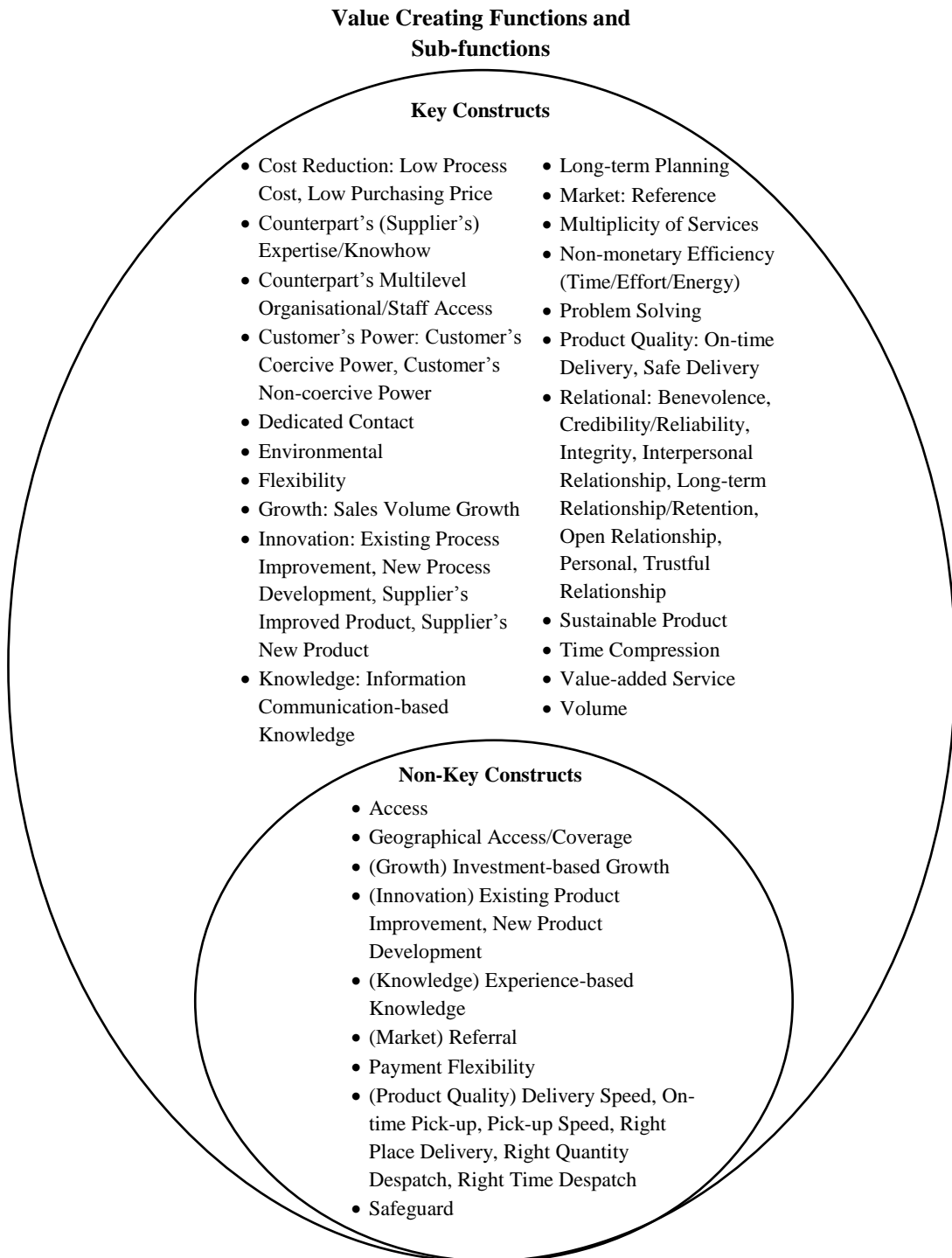
The analysis in section 5.3.2 (starting on page 250) also enriches the prior conceptualisations on the customer perceived value-creating functions and sub-functions of the supplier relationship. For instance, the literature-based conceptualisation considered the Product Quality function as the standalone construct, without any sub-functions (e.g., Walter et al., 2003; Song et al., 2012; Töytäri et al., 2015). However, the empirical evidence generated the sub-functions of the customer perceived Product Quality function of supplier relationships (e.g., On-time Delivery, Delivery Speed, Right Place Delivery). Also, Multiplicity of Services was amongst the empirically informed new value-creating functions, which the interviewed 3PL buyers identified to receive from their suppliers.

From the empirically derived functions and sub-functions, not all of them fulfil the key construct condition of 25% frequency. As Table 6-3 confirms, Payment Flexibility function (with 6.25% frequency of customer respondents), as well as Referral sub-function (with 18.75% frequency) of the Reference function, are amongst those.

Overall, this study has empirically confirmed the literature propositions in relation to the majority of the customer perceived value-creating functions and sub-functions of supplier relationships. Also, it discovered new ones that have not been yet

addressed with the same value-creation purpose by the present literature. The empirically derived customer perceived value-creating functions and sub-functions of supplier relationship are summarised in the Venn diagram in Figure 6-5 below.

Figure 6-5 Venn Diagram of the Customer Perceived Value-creating Functions and Sub-functions of Supplier Relationship Based on the Empirical Findings



In line with the two previous Venn diagrams in this chapter, Figure 6-5 differentiates between the key and the non-key constructs. The customer is not the sole perception party of the value perceived from the relationship with a supplier in supplier-customer relationship. Therefore, the next section discusses the results of the empirical study analysis on supplier perceived customer value creating-functions and sub-functions.

6.2.4 Supplier Perceived Customer Value-creating Functions and Sub-functions

The present literature established very few supplier perceived customer value-creating functions and sub-functions. Scarcity of such findings came in conflict with many scholars' calls, that suppliers need to improve their understanding about what their customers value (e.g., Pires et al., 2015; Floh et al., 2014). In this way, suppliers could have more potential to (co-)create value for their customers and/or identify the areas for mutual value co-creation (e.g., Karpen et al., 2012; Arslanagic-Kalajdzic and Zabkar, 2015; Töytäri and Rajala, 2015). This mind-set seems to be prevalent in the empirical findings from the interviewed suppliers. The supplier respondents referred to a significantly higher number of value-creating functions and sub-functions than conceptualised in the literature, to date.

The analysis results in Table 5-7 (see page 258) are reproduced in Table 6-4 below. Comparably with the literature-based conceptualisation (see Table 2-6 on page 81), all except Existing Product Improvement and New Product Development sub-functions were referred to by the supplier respondents. Consequently, these two value-creating sub-functions are not included amongst the supplier perceived customer value-creating constructs in Table 6-4.

Table 6-4 The Empirical Study-based List and Frequencies of Supplier Perceived Customer Value Creating Functions and Sub-functions

Value Functions and Sub-functions	Frequency in %	Key Construct?
Innovation	93.75	Yes
<i>Supplier's New Product</i>	75	Yes
<i>Supplier's Improved Product</i>	50	Yes
<i>Existing Process Improvement</i>	31.25	Yes

Value Functions and Sub-functions	Frequency in %	Key Construct?
<i>New Process Development</i>	18.75	No
<i>Existing Product Improvement</i>	0	N/A
<i>New Product Development</i>	0	N/A
Knowledge	87.5	Yes
Information Communication-based Knowledge	87.5	Yes
<i>Experience-based Knowledge</i>	12.5	No
<u>Environmental</u>	75	Yes
Relational	75	Yes
Benevolence	56.25	Yes
<i>Interpersonal Relationship</i>	31.25	Yes
<i>Trustful Relationship</i>	25	Yes
<i>Credibility/Reliability</i>	18.75	No
<i>Integrity</i>	18.75	No
<i>Open Relationship</i>	18.75	No
Personal	12.5	No
Long-term Relationship/Retention	6.25	No
<u>Problem Solving</u>	68.75	Yes
<i>Product Quality</i>	68.75	Yes
<i>On-time Delivery</i>	68.75	Yes
<i>Delivery Speed</i>	31.25	Yes
<i>Safe Delivery</i>	18.75	No
<i>On-time Pick-up</i>	6.25	No
<i>Right Place Delivery</i>	6.25	No
<u>Cost Reduction</u>	50	Yes
<i>Low Process Cost</i>	43.75	Yes
<i>Low Purchasing Price</i>	37.5	Yes
<u>Dedicated Contact</u>	50	Yes
<u>Customer's Power</u>	43.75	Yes
<i>Customer's Coercive Power</i>	31.25	Yes
<i>Customer's Non-coercive Power</i>	31.25	Yes
<u>Growth</u>	37.5	Yes
<i>Sales Volume Growth (of Customer)</i>	31.25	Yes
<i>Counterpart's (Supplier's) Expertise/Knowhow</i>	31.25	Yes
<u>Geographical Access/Coverage</u>	31.25	Yes
<u>Sustainable Product</u>	31.25	Yes
<i>Time Compression</i>	31.25	Yes
<i>Flexibility</i>	18.75	No

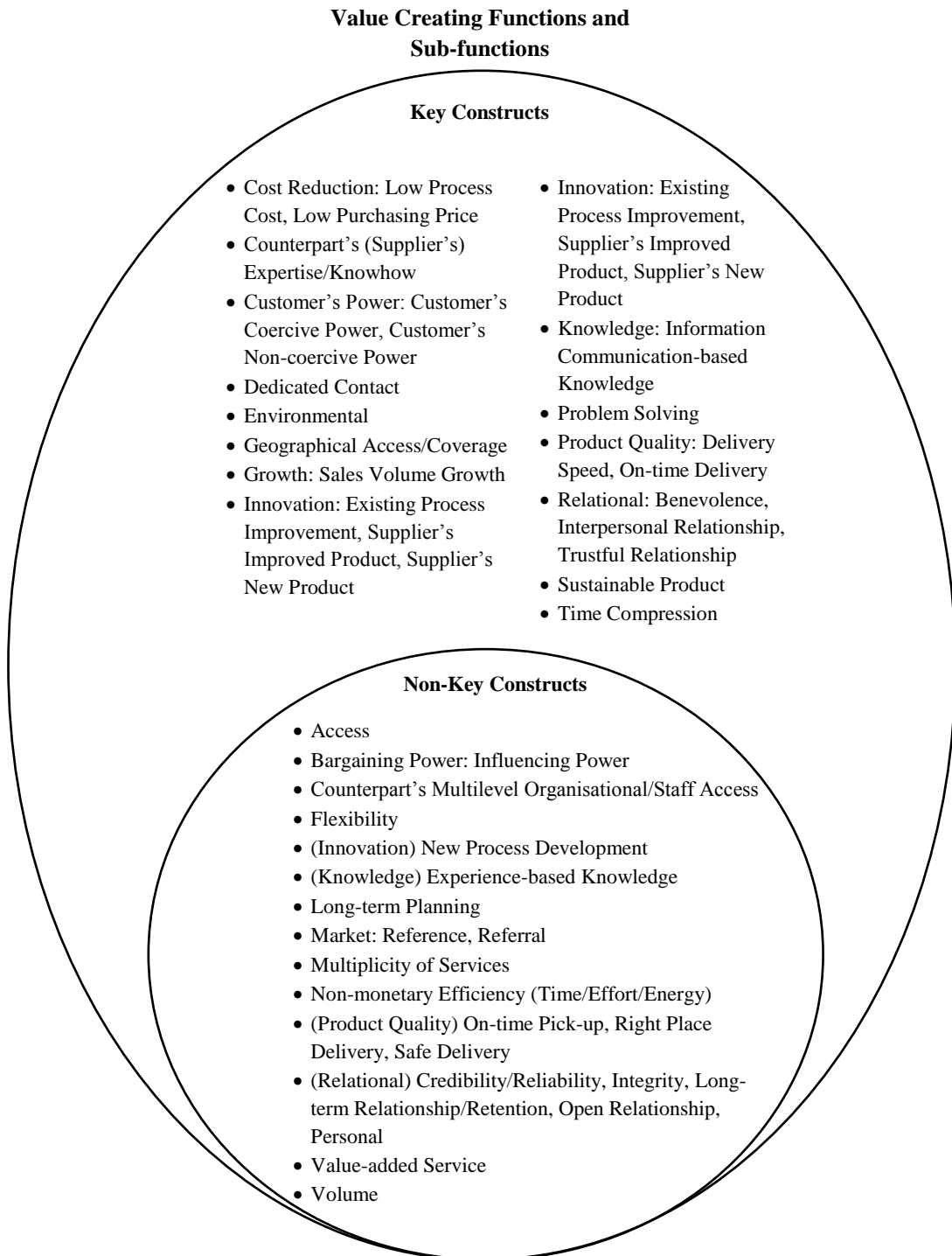
Value Functions and Sub-functions	Frequency in %	Key Construct?
<i>Market</i>	18.75	No
<i>Reference</i>	12.15	No
<i>Referral</i>	6.25	No
<i>Non-monetary Efficiency (Time/Effort/Energy)</i>	18.75	No
<i>Value-added Service</i>	18.75	No
<i>Volume</i>	18.75	No
<i>Access</i>	12.5	No
<u><i>Bargaining Power</i></u>	12.5	No
<u><i>Influencing Power</i></u>	12.5	No
<u><i>Counterpart's Multilevel Organisational/Staff Access</i></u>	12.5	No
Long-term Planning	12.5	No
<i>Multiplicity of Services</i>	12.5	No

Legend to Table 6-4:

1. The value-creating functions are written in ■ colour coded background;
2. The sub-functions (when applicable) are produced below the corresponding functions;
3. The findings which differ from the literature-based conceptualisation are in *italics*;
4. The empirically found new value-creating functions and sub-functions are underlined;
5. The frequencies of the categories, mentioned by 25% or more number of respondents, are highlighted;
6. The literature-based functions or sub-functions, with no mention (0%), do not exist for the subject perceived parties and cannot be considered against the key construct criterion (hence, N/A).

Responses from most of the supplier participants could not be related to the literature-based constructs on supplier perceived customer value creation. In such cases, the literature-based list of the constructs was consulted (e.g., the Time Compression function; see Table 4-11, starting on page 164) or new constructs generated (e.g., the Environmental function; see Table 4-12 starting on page 172). In sum, the empirical findings significantly expand (rather than limit) the horizon of the literature-based value-creating function and sub-functions which suppliers perceive in relation to their customers as beneficiaries (e.g., Biggemann and Buttle, 2012). The Venn diagram in the next page (Figure 6-6) shows the key and non-key constructs, and the formatting and representative meanings of the previous three diagrams are maintained.

Figure 6-6 Venn Diagram of the Supplier Perceived Customer Value-creating Functions and Sub-functions Based on the Empirical Findings



The findings on the four *perception perspectives* above will be utilised next, to discuss the value co-creation potential in supplier-customer relationships.

6.3 Value Co-creation Potential in Supplier-Customer Relationships

Sections 2.6 (starting on page 88) argued that relationship value co-creation is the outcome of a purposeful relationship between parties with a similar perception about that value (actual or hoped for; see Ballantyne et al., 2011b; Grönroos and Voima, 2013). Despite some scholars suggesting that supplier-customer value co-creation can enhance the overall value for the intended beneficiary (e.g., Payne et al., 2008; Karpen et al., 2012), co-creation cannot be taken for granted. For that, as conceptualised in sections 2.6 and 2.7 (the latter starting on page 97), a value-creating construct needs to be important and commonly understood by the supplier-customer dyad.

Value co-creation in supplier-customer relationships can be related to the supplier as beneficiary (e.g., Pardo et al., 2011), customer as beneficiary (e.g., Karpen et al., 2012) and/or to both the supplier and customer as mutual beneficiaries (e.g., Aarikka-Stenroos and Jaakkola, 2012). Correspondingly, this research discussed three perspectives on the relationship value co-creation potential in supplier-customer relationship (see Figure 2-6 on page 115):

- Value co-creation potential for the supplier as beneficiary (where the supplier perceived value of the customer relationship and the customer perceived supplier value need to match);
- Value co-creation potential for the customer as beneficiary (where the customer perceived value of the supplier relationship and the supplier perceived customer value need to match);
- Supplier-customer mutual value co-creation potential (where all four *perception perspectives* need to match).

Based on the review of the present literature (summarised in Table 2-4 starting on page 77 and Table 2-6 starting on page 81), the conceptual framework informing this phenomena is provided by the Venn diagram in Figure 2-7 (on page 116). This framework required empirical examination. The empirical findings discussed above

make it possible to propose which value-creating constructs have the co-creation potential in supplier-customer relationships.

One should remember that all value constructs need to attract sufficient interest from suppliers and customers to show some co-creation potential (Chan et al., 2010; Skálén et al., 2015). For that purpose, only the key construct findings on value creating functions and sub-functions will be considered. These are listed in Table 6-5 (starting on the next page).

As can be noticed in Table 6-5, the first column (on the left) lists the value creating functions (grey background) in alphabetical order. Sub-functions that fall under these functions (if they exist) are also listed. The results of the analysis, which differ from the literature-based value-creating functions and sub-functions, are underlined. The second, third, fourth and fifth column (from left to right) list the results related to the key constructs on the value-creating functions and sub-functions. These results are in relation to:

- The supplier perceived value of customer relationship (second column);
- The customer perceived supplier value (third column);
- The customer perceived value of supplier relationship (fourth column); and
- The supplier perceived customer value (fifth column).

The results are represented by “Yes” (for the 25% or more frequency of the category), “No” (up to 25% frequency) and “N/A” (for 0% frequency). The columns entitled “Co-creation Potential for the Supplier as Beneficiary,” “Co-creation Potential for the Customer as Beneficiary,” and “Co-creation Potential for the Supplier and Customer as Mutual Beneficiaries” are important. They show whether the relevant perceptions about the value creating function and/or sub-function represent the key constructs and whether they actually match. For example, the empirical data analysis revealed that Multiplicity of Services value-creating function has no relevant perceptions in relation to the supplier as beneficiary (i.e., both supplier perceived value of customer relationship and customer perceived supplier value on that function have no mention). Also, the co-creation related answers which differ from the literature-based conceptualisation (as was illustrated by Figure 2-7 on page 116) are in *italic*.

Table 6-5 Empirical Findings on the Value Co-creation Potential in Supplier-Customer Relationships

Value-creating Functions and Sub-functions	Key Construct in Relation to the Supplier Perceived Value of Customer Relationship?	Key Construct in Relation to the Customer Perceived Supplier Value?	Key Construct in Relation to the Customer Perceived Value of Supplier Relationship?	Key Construct in Relation the Supplier Perceived Customer Value?	Co-creation Potential for the Supplier as Beneficiary?	Co-creation Potential for the Customer as Beneficiary?	Co-creation Potential for the Supplier and Customer as Mutual Beneficiaries?
Access	No	Yes	No	No	No	No	No
<u>Bargaining Power</u>	Yes	No	N/A	No	No	No	No
<u>Influencing Power</u>	No	N/A	N/A	No	No	No	No
<u>Purchasing Price Negotiation Power</u>	Yes	No	N/A	N/A	No	N/A	No
Cost Reduction	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Low Process Cost	No	Yes	Yes	Yes	No	Yes	No
Low Purchasing Price	Yes	No	Yes	Yes	No	Yes	No
Counterpart's Expertise/Knowhow	No	N/A	Yes	Yes	No	Yes	No
<u>Counterpart's Multilevel Organisational/Staff Access</u>	No	Yes	Yes	No	No	No	No
<u>Customer's Power</u>	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<u>Customer's Coercive Power</u>	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<u>Customer's Non-coercive Power</u>	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<u>Dedicated Contact</u>	No	No	Yes	Yes	No	Yes	No
<u>Environmental</u>	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Value-creating Functions and Sub-functions	Key Construct in Relation to the Supplier Perceived Value of Customer Relationship?	Key Construct in Relation to the Customer Perceived Supplier Value?	Key Construct in Relation to the Customer Perceived Value of Supplier Relationship?	Key Construct in Relation the Supplier Perceived Customer Value?	Co-creation Potential for the Supplier as Beneficiary?	Co-creation Potential for the Customer as Beneficiary?	Co-creation Potential for the Supplier and Customer as Mutual Beneficiaries?
<u>Flexibility</u>	N/A	N/A	Yes	No	N/A	No	No
<u>Geographical Access/Coverage</u>	N/A	No	No	Yes	No	No	No
<u>Growth</u>	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Intra-dyadic Sales Volume Growth	Yes	Yes	N/A	N/A	Yes	N/A	No
<u>Investment-based Growth</u>	No	Yes	No	N/A	No	No	No
<u>Outer-dyadic Sales Volume Growth</u>	Yes	Yes	N/A	N/A	Yes	N/A	No
<u>Sales Volume Growth (of Customer)</u>	N/A	N/A	Yes	Yes	N/A	Yes	No
<u>Innovation</u>	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Existing Process Improvement	Yes	No	Yes	Yes	No	Yes	No
Existing Product Improvement	Yes	Yes	N/A	N/A	Yes	N/A	No
New Process Development	Yes	Yes	Yes	No	Yes	No	No
New Product Development	Yes	Yes	N/A	N/A	Yes	N/A	No
Supplier's Improved Product	N/A	N/A	Yes	Yes	N/A	Yes	No
Supplier's New Product	N/A	N/A	Yes	Yes	N/A	Yes	No
<u>Knowledge</u>	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Value-creating Functions and Sub-functions	Key Construct in Relation to the Supplier Perceived Value of Customer Relationship?	Key Construct in Relation to the Customer Perceived Supplier Value?	Key Construct in Relation to the Customer Perceived Value of Supplier Relationship?	Key Construct in Relation the Supplier Perceived Customer Value?	Co-creation Potential for the Supplier as Beneficiary?	Co-creation Potential for the Customer as Beneficiary?	Co-creation Potential for the Supplier and Customer as Mutual Beneficiaries?
Experience-based Knowledge	Yes	Yes	No	No	Yes	No	No
Information Communication-based Knowledge	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Long-term Planning	Yes	Yes	Yes	No	<i>Yes</i>	<i>No</i>	No
Market	Yes	Yes	Yes	No	Yes	No	No
Reference	Yes	Yes	Yes	No	Yes	No	No
Referral	Yes	Yes	No	No	Yes	No	No
Motivation	Yes	Yes	N/A	N/A	<i>Yes</i>	N/A	No
Extrinsic Motivation	Yes	Yes	N/A	N/A	<i>Yes</i>	N/A	No
Intrinsic Motivation	No	N/A	N/A	N/A	No	N/A	No
<u>Multiplicity of Services</u>	N/A	N/A	Yes	No	N/A	No	No
Non-monetary Efficiency (Time/Effort/Energy)	Yes	No	Yes	No	No	No	No
<u>Payment</u>	No	Yes	N/A	N/A	No	N/A	No
<u>On-time Payment</u>	No	Yes	N/A	N/A	No	N/A	No
<u>Speed of Payment</u>	N/A	No	N/A	N/A	No	N/A	No
<u>Payment Flexibility</u>	N/A	N/A	No	N/A	N/A	No	No
<u>Problem Solving</u>	Yes	Yes	Yes	Yes	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>
Product Quality	N/A	N/A	Yes	Yes	N/A	<i>Yes</i>	No

Value-creating Functions and Sub-functions	Key Construct in Relation to the Supplier Perceived Value of Customer Relationship?	Key Construct in Relation to the Customer Perceived Supplier Value?	Key Construct in Relation to the Customer Perceived Value of Supplier Relationship?	Key Construct in Relation the Supplier Perceived Customer Value?	Co-creation Potential for the Supplier as Beneficiary?	Co-creation Potential for the Customer as Beneficiary?	Co-creation Potential for the Supplier and Customer as Mutual Beneficiaries?
<u>Delivery Speed</u>	N/A	N/A	No	Yes	N/A	No	No
<u>On-time Delivery</u>	N/A	N/A	Yes	Yes	N/A	Yes	No
<u>On-time Pick-up</u>	N/A	N/A	No	No	N/A	No	No
<u>Pick-up Speed</u>	N/A	N/A	No	N/A	N/A	No	No
<u>Right Place Delivery</u>	N/A	N/A	No	No	N/A	No	No
<u>Right Quantity Despatch</u>	N/A	N/A	No	N/A	N/A	No	No
<u>Right Time Despatch</u>	N/A	N/A	No	N/A	N/A	No	No
<u>Safe Delivery</u>	N/A	N/A	Yes	No	N/A	No	No
Profit	Yes	Yes	N/A	N/A	Yes	N/A	No
Relational	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Benevolence	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Credibility/Reliability	No	No	Yes	No	No	No	No
Integrity	Yes	Yes	Yes	No	Yes	No	No
Interpersonal Relationship	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Long-term Relationship/Retention	Yes	Yes	Yes	No	Yes	No	No
Open Relationship	No	Yes	Yes	No	No	No	No
Personal	Yes	No	Yes	No	No	No	No
Trustful Relationship	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Value-creating Functions and Sub-functions	Key Construct in Relation to the Supplier Perceived Value of Customer Relationship?	Key Construct in Relation to the Customer Perceived Supplier Value?	Key Construct in Relation to the Customer Perceived Value of Supplier Relationship?	Key Construct in Relation to the Supplier Perceived Customer Value?	Co-creation Potential for the Supplier as Beneficiary?	Co-creation Potential for the Customer as Beneficiary?	Co-creation Potential for the Supplier and Customer as Mutual Beneficiaries?
Safeguard	N/A	N/A	No	N/A	N/A	No	No
<u>Sustainable Product</u>	No	Yes	Yes	Yes	No	<i>Yes</i>	No
<u>Symbolic</u>	No	N/A	N/A	N/A	No	N/A	No
Time Compression	N/A	N/A	Yes	Yes	N/A	<i>Yes</i>	No
Value-added Service	N/A	N/A	Yes	No	N/A	No	No
Volume	Yes	Yes	Yes	No	Yes	No	No

Legend to Table 6-5:

1. The value-creating functions are written in ■ colour coded background;
2. The sub-functions (when applicable) are produced below the corresponding functions;
3. The answers on the value co-creation related findings, which differ from the literature-based conceptualisation, are in italics;
4. The empirically found new value-creating functions and sub-functions are underlined;
5. The functions or sub-functions, with no mention, do not exist for the subject perceived parties (hence, N/A) and cannot be considered against the value co-creation potential criterion (hence, again N/A).

Hence, as Table 6-5 shows, some value creating functions and sub-functions, representing the key constructs in relation to the associated perceived parties, can have the co-creation potential for:

- (1) A supplier as beneficiary;
- (2) A customer as beneficiary; and/or
- (3) A supplier and customer as mutual beneficiaries.

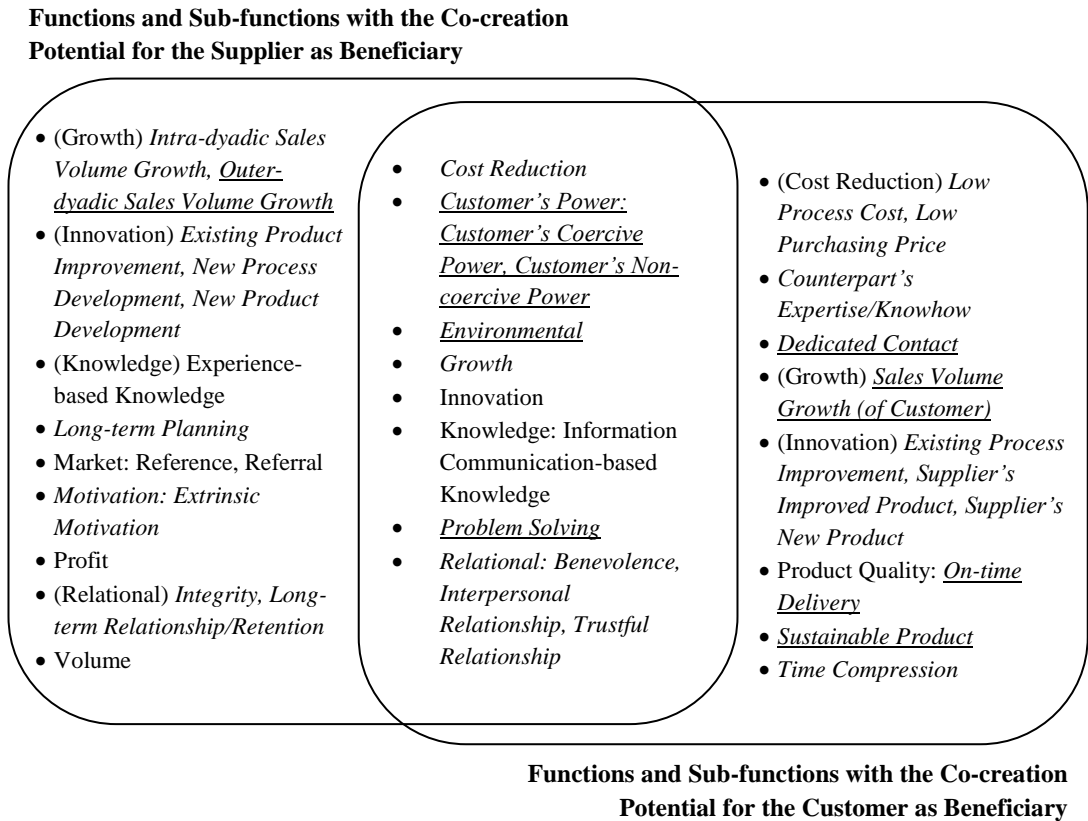
Amongst those constructs which meet the literature-based conceptualisation on the co-creation potential for both supplier and customer as beneficiaries are Knowledge function and its Information Communication-based Knowledge sub-function, for example. However, contrary to the literature-based theorising, the New Product Development sub-function of the Innovation function could not be established in a similar way. Even though this sub-function was found to have co-creation potential for the supplier as beneficiary, it did not appear to have any connection to the customer as beneficiary. Contrastingly, Relational value-creating function and its Benevolence sub-function, as a result of this empirical study, have moved from the customer as the beneficiary area, as was informed by the literature, to the supplier and/or customer as beneficiaries. From the originally found categories from this research, Environmental function is one of those which have the co-creation potential for a supplier and/or a customer as beneficiaries (as produced in Table 6-5).

From the literature-based value-creating constructs that have potential to be co-created only for the supplier as beneficiary are, for instance, Motivation and its Extrinsic Motivation sub-functions. The Time Compression function, in comparison, is amongst the literature-based constructs, which have the co-creation potential only for the customer as beneficiary. Similarly, new empirically-based value-creating functions as, for example, the Sales Volume Growth for Customer and the Multiplicity of Services functions, have the co-creation potential only for the customer as beneficiary. The Outer-dyadic Sales Volume Growth sub-function of the Growth function, as a comparative example, merely has the co-creation potential for the supplier as beneficiary.

Notably, some of the functions and sub-functions can be considered without the co-creation potential for either of the parties in supplier-customer relationship. In this case, the value co-creation criterion is neither fulfilled in relation to the supplier, nor

with regards to the customer as beneficiary (e.g., Time Compression function, Personal sub-function of the Relational function).

Figure 6-7 Venn Diagram on the Proposed Framework of Value Co-creation Potential in Supplier-Customer Relationships



Legend to Figure 6-7:

1. The findings which differ from the literature-based conceptualisation are in *italics*;
2. The empirically found new value-creating functions and sub-functions are underlined;
3. Each of the value-creating functions in brackets has been included solely to show its correspondence with the proceeding sub-function(s)⁷.

The discussed empirical findings in relation to the value co-creation potential in supplier-customer relationship are portrayed in Figure 6-7 above. It contains value-creating functions which are proposed to have the co-creation potential for the supplier as beneficiary (the rounded rectangle to the left) and a customer as

⁷ For example, Knowledge function and its Information Communication Knowledge sub-function are with the co-creation potential for both, the supplier and customer as beneficiaries. In contrast, the experience-based Knowledge sub-function has co-creation potential only for the supplier as beneficiary and placed in the left area of the figure. Placing 'Knowledge' in brackets before 'Experience-based Knowledge' is just a reminder that the latter is the sub-function of the former function.

beneficiary (to the right). From these, the common overlapping area between these rounded rectangles covers only those value-creating functions and sub-functions which were found to have the co-creation potential for both a supplier and a customer as (mutual) beneficiaries. Customer's Power function and related to it Customer's Coercive Power and Customer's Non-coercive Power sub-functions are among those. The ones in relation only to the supplier as beneficiary are listed on the left, i.e., outside the overlapping area (e.g., Market function with its Reference and Referral sub-functions). Finally, the value-creating functions and sub-functions, which could be proposed to have the co-creation potential only for the customer as beneficiary, are provided on the right. These include the Product Quality function and related to it the On-time Delivery sub-function. The empirical findings that are different from the literature-based conceptual framework (as presented in Figure 2-7 on page 116) are in *italic*. Also, the empirically established new constructs are underlined.

6.4 Chapter Summary

The discussion in this chapter covered the empirical findings of this study in relation to the perceived values and value co-creation potential in supplier-customer relationships. The results demonstrate some similarities and differences in relation to the literature-based conceptualisations. These patterns further shape and enrich the viewpoints proposed in the "Literature Review" chapter. The next chapter concludes this study by providing the remarks in relation to the research objectives and overall aim, which are at the heart of this thesis. It will also consider the study limitations and address the propositions for future research.

Chapter 7 Conclusion

7.0 Chapter Overview

This chapter finalises the thesis by reflecting on the process of achieving its aim and objectives. Findings discussed in the previous chapter are brought into the final conceptual framework. The relevant parts of the model are argued in relation to the research objectives, followed by the theoretical contributions of this research. Implications of the research findings for managers in B2B supplier and customer firms are proposed. Finally, the research limitations are addressed and recommendations for future research provided.

7.1 Reflection on Meeting the Research Aim and Objectives

The aim of this study was to *advance the understanding of perceived value and value co-creation in supplier-customer relationships*. The research was based on the S-D logic, which views relationship value creation from the beneficiary's perspective (e.g., Vargo and Lusch, 2004; Vargo, 2008). According to this viewpoint, relationship value is created by the beneficiary's positive evaluation of the perceived benefits against the perceived sacrifices of the relationship with a particular counterpart (e.g., Songailiene et al., 2011; Aarikka-Stenroos and Jaakkola, 2012). The discussions in Chapter 2 (starting on page 13) show, that in supplier-customer relationships, the value can be created for the supplier and/or customer. Irrespective whether the beneficiary is a supplier and/or a customer, the value creation can be perceived at either or both sides of the dyad. With the purpose to explore the two sided nature of the value creation and perceived value in supplier-customer relationships, this research set the first research objective: *To capture the perceived values in supplier-customer relationships*. Within the scope of this objective, the investigations of the four following perception perspectives were targeted:

- (1) Supplier perceived value of customer relationship;
- (2) Customer perceived supplier value;
- (3) Customer perceived value of supplier relationship; and
- (4) Supplier perceived customer value.

For the in-depth understanding of each of these perception perspectives, the functionalist approach on relationship value creation was adopted. This perspective considers relationship value as the higher order construct, driven by relationship value-creating functions as the lower order constructs (e.g., Möller and Törrönen, 2003; Walter et al., 2003; Parry et al., 2012).

The second objective of this research was: *To explore the potential of supplier-customer relationship value co-creation*. The debatable nature about defining value co-creation was identified in the present literature (as discussed in section 2.6 starting on page 88). For example, Vargo and Lusch (2008, p. 8) claimed that “(...) value obtained in conjunction with market exchanges can not be created unilaterally but always involves a unique combination of resources and an idiosyncratic determination of value and thus the *customer is always a co-creator of value*” (emphasis added). The adoption of such an ‘all-inclusive’ perspective on value co-creation could be noted in the works of, e.g., Gummesson (2011), Hidalgo and Alvano (2014), and Blocker and Barrios (2015). In their works, the customer is considered the value co-creator, irrespective of whether or not the perceptions on the created value between the supplier and customer match. To further analytical development of the value co-creation phenomenon (Grönroos and Voima, 2013) this research adopted a rigorous vision on the value co-creation concept. That was supplier-customer experiential interaction, common perception, and purposeful intent for the intended beneficiary (or beneficiaries). When these conditions are fulfilled, one could argue that value ‘co-creation’ takes place (Ballantyne et al., 2011b; Grönroos and Voima, 2013). This perspective was found to be consistent with the Extended RBV.

For production of the preliminary conceptual framework, the decision was made to merge the S-D logic and Extended RBV perspectives. The desirability to merge the S-D logic perspective with established theories are proposed by, e.g., Gummesson (2008) and Songailiene et al. (2011). Vargo and Lush argue, that for the comprehensive theory development on the value (co-)creation phenomenon, researchers need to scrutinise their perspectives of the S-D logic (e.g., see Vargo and Lusch, 2004; Vargo and Lusch, 2008). Vargo (2008) expect that *adapting* and not

necessarily adopting the S-D logic perspective of Vargo and Lush, should promote the development and evolution of the value (co-)creation theory.

On the way towards meeting the aim and objectives of this research, the researcher identified inconsistencies in the definitions of value-creating functions and sub-functions prevalent in supplier-customer relationships. Relationship value studies have mainly focused on the value creating functions and sub-functions, which either suppliers or customers perceived from the relationship with their respective counterparts. Few of the relationship value papers explored constructs which could drive customer perceived supplier and/or supplier perceived customer values (Biggemann and Buttle, 2012; Smals and Smits, 2012). The foregoing highlights the gaps, which hindered the possibility to understand which of the value-creating functions and sub-functions could be created and co-created in supplier-customer relationships, especially in a particular relationship context. The latter challenge was due to the non-uniform research contexts across the relationship value literature.

To explore the value co-creation potentials on functional and sub-functional levels in supplier-customer relationships was a challenging undertaking. Current studies have not yet differentiated the important functions and sub-functions from those of lesser importance in relation to the suppliers and/or customers as beneficiaries. As discussed in section 2.6 (starting on page 88) and section 2.8 (starting on page 112), the construct ought to be important enough for both, a supplier and a customer, to drive the supplier-customer value co-creation. Important to note also, is that no previous research attempted to conceptualise the value co-creation potential on a functional level, let alone the sub-functional one.

The disperse body of present literature was linked into a preliminary conceptual framework (Figure 2-7 on page 116) and the research questions (provided in section 3.4 starting on page 124) laid the foundation for a qualitative empirical investigation. The study was based on the researcher's interpretivist philosophical stance and abductive reasoning. The analytic induction research strategy was utilised. The empirical study was placed in the context of 3PL outsourcing relationships and in-depth semi-structured interviews with the providers and buyers of 3PL services were utilised for the data collection. The theoretical saturation approach informed the volume of data collection, while the interview method generated the desired depth

and breadth of primary data. The data was analysed by the combination of qualitative content analysis, hermeneutics and narrative analysis methods. These acted as complementary approaches in this analytical step. The reliability and validity procedures employed in the data analysis enhanced the overall credibility of the findings. From the empirically generated value-creating functions and sub-functions, key constructs were identified by applying the relevant evaluation criterion (as discussed in section 4.7 starting on page 187).

Chapter 6 (“Discussion of Findings” starting on page 280) demonstrates that this study has met both research objectives. As section 6.2 (starting on page 285) shows, the *first research objective* was achieved by empirically identifying the value-creating functions and sub-functions from each of the four perception perspectives mentioned above in this section.

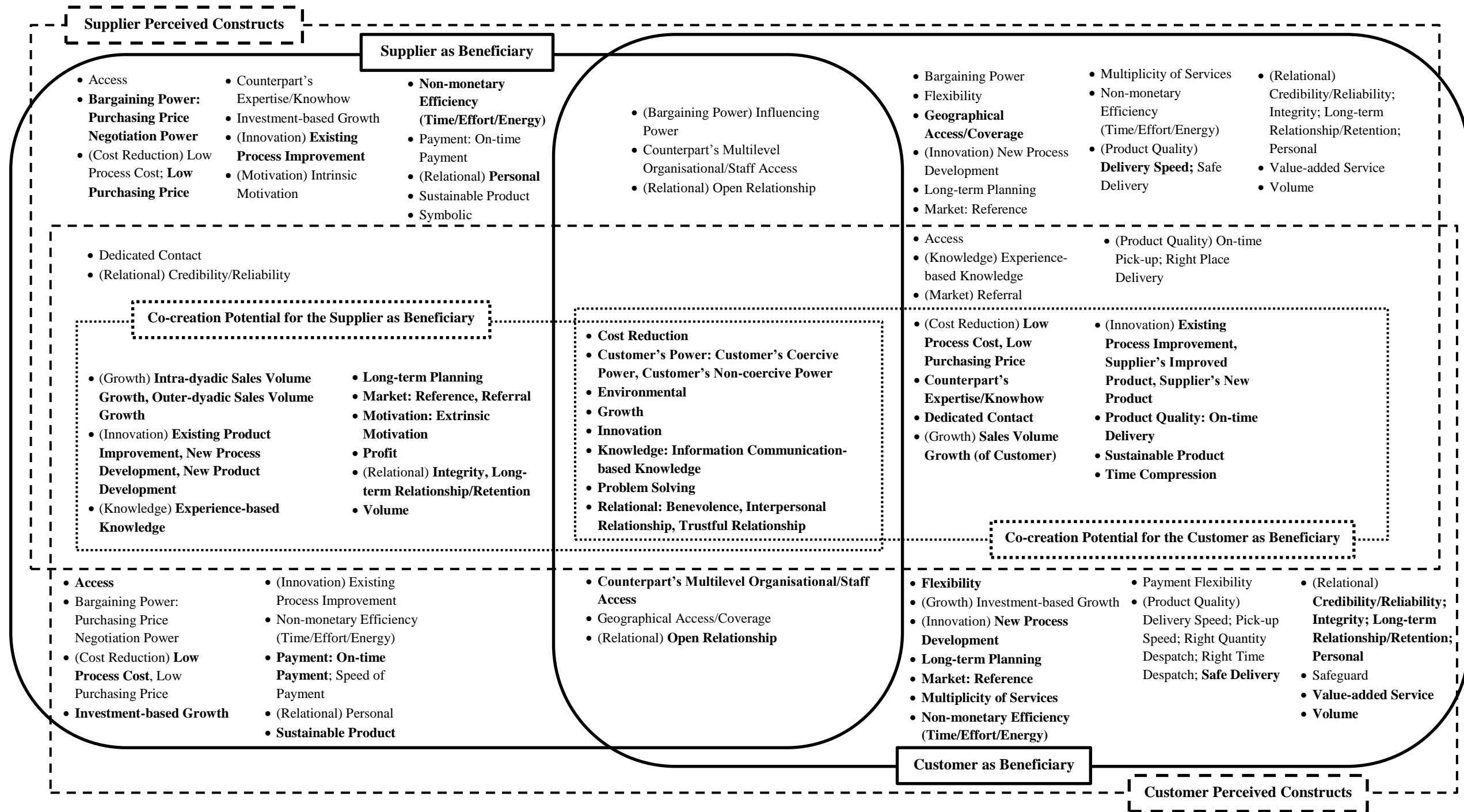
These findings were then contrasted in section 6.3 (starting on page 303). The key construct criterion was considered to judge the co-creation potential for each of the empirically produced constructs in relation to the supplier as beneficiary and/or customer as beneficiary. Thus, the *second research objective* was also met. The next section provides the proposed conceptual framework and theoretical contribution of this research.

7.2 Proposed Conceptual Framework and Theoretical Contributions

The empirical findings discussed in the previous chapter are summarised in Figure 7-1 on the next page. In relation to the *first research objective*, it gives the possibility to relate the identified key (in bold) and non-key (in standard text) constructs to the following four perception perspectives:

- (1) Supplier perceived value of customer relationship – the constructs covered by the intercept area between the shapes entitled ‘Supplier as Beneficiary’ and ‘Supplier Perceived Constructs’ (e.g., Sustainable Product as a non-key construct);
- (2) Customer perceived supplier value – the intercept areas between the shapes entitled ‘Supplier as Beneficiary’ and ‘Customer Perceived Constructs’ (e.g., Sustainable Product as the key construct);

Figure 7-1: Venn Diagram of the Proposed Conceptual Framework of Perceived Value-creating Functions/Sub-functions and Value Co-creation Potential in Supplier-Customer Relationships



Legend to Figure 7-1:

- Value-creating functions and sub-functions in bold represent key constructs.
- Each of the value-creating functions in brackets has been included solely to show its correspondence with the preceding sub-function⁸.

⁸ For example, 'Experience-based Knowledge' (located inside the shape entitled "Co-creation Potential for the Supplier as Beneficiary") is proposed to have the co-creation potential only for the supplier as beneficiary. This sub-function is preceded by the Knowledge function in brackets. This just reminds that the Experienced-based Knowledge sub-function belongs to the Knowledge function. Also, the Knowledge function itself is proposed to have the co-creation potential for both the supplier and customer as mutual beneficiaries. Hence, this function is without brackets and is located inside the shape of two areas entitled "Co-creation Potential for the Supplier as Beneficiary" and "Co-creation Potential for the Customer as Beneficiary." In contrast, 'Information Communication-based Knowledge' sub-function correspond its 'Knowledge' function in key construct, value perception and co-creation perspectives. Hence, 'Knowledge,' preceding it, is without brackets.

- (3) Customer perceived value of supplier relationship – the intercept areas between the shapes entitled ‘Customer as Beneficiary’ and ‘Customer Perceived Constructs’ (e.g., Flexibility as the key construct);
- (4) Supplier perceived customer value – the intercept area between the shapes entitled ‘Customer as Beneficiary’ and ‘Supplier Perceived Constructs’ (e.g., Bargaining Power as the non-key construct).

Figure 7-1 also sheds light on the fulfilment of the second research objective. The diagram demonstrates the co-creation potential of the identified constructs in three following perspectives:

- (1) Relationship value co-creation potential for the supplier as beneficiary – the constructs covered by the dotted lined rectangular area, entitled ‘Co-creation Potential for the Supplier as Beneficiary’ (e.g., Long-term Planning function);
- (2) Relationship value co-creation potential for the customer as beneficiary – the constructs covered by the dotted lined rectangular area, entitled ‘Co-creation Potential for the Customer as Beneficiary’ (e.g., Dedicated Contact function)
- (3) Supplier-customer mutual value co-creation potential – the constructs which are covered by the overlap area between above mentioned two dotted shapes (e.g., Customer’s Power function, with its Customer’s Coercive Power and Customer’s Non-coercive Power sub-functions).

This empirically-based framework demonstrates significant improvements over the literature-based framework on the value (co-)creation in supplier-customer relationships (as shown in Figure 2-7 on page 116). First, the constructs identified in relation to each of the four perception perspectives are more numerous than compiled in any of the previous studies (recall Table 2-2 starting on page 30). This research has empirically confirmed the majority of the literature-based propositions on the studied phenomenon. Furthermore, as discussed in the previous chapter, the empirical investigation generated new categories for the inclusion in the proposed conceptual framework. A clear list and definitions of the value-creating functions and sub-functions, perceived in supplier-customer relationships, also resulted from this study.

Unlike previous literature, the key constructs in relation to each of the four perception perspectives were identified by this research. The empirical findings also

demonstrate a significant improvement over the number of literature-based constructs with the co-creation potential for the supplier as beneficiary and/or customer as beneficiary. Comparing these constructs in Figure 2-7 and Figure 7-1 makes such contribution obvious.

The empirical findings also contribute to the theoretical richness of the S-D logic and Extended RBV perspectives. The results show that value perceptions of suppliers and customers can be more multidimensional than the S-D logic and Extended RBV perspectives suggest. Also, this research conceptualised the value co-creation at both functional and sub-functional levels, which has not received any attention in prior research. By this, the highly complex nature of the value co-creation phenomenon has also been demonstrated. The proposed conceptual framework shows that not every single value can be co-created. Rather, it demonstrates how the perceptions at both sides of the supplier-customer dyad can affect the co-creation of relationship value.

Ultimately, the thesis has met its research aim of advancing the understanding on the value (co-)creation phenomenon in supplier-customer relationships. The next section presents the implications of this research for practice.

7.3 Managerial Contributions

This research achieved managerial contributions, laid out in section 1.5.2 (starting on page 9). The empirically derived value-creating functions and sub-functions in relation to all four perception perspectives in supplier-customer relationships, is one aspect of the managerial contribution. This offers managers at the supplier and buyer firms the taxonomy to assess value which their firms receive or provide. As could be noticed in the “Analysis of Empirical Findings” chapter (starting on page 190), no two suppliers or customers mentioned the same bundle of functions, be it in relation to their own value or the value-creation for their trading counterparts. Consequently, the constructs proposed by this research could provide new possibilities to the B2B supplier-customer dyads to identify and pursue new value-creation and co-creation opportunities than presently practiced. As the starting point, the supplier-customer dyads, with mutual beneficiary orientation, may first wish to discuss the constructs with mutual value co-creation potential. In this way, they could identify the

collaborative areas which could enhance the mutual gains in their relationships. The supplier-customer dialog and negotiations on (co-)creating the other key and non-key construct related functions and sub-functions are also recommended. Such an interactive process may enable them to gain a mutual understanding of value perceptions, and to coordinate their investments and actions towards fulfilling the functions and sub-functions, which can create value for the supplier and/or the customer. This may also minimise activities (with associated wastes of resources) which cannot meet the value-creation intentions of the parties.

Through the identified value-creating constructs, the suppliers and customers should be able to better benchmark their value creation performances for their respective counterparts and could possibly find areas for improvement. Also, the suppliers and customers could better evaluate and segment their trading counterparts, based on the value-creation capabilities from the relationship with them.

As mentioned in section 2.3 (starting on page 28), supplier-customer relationships are embedded in a wider network of relationships. Accordingly, this study could be useful for the suppliers and customers trading with more than one party. Managers with the knowledge of multiple value-creating functions and sub-functions could better plan and balance which value-creating function and sub-function to (co-)create with which trading counterpart. While some supplier-customer dyads can be long-term oriented with the goal to use every possible way to enhance the mutual benefits, others may have a more transactional orientation. In the latter case, the parties may focus on (co-)creating a limited number of value-creating functions and sub-functions (Walter et al., 2001; Kowalkowski, 2011; Songailiene et al., 2011). Such differentiated approach towards the value creation and co-creation reflects the decision making complexities, which managers face when dealing with their customers and suppliers (Gummesson, 2008).

Eventually, the adoption of the empirically derived value-creating functions and sub-functions provides managers with a common terminology for discussing the value creation and co-creation aspects of their relationships. The same benefit applies also to the intra-company communications between the managers within a given firm.

7.4 Research Limitations and Future Research

This research has established a comprehensive conceptual framework on the value creation and co-creation in B2B supplier-customer relationships. Nevertheless, it has certain limitations. The findings are based on the limited sample size of 3PL providers and buyers, which does not allow the statistical generalisability of the findings. This applies to the geographical region of the study participants (Continental Europe) and the chosen context (3PL outsourcing relationships), as well as the other geographical regions and contexts. As discussed in the Methodology chapter (starting on page 128), this research did not intend to produce generalizable findings. This was rather considered to be within the scope of large scale survey-based quantitative studies. Also, similar to Biggemann and Buttle (2012, p. 1137), the empirical data was collected “(...) until saturation was achieved and all efforts were put to portray reality[,] grounded on empirical data (...).” Importantly, this research is believed to lay the foundation to the large scale deductive type of study.

Analogous to the relationship value studies presented in Table 2-2 (starting on page 30), this research segmented the findings in relation to the suppliers and/or customers as beneficiaries and perceived parties. Hence, it did not consider scrutinising the findings in relation to any other characteristics (e.g., sizes of the participating firms, job titles and/or roles of the key informants, the base countries of the participating firms and/or the key informants, the length of the interviews). Discussing the findings in such detail could provide further insights on the relationship value (co-)creation in supplier-customer relationships. For this particular research, however, such extension of the argument could move the attention away from the main objectives of this thesis.

This research collected data from unconnected 3PL provider and buyer firms. As a consequence, the opportunity to judge the value co-creation potential (or the actual co-creation) from the perspectives of both sides of the same dyads was missed. Instead, the co-creation potential was considered on a sample level, utilising the key construct criteria and matched perception perspective on such constructs as a judgment factor (as discussed in section 6.3 starting on page 303). Future studies on connected supplier-customer relationships could perhaps render a different value co-creation model. Also, rather than utilising the key construct criterion mainly

characterised to the qualitative research, the quantitative measurement of each of the constructs could be a sensible alternative. Such approach was avoided in this exploratory type of research, as producing the readily available literature-constructs for the respondents' rankings, could have biased the study participants. Also, such approach would have moved the theory building towards a purely deductive approach, rather than the abductive reasoning employed by this research. Consequently, there would not have been much scope for identifying the new constructs. Even though, using the findings of this research would be recommended for such a quantitative and deductive type of study.

This thesis only focused on the function and sub-function, the fulfilment of which could create value for the beneficiary supplier and/or customer. That is when the fulfilment of the value function/sub-function delivers higher overall benefit in comparison with the associated overall sacrifice. In supplier-customer relationships, however, not only it is important to identify the value-creating constructs, but also the ones which diminish the relationship value (Echeverri and Skålén, 2011; Smith, 2013). Perhaps, the comparative study of the worst and best examples of the supplier-customer mutual beneficiary relationship, could offer interesting insights in this regard. This research focused on the relationships, which the key informants considered as the exemplary in relation to the supplier-customer mutual beneficiary B2B relationships.

Having identified the value-creating and 'value-diminishing' relationship functions, the next step could be to classify the supplier-customer relationships. It could be based on the specific bundle of functions and sub-functions, which take place in supplier-customer relationships. For example, Walter et al. (2001) proposed a model based on the supplier perceived value of customer relationships (see Figure 7-2 on the next page). They (ibid, p. 367) differentiated the direct and indirect functions (mentioned in the same figure) in the following way: "(...) direct functions have an immediate effect on the partner firms. Indirect functions are supposed to have an oblique effect on the partners, because their relationship is directly or indirectly connected to other relationships." The functions they proposed for the inclusion in such model, however, were limited (recall the findings of Walter et al. in Table 2-2). Even though such classification was outside the scope of this research,

future research could benefit by proposing a comprehensive relationship classification model based on the extensive list of functions and sub-functions.

Figure 7-2 Classifying Value Creation through Customer Relationships

Direct value-creating functions of customer relationships	High	Selling relationships	High-performing relationships
	Low	Low-performing relationships	Networking relationships
		Low	High
Indirect value-creating functions of customer relationships			

Source: Walter et al. (2001, p. 373)

An interesting avenue for future research could also be to understand the respondents' individual versus collective perspectives on the value-creating functions and sub-functions. This suggestion is empirically grounded. As the researcher has noticed, the respondents sometimes used 'I' rather than the collective terms (e.g., we, us) when talking about the benefits from their trading counterpart. Quote 5.23, representing *Personal* function in Table 5-4 (starting on page 222), is one of such examples:

“(...) I [CUSE] want to do business with people that I can build up a good relationship with, and I think it's essential. I think if you don't have a good relationship, if there is suspicion on either side, it's not comfortable, [then] it's not reactive and it becomes very difficult.” (CUSE, 5.23).

Some of the key informants' narratives demonstrate how the fulfilment of one value-creation function/sub-function can result into the fulfilment of additional one(s). This has been noticed in relation to both or either side of the dyad. For example, the following example quote (which was also mentioned in section 4.5.3 starting on page 175) from the customer respondent can be considered:

“We [CUSH] are able to show to CUSHSUP how they have performed in reality – and it's not always a very good picture, so we are able to work with them to improve that service performance.” (CUSH, 8.30).

This citation demonstrates that first, the *Information Communication-based Knowledge* function is created for the supplier (CUSHSUP). This sequentially drives the *Problem Solving* value-creating function for both the supplier and the customer (CUSH) as beneficiaries. Also, the customer perceived relationship value does not stop here. The Problem Solving function further drives the *Product Quality* function for the beneficiary customer, and the *Existing Product Improvement* sub-function (hence, also its Innovation function) for the beneficiary supplier. Such succession of value creation can be called the ‘value creation chain’ and studying the relationship value from such perspective, could generate unique results. The usefulness of this approach was briefly mentioned by Walter et al. (2001, p. 373):

“Given that customers today expect to be involved in relationships in order to gain benefits of their own, suppliers need to understand the potential which these relationships offer them in return. Such an understanding will guide suppliers to a meaningful use of relationships and prevent them from pure altruistic customer orientation. (...) Only attending the customers’ interests without return is a one-way track to economic losses”.

This note addresses a supplier as being the value beneficiary. However, it shows that developing a model of value creation chains, could potentially enable suppliers and buyers to better predict and plan the creation of their own and/or the trading counterparts’ values.

As mentioned previously, this research is cross-sectional, which does not allow capturing the dynamics of the value perceptions in supplier-customer relationships. Conducting a longitudinal study on the relationship value could overcome this shortcoming. Lastly, whatever the time horizon of the research, employing multiple sources of data collection, rather than solely the interviews with the key informants, could generate different sets of data (e.g., through case study research).

This research concerned B2B relationship value, and some of the findings of this research may not apply to the business-to-customer (B2C) scenarios. Supplier perceived Multilevel Organisational Staff Access of customer relationship is one of such examples. Also, exploring the value (co-)creation phenomenon in B2C relationships could generate value-creating functions and sub-functions, other than the ones conceptualised in this research.

Finally, it should be said that the above limitations with corresponding recommendations for future research are to offer alternative approaches which this research could have adopted, or the future research should pursue. However, each of the proposed research directions, or combinations of those, would have their own weaknesses, like any other research. Looking for such weaknesses is of vital importance to identify the research gaps and develop the body of knowledge to fill these gaps. The implementation of this thesis considered certain shortcomings of the previous literature, and as reported in sections 7.2 and 7.3 above, offered decent theoretical and managerial contributions.

7.5 Chapter Summary

This chapter summarised the key reflection points on achieving the aim and objectives of this research. Then, the final conceptual framework has been introduced that is firmly grounded in the empirical findings of this study. The theoretical and managerial contributions were also acknowledged. Lastly, the limitations of this research and the fruitful areas, where future researchers may like to draw their attention, were explained.

To reiterative, this thesis has made theoretical contributions by:

- (1) Confirming/disconfirming the literature-based theorising and identifying new empirically generated constructs in relation to the four perception perspectives in supplier-customer relationships;
- (2) Providing a clear list and definitions of the value-creating functions and sub-functions, perceived in supplier-customer relationships;
- (3) Identifying key constructs in relation to each of the four perception perspectives in supplier-customer relationships;
- (4) Proposing value-creating functions and sub-functions with the co-creation potential for the supplier as beneficiary and/or customer as beneficiary. Also, this research informed the higher number of such constructs, compared to the literature-based conceptualisation;
- (5) Theoretically enriching the S-D logic and Extended RBV perspectives by showing that the value perceptions of suppliers and customers can be more multifaceted than the S-D logic and Extended RBV perspectives suggest.

- (6) Proposing the value co-creation potential in supplier-customer relationships at both functional and sub-functional levels, thus, highlighting the highly complex nature of the relationship value co-creation than conceptualised by previous literature;
- (7) Demonstrating how the perceptions at both sides of the supplier-customer dyad could affect the co-creation of relationship value and that not every single value can be co-created.

Also, the managerial contributions of this research have been accomplished by:

- (1) Providing assessment mechanism to the managers at the supplier and buyer firms to better capture the value which they receive from or provide to their respective trading counterparts;
- (2) Providing opportunities to the B2B supplier-customer dyads to promote the dialog on identifying and pursuing new value-creation and co-creation endeavours. These actions could potentially improve the mutual gains in the supplier-customer relationships and minimise non-value-creating activities of these parties;
- (3) Aiding supplier and customer firms with more than one trading counterpart to properly adjust value creation and co-creation actions with those parties, based on various specificities of and interests in those relationships.
- (4) Providing terminology to the managers of the B2B suppliers and buyers for inter-organisational and intra-organisational discussions of the relationship value creation and co-creation aspects.

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Appendixes

Appendix 1 Participant Information Sheet



Participant Information Sheet for [the name of the participating firm]

Name of Department: Marketing

Study Title: Value (Co-)Creation in Third-party Logistics Outsourcing Relationships

Introduction

The University of Strathclyde is internationally acknowledged for its leading reputation and expertise in business research and is the prestigious UK University of the Year 2012/2013 and UK Entrepreneurial University of the Year 2013/2014 awards winner. In recent years, we recognise that logistics services play a critical part in the business success of most firms. Clearly, there are opportunities for mutual beneficiary relationships between the suppliers and buyers of logistics services. This background leads us to an exciting research project, which targets to contribute to the understanding about how to manage value creation from the third-party logistics supplier–buyer business-to-business relationships. For this purpose, we are currently conducting interviews with experienced key informants at some of the leading third-party logistics supplier and buyer firms in Continental Europe.

This research project is being carried out by Alexandre Metreveli, Doctoral Researcher at the Department of Marketing, under the supervision of Dr. Beverly Wagner and Prof. Fred Lemke.

What is the purpose of this investigation?

The study aims at exploring third-party logistics supplier–buyer business-to-business dyadic relationships in order to understand the ways of value (co-)creation for the parties from and through the dyad.

What will you do in the project?

Your firm could benefit the study by dedicating one key informant (respondent) for the purpose of this research. The key informant should be your firm's employee (preferably on a senior management role), who will be able to choose a business-to-business

customer/supplier [inappropriate one to be deleted] as an example of one of the most mutually valuable/beneficial and long-term business relationships your firm has with its business-to-business customers/suppliers [inappropriate one to be deleted]. The choice will be based on the key informant's own perception. The investigation will focus on the semi-structured interview(s) with the key informant. The interview will capture the (co-)creation of value between your firm and the selected by the key informant customer/supplier [inappropriate one to be deleted] as per above highlighted criteria. The interview will be conducted by Mr. Metreveli by phone or Skype at the time(s) being mutually agreed by your key informant and Mr. Metreveli. The interview normally would last an hour (can end up to be more or less however, by mutual agreement between your key informant and Mr. Metreveli), but can be stopped at any time upon the key informant request. No prior preparation is required for the interview. Also, for the purpose of producing scientific publications at a later stage and/or after successful defence of this PhD, some company publications might also be looked at. For any document or materials which are not public, only those being granted access to by your firm/authorised key informant will be utilised.

Do you have to take part?

The participation of your firm/its key informant in this research is absolutely voluntary and refusing to participate or withdrawing participation will not affect any other aspects of the way your firm or a person at your firm is treated (i.e. participants have a right to withdraw without detriment).

Why has your firm been invited to take part?

Your firm has been invited due to its location in Continental Europe and its nature of business, which involves providing/buying [inappropriate one to be deleted] third-party logistics services. Also, [to explain what is special about the invited firm to contribute to this study].

What are the advantages for your organisation?

Upon request, your firm will receive an electronic version of defended dissertation, once it is publicly available. It is hoped that the dissertation will allow its readers to gain deeper understanding of how suppliers and buyers of third-party logistics services (co-)create or may (co-)create value from their dyadic business-to-business relationships. Also, [to explain what other advantages the participating organisation may gain which is uniquely related to that particular invited firm].

Note: The research is for the academic exercise purposes only and none of its findings should be taken as a prescription for action for the participating firm or any related to it persons and entities, or if such is taken, the investigators and their respective universities are not to be held liable in any sense for any consequences.

What happens to the information in the project?

The information to be gathered from and about your firm and its relationship with the selected by your key informant supplier/buyer [inappropriate one to be deleted] of third-party logistics services is just for the purpose of this academic exercise and of those associated scientific publications where these study materials will also be used.

The interviews will be transcribed verbatim and some fragments of the transcripts and/or interpretation of those will be produced in the study publications. Other non-public materials provided from your firm and any public materials concerning your firm may also be utilised, however the name of your firm, your key informant(s) and the selected by the key informant supplier/buyer [inappropriate to be deleted] will not be produced in the study outcomes.

Those will be coded instead. Also, any data which may endanger the anonymity of those parties to any external to your firm party will also be tried to be identified and amended or removed in a way not to affect the scientific outcome of the study.

Interview recording(s), the transcripts of the interview and any other collected from your firm non-public data will be made pseudo anonymised (i.e. in the raw data, the names which may affect the confidentiality of the firm and/or respondent, as well as the selected counterpart firm, will be anonymised and given a code name. The key for code names will be stored in a separate secure location from the raw data – e.g., password protected university computer of the researcher, university electronic storage system accessible by password by the researcher, and/or encrypted data storage device of the researcher).

It is expected that the data, in case of the decision to include that in the study, will be required for the production of the named dissertation. Also, those can be used in the production of the related to these research area scientific publications until December 31, 2025. After this date, the audio recordings are supposed to be securely destroyed as soon as possible.

The University of Strathclyde is registered with the Information Commissioner's Office who implements the Data Protection Act 1998. All personal data on participants will be processed in accordance with the provisions of the Data Protection Act 1998.

Thank you for reading this information – please feel free to ask questions if you are unsure about what is written here.

Advice on your consent to take part in this study:

Your firm's participation in this research through the key informant implies that you agree to take part in this study, as well as understand and agree to the "Informed Consent Information" provided below.

Informed Consent Information:

- Your firm/key informant confirms to have read and understood the information sheet for the above research project, is satisfied with the researcher's answer(s) on any queries and has no objection.
- Your firm/key informant understands that participation in this study is voluntary and is free to withdraw from the interview at any time, without having to give a reason.
- Your firm/key informant understands that you can withdraw my data from the study at any time until its publication.
- Your firm/key informant consents to be a participant in this research project.
- Your firm/key informant consent that the interview will be audio recorded.

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Thank you for taking part in this research.

Appendix 2 Guide for Interviewing Supplier/Customer Participants (Electronically Administered Interview Guide)

The start of the interview guide introductory stage (common for a supplier and a customer key informants)				
Participating Firm Code:		Interview Start Time: (dd/mm/yyyy, hh:mm)		
Key Informant Base Country:		Interview End Time: (dd/mm/yyyy, hh:mm)		
Before starting the study part of the interview				
<ul style="list-style-type: none"> • Start building rapport and trust. • Greet and thank the key informant for the participation in this research. • Remind again the audio recording nature of this interview and anonymity part of it. • Advise that the interview can be stopped or ceased entirely if the respondent wishes so and reiterating the voluntary nature for the respondent on participating in this research. • Briefly explain the nature of the research project and the key informant's role one more time. • Give opportunity to the respondent to ask any questions (and answer the questions accordingly). 				
The end of the interview guide introductory stage (common for a supplier and a customer key informants)				
The start of the main study stage of the interview				
Base guideline (common for a supplier and a customer key informants)				
<ul style="list-style-type: none"> • Maintain rapport. • Reiterate (as mentioned in the Participant Information Sheet) that the key informant need to think about its firm's B2B counterparts (customers – for the supplier key informant; suppliers – for the customer key informant) with exemplary mutual beneficiary and long-term relationship orientations, and to select the relationship with one of those as the subject of the interview. • Double check with the key informant about the depth of knowledge of B2B relationship selected for the interview inquiry (can the person really act as the key informant?). • Ask open-ended interview questions from various perspectives and angles to gain in depth understanding of the respondent's perceptions and viewpoints. Use probes (e.g., to ask for justification, relevance, explanation, examples, more details). • Listen carefully, make notes and facilitate the dialogue, however keep maximally neutral to the key informant's responses and do not providing any potential answers. • Clarify any ambiguous responses from the key informant. • Take care of limited interview time (and check/monitor/sense the available time) to make sure that all interview questions and expected themes are pretty equally covered. • Suggest extending the interview length if the respondent is willing to do so (or set another date/time for continuing the interview). • Before starting to close the interview, make sure that the respondent did not miss anything important on the topic (utilise checklist and judge how the questions need to be shaped further to understand if the respondent have more to say on the studied themes). 				
Themes and checklist of categories for a supplier key informant				
Research Questions (Themes) as numbered in section 3.4.	Open-ended Interview Questions	Rational for each of the Open-ended Interview Questions	Interviewer Notes During the Interview	Related Categories (Checklist) for the Interviewer to During the Interview
Research Question 1: Which value-creating functions and sub-functions create a supplier perceived value of customer relationship?	1.1 What are the benefits your firm receives from the relationship with this customer (including those which are created collaboratively between your	To capture supplier perceived increased benefits/ decreased sacrifices of customer relationship. Corresponding Section: 2.2.4,		<ul style="list-style-type: none"> • Access • Cost Reduction • Low Process Cost • Counterpart's (Customer's) Expertise/Knowhow • Growth (Intra-dyadic Sales Volume Growth) • Innovation: New Process Development, New Product Development,

	firms)?	2.3, 2.4.1, 2.4.3, 2.5, 2.6.2, 2.6.3, 2.8, 3.4.		Existing Process Improvement, Existing Product Improvement
	1.2 Are there any drawbacks associated with receiving any of these benefits from your customer firm? If so, can that make the named benefit(s) undesirable for your firm?	To understand which of the identified constructs can be considered as supplier perceived value-creating functions/sub-functions of customer relationship? Corresponding section: 2.2.4, 2.3, 2.4.1, 2.4.3, 2.5, 2.6.2, 2.6.3, 2.8, 3.4.		<ul style="list-style-type: none"> • Knowledge: Experience-based Knowledge, Information Communication-based Knowledge • Long-term Planning • Market: Reference, Referral • Motivation: Extrinsic Motivation, Intrinsic Motivation • Non-monetary Efficiency (Time/Effort/Energy) • Profit • Relational: Benevolence, Credibility/Reliability, Integrity, Interpersonal relationship, Long-term Relationship/Retention, Open Relationship, Personal, Trustful Relationship • Safeguard • Volume <p>(As mentioned in Table 2-4, Table 2-5, Figure 2-3 and Figure 2-7 with corresponding discussions).</p> <ul style="list-style-type: none"> • Any other potential categories (entirely new or already defined in this research) which can emerge during the course of the interview.
Research Question 4: Which value-creating functions and sub-functions create a supplier perceived customer value?	2.1 What are the benefits your customer receives from the relationship with your firm (including those which are created collaboratively between your firms)?	To capture supplier perceived customer increased benefits/ decreased sacrifices. Corresponding sections: 2.2.4, 2.3, 2.4.2, 2.4.3, 2.5, 2.6.1, 2.6.3, 2.8, 3.4.		<ul style="list-style-type: none"> • Innovation: Existing Product Improvement, New Product Development • Knowledge: Information Communication-based Knowledge • Long-term Planning • Relational: Benevolence, Long-term Relationship/Retention; Personal <p>(As mentioned in Table 2-6, Table 2-7, Figure 2-3, and Figure 2-7 with corresponding discussions).</p> <ul style="list-style-type: none"> • Any other potential construct (entirely new or already defined in this research – see Notes
	2.2 Are there any drawbacks which your customer firm can associate with receiving	To understand which of the identified constructs can be considered as supplier		

	any of these benefits from your firm? If so, can that make the named benefit(s) undesirable for your customer firm?	perceived customer value-creating functions/sub-functions? Corresponding sections: 2.2.4, 2.3, 2.4.2, 2.4.3, 2.5, 2.6.1, 2.6.3, 2.8, 3.4.		section of this guide) which can emerge during the course of the interview.
Themes and checklist of categories for a customer key informant				
Research Question 2: Which value-creating functions and sub-functions create a customer perceived supplier value?	2.1 What are the benefits your supplier receives from the relationship with your firm (including those benefits which are created collaboratively between your firms)?	To capture customer perceived supplier increased benefits/ decreased sacrifices. Corresponding sections: 2.2.4, 2.3, 2.4.1, 2.4.3, 2.5, 2.6.2, 2.6.3, 2.8, 3.4.		<ul style="list-style-type: none"> • Innovation: New Product Development • Knowledge: Experience-based Knowledge; Information Communication-based Knowledge • Market: Reference; Referral • Profit • Volume <p>(As mentioned in Table 2-6, Table 2-7, Figure 2-3, and Figure 2-7 with corresponding discussions).</p> <p>Any other potential construct (entirely new or already defined in this research – see Notes section of this guide) which can emerge during the course of the interview.</p>
	2.2 Are there any drawbacks which your supplier firm can associate with receiving any of these benefits from your firm? If so, can that make the named benefit(s) undesirable for your supplier firm?	To understand which of the identified constructs can be considered as customer perceived supplier value-creating functions/sub-functions? Corresponding sections: 2.2.4, 2.3, 2.4.1, 2.4.3, 2.5, 2.6.2, 2.6.3, 2.8, 3.4.		
Research Question 3: Which value-creating functions and sub-functions create a customer perceived value of supplier relationship?	3.1 What are the benefits your firm receives from the relationship with this supplier (including those benefits which are created collaboratively between your firms)?	To capture customer perceived increased benefits/ decreased sacrifices of a supplier relationship. Corresponding Section: 2.2.4, 2.3, 2.4.2, 2.4.3, 2.5, 2.6.1, 2.6.3, 2.8, 3.4.		<ul style="list-style-type: none"> • Access • Cost Reduction: Low Process Cost; Low Purchasing Price • Counterpart's (Supplier's) Expertise/Knowhow • Flexibility • Innovation: New Process Development; New Product Development; Existing Process Improvement; Existing Product Improvement;

	<p>3.2 Are there any drawbacks associated with receiving any of these benefits from your supplier firm? If so, can that make the named benefit(s) undesirable for your firm?</p>	<p>To understand which of the identified constructs can be considered as customer perceived value-creating functions/sub-functions of a supplier relationship?</p> <p>Corresponding section: 2.2.4, 2.3, 2.4.2, 2.4.3, 2.5, 2.6.1, 2.6.3, 2.8, 3.4.</p>		<p>Supplier's Improved Product; Supplier's New Product</p> <ul style="list-style-type: none"> • Knowledge: Experience-based Knowledge; Information Communication-based Knowledge • Long-term Planning • Market: Reference; Referral • Motivation: Extrinsic Motivation; Intrinsic Motivation • Multiplicity of Services • Non-monetary Efficiency (Time/Effort/Energy) • Payment Flexibility • Product Quality • Relational: Benevolence; Credibility/Reliability; Integrity; Interpersonal relationship; Long-term Relationship/Retention; Open Relationship; Personal; Trustful Relationship • Safeguard • Symbolic • Time Compression • Value-added Service • Volume <p>(As mentioned in Table 2-6, Table 2-7, Figure 2-3, and Figure 2-7 with corresponding discussions).</p> <p>Any other potential construct (entirely new or already defined in this research – see Notes section of this guide) which can emerge during the course of the interview.</p>
<p>The start of the interview guide finalising stage (<i>common</i> for a supplier and a customer key informants)</p>				
<p>After the main study part of the interview</p>				
<ul style="list-style-type: none"> • Giving opportunity to the key informant to ask any questions (and answer the questions accordingly). • Thank the key informant again for taking part in this research and start closing the interview in a positive way. 				
<p>After the interview</p>				
<ul style="list-style-type: none"> • Thank the respondent in writing for taking part in this research. • Follow up in case extra clarifications are required before/during/after the analysis. 				
<p>The end of the interview guide finalising parts (<i>common</i> for a supplier and a customer key informants)</p>				

Notes

Notes on the following research questions (as numbered in section 3.4):

- Research Question 5: Which value-creating functions and sub-functions have the co-creation potential for the supplier as beneficiary? – answered by contrasting the empirical findings of research questions 1 and 2 (as numbered in section 3.4)
- Research Question 6: Which value-creating functions and sub-functions have the co-creation potential for the customer as beneficiary? – answered by contrasting the empirical findings of research questions 3 and 4 (as numbered in section 3.4)
- Research Question 7: Which value-creating functions and sub-functions have the co-creation potential for the supplier and customer as mutual beneficiaries? – answered by contrasting the empirical findings of research questions 1, 2, 3 and 4 (as numbered in section 3.4)

Note on the literature-based definitions of value creating functions and sub-functions: The literature-based definitions are summarised in Table 4-11.