UNIVERSITY OF GOTHENBURG
SCHOOL OF BUSINESS, ECONOMICS AND LAW

# Co-creating the future of marketing

*A study within the business-to-business field*


Bachelor thesis within the field of marketing
Department of Business Administration
School of Business, Economics and Law
Gothenburg University
FEG311 Spring 2019
Authors: David Rydbeck and Kajsa Johansson
Supervisor: Peter Zackariasson

## Acknowledgements

We would like to begin with expressing our gratitude to the respondents from Simple Sign, Evry and Epidemic Sound that took part in interviews. Without your knowledge and expertise within the field this thesis would not have been possible.

Furthermore, we would like to thank Peter Zackariasson, Lecturer and Docent in Marketing at the School of Business, Economics and Law, University of Gothenburg. Without your constructive criticism and encouragement we would never have made it this far.

Lastly, we want to thank our peers for their feedback and assistance during the seminar, and also express a big thank you to all of our friends and family that has encouraged us to keep fighting during all the difficulties and challenges that we have encountered.

Gothenburg, June 5th 2019



David Rydbeck

Kajsa Johansson

# Abstract

Customers have developed into active partners that want to become integrated in the processes of creating value. Customer relationships and co-creation of value are therefore becoming central to marketing activities since it is challenging for companies to act autonomously. The purpose of the thesis is to research how relationship marketing can be used to generate a potential competitive advantage for companies when co-creating value with customers. Through a qualitative study we find that profitable customer relationships are the outcome of dialogue, commitment, trust and satisfaction. In addition, existing relationships can be used to co-create value by incorporating different strategies to trigger customers to generate feedback, ideas and suggestions. We conclude that strong customer relationships and co-creation of value can be regarded as a competitive advantage since it can help companies retain customers and increase their profitability. We therefore contribute to contemporary literature and previous theories within the field by understanding the interconnectedness of relationship marketing and co-creation of value.



**Key words:** Customers, relationship marketing, collaboration, co-creation of value.

# Table of content

# Introduction

*In this chapter, our aim is to present a short background of the identified problem area and background of our research objects, relationship marketing and co-creation of value. Following, the purpose of our thesis is presented, ending in a presentation of our research questions.*

## Problem background and background of research objects

In contemporary marketing society the success of companies lies in the hands of customers. The main problem is that the definition of a customer no longer correlates well with the new marketing logic. Grönroos (1997) argues that traditionally customers were seen as somebody to whom something was done, rather than as somebody with whom something was done. They were viewed as external parties separated from the production process, whereas marketing to a large extent focused on targeting and conquering these parties with standardized methods. According to Prahalad and Ramaswamy (2004a, 2004b) customers are generally more well-informed and independent than before and also want to take part in value creation processes. Grönroos (1997) and Prahalad and Ramaswamy (2004a, 2004b) therefore argues that the application of traditional marketing methods can become problematic since companies might fail to identify and meet the real needs and desires of their customers.

Customers have changed from passive parties to active partners that want to collaborate with companies, influence decisions, and be a part of the process of creating value (Prahalad and Ramaswamy, 2004b). Gummeson (2004) mentions that they can no longer be regarded as a grey mass that can be targeted with standardized marketing methods, but should rather be viewed as collaborative partners with whom companies can co-create. Customer relationships are therefore becoming the center of marketing activities since it is becoming difficult for companies to act autonomously (Forsey, 2019; Prahalad and Ramaswamy, 2004b). In addition to the value provided by a product or service, strong relationships can create increased value for both parties taking part in the exchange (Ravald and Grönroos 1996; Grönroos, 2004; Zwick, Bonsu and Darmody, 2008).

Customer relationships can be even more critical to a company's success rather than just attracting new customers. Frederick Reichheld of the management company Bain and Company has found that a 5% increase in customer retention can result in a revenue increase of around 25% (Forsey, 2019). Attracting new customers are also more costly, it can cost up to five times more than keeping existing ones (Charleton, 2019). Moreover, the probability of selling to existing customers are 60-70%, compared to targeting new customers were the probability of selling is less than 20% (Charleton, 2019). Since companies have started to realize that good collaborations can be mutually beneficial, it is becoming increasingly more popular to include customers in business processes that was previously handled internally (Vargo and Lusch, 2004; Kristensson, Matthing and Johansson, 2008; Cova and Salle 2008). For instance, Ikea launched a bootcamp in 2018 where startups were invited to share creative ideas and through collaboration explore how their ideas could grow into successful brands, products and services. In the end of the bootcamp Ikea would invest in these startups if the collaborations were successful (Ikea, 2018).

71% of customers end their relationship with a company due to poor customer service and support and 61% of customers take their business to a competitor after ending a business relationship (Patel, 2019). Prahalad and Ramaswamy (2004a, 2004b) therefore argues that companies must acknowledge the fact that customers demand more interaction and involvement in order to create profitable relationships. Bill Macaitis, CMO at Slack, describes in an interview that marketers today must understand and nurture their customers for their entire lifecycle (Corinne Bagish, 2015). Prahalad and Ramaswamy (2004b) indicates that by working together, companies and customers can use each others insights and competencies to co-create value. A co-creative marketing approach means that a mutually beneficial collaboration exist between producer and customer for the purpose of innovation and improvement. Kristensson et al. (2008) argues that the customer should be regarded as an active participant that can contribute with ideas, insights or suggest improvements which also simplifies for companies to identify and understand what the customer wants. By building strong customer relationship and additionally utilizing these relationships to co-create value, companies might more precisely meet the needs and expectations of their customers.

The goal of relationship marketing is to create long-lasting and mutually profitable relationships to create additional value for both parties. If companies do not understand and adapt to the ongoing marketing changes, one could possibly ask if it could lead to the development of unsuccessful products or services that do not create value or meet customer needs? However, we have seen that there is a lack of contemporary academical literature and empirical evidence regarding the concept of co-creation of value in relation to relationship marketing. Previous literature within the field has studied relationship marketing in relation to how companies act autonomously to provide customized value for customers rather than co-create value with their customers. Furthermore, past research have not analysed the connection between relationship marketing and co-creation of value and therefore fail to consider how a changing role of customers can affect marketing relationships in a business to business context. This creates an opportunity for us to conduct further research within the field.

## Purpose and research questions

The contribution of our thesis is within the field of relationship marketing as well as co-creation of value. With these two concepts, the purpose of our thesis is to research how relationship marketing can be used to generate a potential competitive advantage for companies when co-creating value with customers. Many customers end business relationships since they do not feel that they receive adequate service or support. It is therefore important for companies to acknowledge the fact that customers demand more interaction and involvement since customer retention is more cost-effective and profitable. Co-creating can therefore be one way of satisfying customer needs, as well as unlocking a new source of competitive advantage for companies. By investigating the following research questions we will provide complimentary insights that enables us to fulfill our purpose:

*How can profitable customer relationships be created?*
*How can existing relationships be used to co-create value?*

To co-create value, a company must first create profitable customer relationships. Our research questions are therefore sequentially dependent and can not be answered separately. Through conceptualization of our theoretical framework and a thorough analysis of our empirical material, answers corresponding to our research questions will be provided. In order to answer our research questions, we will begin by investigating how companies perceive that they develop and shape profitable customer relationships. Thereafter, we will explore how these relationships can be utilized to induce collaboration and co-creation of value.

# Literature review

*In this chapter our literature review is presented. We will in this section provide the reader with a comprehensive background of the new service-dominant logic, the changing role of customers and the concept of value in order to provide a better understanding of our chosen field of research.*

## From goods-dominant to service-dominant logic

Vargo and Lusch (2008) and Wilden, Akaka, Karpen and Hohberger (2017) argues that over the past few decades, a new dominant logic for marketing have emerged that place customers in the epicenter of development and value creation processes. Previously, companies and customers were considered two separate entities that did not collaborate or work together. The customer was viewed as a resource that could be targeted and acted on, whereas companies were exclusively in charge of creating value and distribute it to customers through exchange (Lusch, Vargo and O´Brien, 2007).

Lusch et al. (2007) illustrates that the traditional goods-dominant logic propose a strategic use of price, product, place and promotion as the most relevant dimensions through which companies can attract customers and beat competitors. According to Grönroos (2004) managing the marketing mix was previously relatively easy since marketing was delegated to specialists and separated from other activities within the firm. Marketing activities were mostly based on information obtained from research reports and statistics, which also meant that marketers identified and determined needs without having any real customer interaction or dialogue (Grönroos, 2004). In addition, companies relied heavily on mass marketing since it was considered the most effective way to attract customers.

In contrast, the new service-dominant logic that has emerged advocates a more customer-oriented marketing approach (Vargo and Lusch, 2017). Lusch et al. (2007) developed the idea that products should be viewed as service flows in which a service is provided directly or indirectly through an object. Promotions should be remodeled as an ongoing dialog and interaction with customers. Price should be replaced with value propositions mutually created by both companies and customers, and place should be switched to networks. Understanding the connection and collaboration between customers, companies and resellers is within this approach considered fundamental to achieve a successful marketing strategy (Lusch et al. 2007; Wilden et al. 2017).

Furthermore, Vargo and Lusch (2004) argues that the new logic proposes that customers are collaborative partners who can co-create value with companies and are capable of acting on accessible resources. According to Payne, Storbacka and Frow (2007) classifying customers as partners accentuates the necessity for companies to develop strong relationships in order to collaborate, learn and adapt to customers individual needs. Vargo and Lusch (2004) and Grönroos (2004) claims that value is created mutually between the parties taking part in the exchange, rather than just being embedded in output.

According to Vargo and Lusch (2004), the goods-dominant logic differs from the service-dominant logic from a number of perspectives. The goods-dominant view versus the service-dominant view postulates the following:

| **Goods-dominant logic** | **Service-dominant logic** |
| --- | --- |
| The purpose of economic activity should be to produce and distribute objects that can be sold. | The purpose is to identify or develop core competencies that represent potential competitive advantage. |
| Objects must be embedded with value during production, distribution and also offer superior value in relation to competitors' offerings. | Improve customer offerings and company performance by benchmarking marketplace feedback and analyze performance from mutual exchange. |
| Objects should be standardized and produced away from the market for maximum production control and efficiency. | Create relationships and involve customers in developing customized and competitive value propositions to meet specific needs. |
| Objects can be inventoried until they are demanded and then delivered to the consumer at a profit. | Customers that could benefit from the company's competencies must be identified and interacted with. |

*Figure 1: The difference between goods-dominant and service dominant logic according to Vargo and Lusch (2004).*

A study conducted by Karpen, Bove, Lukas, and Zyphur (2015), measured the effects of using a service dominant logic approach and found that there was a significant positive effect on market performance and financial performance for companies that adopted the new logic. Collaborating and creating great customer experiences benefit not only the customer but also the company in terms of development and performance. However, in order to achieve positive results, a company must enhance and integrate the resources and competences that customers contribute with in the interaction to create value. In addition, Skålén, Gummerus, Von Koskull, Magnusson (2014) argues in their study that a value proposition should be open-ended and also always be related and evaluated according to customer needs and expectations. Therefore, innovation and growth does not only depend on having the right resources and competences within the company, but also on how the customer, and other parties can co-create value on the basis of open-ended value propositions.

To conclude, the goods-oriented logic has contributed to research and made advances within the area of marketing possible. However, times have changed and the focus of marketing is becoming reoriented towards intangibles such as competences, relationships and knowledge. The orientation has shifted from the producer to the customer, whereas companies need to redefine customer relations and find new ways of exchange to create reciprocal value in addition to traditional methods (Vargo and Lusch, 2017). Marketing should therefore focus on creating profitable customer relationships through interaction, dialogue and collaboration (Vargo and Lusch, 2004).

## A new view of customers

The traditional concept of a market is company-centric, where customers are placed outside the organization and the creation of value occurs inside the organization. Prahalad and Ramaswamy (2004b) argues that companies and customers previously had distinct roles of production and consumption, whereas customers were separated from the value creation processes. Customers were within this sense categorized as an external party that purchased a company's products and had the ability to choose between the different offerings that existed on the market. Customers were therefore identified as separate entities that received distributed value (Lusch et al. 2007).

Previous definitions fail to consider customers as active participants in the value creation processes. According to Prahalad and Ramaswamy (2004a) customers are today becoming a much more integrated part of companies and actively seek to exercise influence. Many definitions have been used to capture the new role customers have within marketing. But according to Cova, Dalli and Zwick (2011) the new terms as prosumers, protagonists or consumer-actors all proposes the same idea: customers in contemporary marketing society are more informed and active when interacting with companies.

*"The smartest marketers today bow to the empowered, entrepreneurial, and free consumer who now rules the marketplaces in search of open-ended value propositions"*
*(Zwick et al. 2008: 22)*

Prahalad and Ramaswamy (2004a; 2004b) argues that the new type of customers have access to extensive amounts of data, which makes them a lot more well-informed than before. They can access information on companies, products, technologies or prices from around the world. Through networking and communities customers can independently share ideas, feelings and experiences without regard for geographic or social barriers. Knowledgeable customers can make more informed and relevant decisions and as they learn and develop, they can better segregate among the different options provided by companies. The new customer increasingly provide more feedback to companies and also have a larger capability to exercise influence. To conclude, customers should be identified as collaborative partners that can exercise influence, contribute with ideas and also co-create value with companies for the sake of innovation and improvement (Vargo and Lusch, 2004; Prahalad and Ramaswamy, 2004a).

## The concept of value

Vargo, Maglio and Akaka (2008) mentions that the value concept and adding value have been discussed and debated for a long time. Ravald and Grönroos (1996) mentions that it has become one of the most popular and used concept within marketing. However, the concept is multifaceted which means that there is a risk of using it without understanding what it really means to provide or add value. According to Ravald and Grönroos (1996), value should be related to specific customer needs and also achieve profitability for all parties that are involved in the exchange.

Previous literature contains a variety of definitions of the value concept. However, according to Ulaga and Eggert (2006) four recurring characteristics of value can be identified:

- Value is a subjective and intrinsic concept.
- It is conceptualised as a trade-off between benefits and sacrifices.
- Benefits and sacrifices can be multi-faceted.
- Value perceptions are relative to competition.

Ulaga and Eggert (2006) argues that value occurs when a customer perceive that a company's offering is better than those of competitors and also exceeds the sacrifices that the customer experiences when deciding to complete the exchange with the supplier. Perceived sacrifices and benefits are different for every customer, but might include money, time or security.

Furthermore, Vargo and Lusch (2008) has conceptualized two different ways of thinking about value: value-in-exchange and value-in-use. Value-in-exchange means that value is manufactured by companies and distributed to targeted customers in the market through exchange. There is a strict distinction between the roles of producers and customers and value is often created through a series of activities performed inside the organization. In addition, Vargo and Lusch (2008) and Prahalad and Ramaswamy (2004b) argues that value-in-use is co-created jointly between the company and the customer through mutual interaction, integration of resources and application of competences. The roles of producers and customers are not distinct and value occurs through dialogue and interaction between the parties.

Value-in-use is becoming an increasingly more popular approach. Value is constructed through the interaction between the customer and producer, whereas the focus of marketing is to create a strong relationship rather than to distribute pre-made value to customers. Grönroos (2000) determines that the focus does not lie in embedding services with already-made value, but rather on the interactive experiences where value develops from collaborative processes. In addition, Gummesson (1998) mentions that if the customer is the center of attention of marketing, a product does not hold any value in itself but emerges during consumption activities. Furthermore, Vargo and Lusch (2004) argues that companies can only provide value propositions that are better than those of competitors and that the potential value is only translatable to specific customer needs through co-creation.

*''There is no value until an offering is used – experience and perception are essential to value determination''*
*(Vargo and Lusch, 2006; cited in Vargo and Lusch, 2008:4)*

To conclude, value is the result of an implicit interaction, dialogue, negotiation and collaboration between customers and companies (Prahalad and Ramaswamy, 2004b). The consequences of not recognizing this shift in logic can result in failing to meet needs and expectations of customers. Companies must adapt to the idea that value creating processes are becoming way more important than the perceived already-made value a product can provide. A company's offering should rather be seen as a value carrier that customers perceive offer greater potential value than the offerings of competitors (Ravald and Grönroos, 1996). In addition, customers must recognize the fact that the collaboration and interaction with companies are important to determine and create value that meet their specific needs, demands and expectations.

# Theoretical framework

*In this chapter our theoretical frameworks of relationship marketing and co-creation of value will be presented. We begin to explain how relationship marketing and co-creation of value has emerged and thereafter present the tools used for our analysis. Since we are investigating the interconnection of relationship marketing and co-creation of value, multiple theories have been included in order to fulfill the purpose of our thesis and make sense of our research questions.*

## Customer and marketing relationships

Relationship-based marketing is not a new concept, rather the opposite. In fact, prior to the industrial revolution marketing was characterized by direct meetings between supplier and customer. Sheth and Parvatiyar (1995) argues that from the industrial revolution and onward, transactions, exchanges and the marketing mix where the primary approach of marketing. However, during the latter period of the 20th century, technological advances and the globalization of business led to changes in business management as well as in marketing management. The traditional marketing mix that previously ruled as the most prominent theory was challenged by new theories emphasising the importance of relationship management. Thus, as a field of study and practice Grönroos (1997) and Sheth and Parvatiyar (1995) argues that marketing started to undergo a paradigm shift from transactions back to relationship marketing.

Relationship marketing attempts to create loyal, long-lasting and mutually profitable relationships between a company and its customers and also advocates integrating other relevant parties that contribute to the value creation processes. According to Ravald and Grönroos (1996) and Grönroos (2004) the purpose is to create additional value for all parties involved in the relationship, on top of the value that is already provided by the product or service. The close on-going economical, emotional and structural bonds relationship marketing aims to achieve implies that a joint collaboration between company and customer is necessary for success. Hennig-Thurau, Gwinner and Gremler (2002) mentions that a direct contact and transparent dialogue between a company and its customer often contribute to positive outcomes, which will result in forming a long-lasting and sustainable relationship.

Relationship marketing put emphasises on cooperation to create value which can offer customers a sense of security, trust and reduced risk in purchase situations (Sheth and

Parvatiyar, 1995; Grönroos, 2004). The requirements of creating successful relationships, mutual value and profitability varies. Ulaga and Eggert (2006) concludes that different customers require different characteristics in a relationship to fulfill their demands, requirements and needs. Therefore, relationship marketing can be defined in many ways. However, Grönroos (2004) mentions that relationship marketing can be defined as a process of managing a companies market relationships, or more detailed as:

"*The process of identifying and establishing, maintaining, enhancing, and when necessary terminating relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met, where this is done by a mutual giving and fulfillment of promises*".

*(Grönroos, 2004:3)*

In order to maintain a mutually beneficial relationship, it is important to address the relationship quality conceptualized by Ulaga and Eggert (2006). According to Ulaga and Eggert (2006), a relationship should rely on variables such as trust, commitment, and satisfaction for both parties. From a business to business perspective the customer will target a supplier who is reliable but that also show an interest in the customer's success and profitability. In addition, commitment expresses the will to maintain a mutually beneficial relationship. A customer might overlook an external offer due to a strong relationship, even though the offer might benefit the customer financially. Finally, whether or not the customer is satisfied is determined by benchmarking the characteristics of the relationship compared to others, as well as if the service or product provided by the company meet customer needs and expectations (Ulaga and Eggert, 2006).

The result of perceived customer satisfaction determines whether a relationship develops or ends. These variables are often mentioned as key drivers for achieving successful outcomes as a result of relationship marketing. However, Hennig-Thurau et al. (2002) mentions that it is difficult to effectively implement these variables in a marketing strategy. Gummesson (2004), suggests some important actions that can enable the implementation of successful relationship marketing:

- Identify and determine how to reach individual customers.
- Distinguish customers with regard to needs and values.
- Efficient and effective customer interaction.
- Customize your offerings.
- Develop your customer relationships through dialogue.

To conclude, it may be hypothesised that value represent the outcome of dialogue, trust, commitment and satisfaction that are achieved by implementing a successful relationship marketing strategy (Ulaga and Eggert, 2006; Gummesson, 2004). Ulaga and Eggert (2006) as well as Gummenson (2004) therefore emphasize that companies should distinguish customers with regard to needs and values and also customize the relationship characteristics to individual customers.

### Co-creation of value

Ravald and Grönroos (1996) claims that value is an important foundation of relationships. The ability to provide superior value compared to competitors is therefore considered as one of the most successful marketing strategies for companies. However, far to many companies still separate themselves from their customers, which result in that the value created has little to do with the actual needs or demands of customers. Furthermore, Ravald and Grönroos (1996) mentions that adding more value or introducing extras that are not directly connected to needs are never going to become anything more than a short-term solution or a temporary trend. To strengthen the bond with customers, the offering should not be limited to value-adding features. In addition, Kohtamäki and Rajala (2016) agrees with Ravald and Grönroos (1996) that the value proposition must contain a deeper meaning that correlates well with customer expectations and guarantees that the company will meet these expectations in a long-term relationship.

According to Vargo and Lusch (2004) a separation of production and consumption activities is no longer a useful approach since companies and customers are both involved in the continuous value creation process. Organizations must move away from a company-centric view and instead focus on collaboration, personalized interactions and co-creating experiences (Prahalad and Ramaswamy, 2004b; Vargo and Lusch, 2004). Prahalad and Ramaswamy (2004b) concludes that co-creation of value is a marketing strategy that focuses on customer experiences, interactive relationships and the development of new value between customers and companies. High-quality interaction and collaboration will therefore enable a unique customer experience, which is the key to unlocking new sources of competitive advantage.

Companies and marketers must attend to the quality of experiences and interaction, rather than just the quality of the services themselves. Quality depends on the infrastructure of interaction between parties and relies on a company's capacity to create customized and efficient experiences and collaborations with customers (Prahalad and Ramaswamy, 2004a; Cova et al. 2011). However, it is important to understand that co-creation is not the outsourcing of activities to customers, or a stagning of customer events around a company's offerings (Prahalad and Ramaswamy, 2004a). Zwick et al. (2008) concludes that rather than putting customers to work by outsourcing activities, co-creation aspires to build relationships that foster contingency and experimentation among customers.

Lusch et al. (2007) argues that there are two main ways that companies can collaborate with customers to co-create value. The first way has to do with the value construction process were customers determine and create value-in-use when consuming a service or product. The second way can occur during the development face through shared ideas, co-design, or shared production where a customer can advice a company on how to develop services so they meet specific needs (Lusch et al. 2007; Kohtamäki and Rajala, 2016). This form may not lead to value-in-use as directly as the first suggestion, but may create a stronger relationship and collaboration between the parties since the customer is integrated in a larger part of the value creation chain (Vargo and Lusch, 2004; Kristensson et al. 2008).

To summarize, co-creation represents a departure from the traditional marketing concept and is a marketing strategy that advocates customer experiences and interactive relationships (Prahalad and Ramaswamy, 2004a). Co-creation of value occurs either when customers determine and create value-in-use when consuming services, or during the development face where companies and customers collaborate to share ideas, improvements or co-design (Kristensson et al. 2008). Co-creation aspires to build relationships that foster contingency, experimentation, and playfulness among consumers, which is the key for companies to unlock new sources of competitive advantage (Zwick et al. 2008; Prahalad and Ramaswamy, 2004b).

## Marketing challenges

There are many marketing challenges connected to relationship marketing as well as co-creation of value. First and foremost is the challenge of finding a suitable and adequate definition of customers. How companies view and perceive customers is of crucial importance in order to develop beneficial relationships which enables co-creation of value. In addition, companies must not only define customers as partners, but also act accordingly and focus on crafting high-quality interactions and collaborations.

Furthermore, co-creation of value must be beneficial for both parties involved in the process. From a Marxist perspective, co-creation potentially signifies an exploitation of customers because they do not always receive appropriate compensation for the surplus labor value they create (Cova et al. 2011). The new service-dominant logic and co-creation of value can therefore in some cases be seen as an attempt to fundamentally challenge and redefine the relationship between marketers and customers to the benefit of the company. A company should no longer operate alone to produce value-in-use, since the production should also depend on the labor power of customers to continuously co-create (Zwick et al. 2008). When enabling co-creation of value, it is therefore crucial that both parties experience that the process is equally beneficial.

Customers must also not feel that they are imposed to a specific behavior in the collaborative process. They should feel that their ideas, suggestions and improvements are taken seriously by the company and be convinced that the company shares their own view of value-in-use (Plé and Cáceres, 2010). Training and educating all employees that are interacting with customers are therefore a necessity to build strong and long-lasting relationships, clear expectations and successfully co-create value (Zwick et al. 2008; Prahalad and Ramaswamy, 2004b).

# Method

*In this chapter, we present our chosen methods used for generating material and argue for why we believe that the chosen methods are relevant for our thesis. We reflect upon our interview process, discuss its limitations and benefits, as well as reflect about the validity and reliability of our material.*

## Research strategy

*Qualitative research approach*

In relation to the purpose of our study, we found that a qualitative research strategy was suitable. A qualitative research method was appropriate due to the explanatory "how" nature of our research questions (Bryman and Bell, 2011; Miles and Huberman, 1994). A quantitative approach would not have been able to provide the same in-depth analysis and understanding of our topics, since the concepts of co-creation of value and relationship marketing are relative and subjective by nature. Furthermore, a qualitative research strategy is often connected to an inductive approach and strives to find connections between empirical data and theoretical background. This enabled the possibility for us to contribute with new ideas and findings within the field of study rather than just testing existing ones. Finally, by using a qualitative approach it was possible for us to capture a wider range of interpretations and connections, compared to a quantitative research approach which may have resulted in a more narrow view of our topics.

We are aware that using a qualitative approach could hinder the generalizability of the research somewhat since our study does not draw upon a large amount of data. However, since we do not aim to provide general conclusions and our research questions are explanatory as discussed above, we concluded that a qualitative approach was appropriate. The main risk for us when using a qualitative approach is producing biased results. Since the design of the method require us to analyse and draw results from qualitative material, it may be difficult to draw conclusions without including any subjective opinions (Bryman and Bell, 2011). However, recognizing and coming to terms with our subjectivity makes it much less a problem and can rather become a resource for deeper understanding about the interconnections between relationship marketing and co-creation of value (Crang and Cook, 2007).

## Research design

*Interview study*

We have chosen to conduct our creation of material through interviews since it is a suitable method when analysing contemporary marketing phenomenons (Cresswell, 2012). In addition, interviews were deemed relevant since our research questions are formulated with a how in focus, and the aim is to present a contextual in-depth perspective and knowledge of our topics (Eriksson and Kovalainen, 2016). We chose to include multiple respondents from different companies within our study since it broadens the perspective and makes the outcome more diverse (Yin, 2009). In addition, since our thesis aims to describe interconnections and new combinations of the topics of co-creation of value and relationship marketing, a certain width was preferred (Bryman and Bell, 2011).

An interview study emphasizes interpretation and a deep understanding of specific situations, whereas sense-making and cultural context play an important part in the analysis. Since our main aim with the study is to research how relationship marketing can be used to generate a potential competitive advantage for companies when co-creating value, interviews enables us to provide a contextualized description and interpretation of the field (Eriksson and Kovalainen, 2016; Dyer and Wilkins, 1991).

## Research method

*Selection of respondents*

The semi-structured interviews was conducted with three different companies that we deemed relevant for our thesis. The companies work business-to-business and already have a large customer base that they work with, why interviewing them could provide us with deep insights of our topics. The companies were selected in relation to two main criterias in order to be relevant for our study. They had to work with business-to-business relationships and also needed to have an existing customer base. We therefore considered the companies Simple Sign, Evry and Epidemic Sound to be suitable. The limitations of conducting interviews can be that the respondents do not have the same level of knowledge within the research field. However, as Bryman and Bell (2011) and Crang and Cook (2007) advocates, the selected respondents all had experience within the field of customer relationships and also had a background within sales and marketing. Thus, they could provide in-depth knowledge from their perspectives whereas we determined that they were appropriate respondents for our interviews.

*Semi-structured interviews*

The material for this study was generated through semi-structured interviews. Interviews are commonly used when conducting qualitative research whereas we found this method appropriate for our study (Eriksson and Kovalainen, 2016). Semi-structured interviews are characterized by one or a few topics being the focus of the interview to provide a flexibility when asking questions. The idea of semi-structured interviews are that they function as guidelines rather than a predetermined manuscript. The reason that we decided to use semi-structured interviews rather than structured interviews was to be able to provide a deeper understanding of the topic, as well as being able to adapt the interviews according to our respondents answers (Bryman and Bell, 2011).

Two interviews were conducted in person and two interviews were conducted over video. Both of us were present during the video interviews, but the personal interviews were divided between us. We are aware that it would have been more efficient that both of us would have been present during all interviews. Since the personal interviews were conducted in different cities, the travel possibilities did not make it possible for us both to attend. However, interviews conducted one-on-one can be experienced as more personal which can lead to a more relaxed approach of the respondents. We are aware that it is prefered to have face-to-face interviews since it makes it easier to capture the surrounding setting and environment which is important when using a qualitative research method (Bryman and Bell, 2011). Since two of the interviews were managed over video, we could still analyse the environment and the respondents emotional responses whereas we determined it to be an appropriate arrangement.

All of the interviews were held in swedish. There might be issues that occur when choosing a multilingual research approach. However, researchers only working in their first language might also have similar communication issues to tackle (Crang and Cook, 2007). Since the goal of qualitative research is to understand and analyse meanings, the matter of language can not be ignored (Crang and Cook, 2007). However, we deemed the multilingual approach fit since the interviewed respondents use both swedish and english when working with their customers. The necessary translations from swedish to english was therefore not seen as a barrier.

An interview guide was constructed that consisted of relevant topics and questions that could be asked during the interviews. We used the same interview guide for all interviews to facilitate the comparison of the collected material. However, the respondents were able to elaborate and organize their answers in their own way, whereas there was a possibility to ask supplementary questions during the interview. Directly after the interview, we took a few minutes to analyse the respondents state of mind, setting and similar factors that could have had an impact on the respondents answer (Bryman and Bell, 2011). The interviews were recorded and later transcribed with the permission of the respondents.

Our secondary material was collected online and was an interview conducted with the CMO of Slack, Bill Macaitis. The main challenge when collecting this type of material is that it is difficult to control its quality (Eriksson and Kovalainen, 2016). To overcome and decrease the risk, we adapted a highly critical and selective approach towards the source and the material.

*Qualitative analysis*

The primary material of our study consisted of four semi-structured interviews as discussed above. The secondary material consisted of one structured interview with Bill Macaitis, CMO at Slack. We used systematic coding in order to make sense of our generated material (Eriksson and Kovalainen, 2016). The material was labelled and divided into different categories in order to get a more holistic picture as well as to simplify the process of analysis. Systematic coding takes on a more inductive approach and provides the possibility to generate new concepts and interpretations. This provided us with an opportunity to further develop existing theoretical ideas of relationship marketing in connection to co-creation of value (Eriksson and Kovalainen, 2016). During the process of coding we identified differences and similarities to determine common characteristics and themes. Lastly, we compiled the final analysis by comparing the empirical material to ensure that the theoretical background was relevant to answer the purpose and research questions of this study.

The table below represents the different sources of material used when investigating the research topics. The material helped us gain deeper insights that we could use to fulfill the purpose of our thesis. The source numbers will later be used as a reference for the citations in our analysis.

| Source (nr) | Label | Type of data | Accessed through | Time |
|---|---|---|---|---|
| 1 | Christian Nicolaisen (CEO, Simple Sign) | Semi-structured interview | Personal interview | 35 minutes |
| 2 | Christian Eriksson (Sales Manager, Evry) | Semi-structured interview | Personal interview | 40 minutes |
| 3 | Lisen Almgren (Managing Director, Epidemic Sound) | Semi-structured interview | Hangouts Meet (Video) | 30 minutes |
| 4 | Maria Hesslefors (Business Manager, Epidemic Sound) | Semi-structured interview | Hangouts Meet (Video) | 35 minutes |
| 5 | Bill Macaitis (CMO, Slack) | Structured interview | Webpage | x |

## Research quality and reflection

To ensure a high reliability for our study, we have tried to be as critical as possible when collecting material (Eriksson and Kovalainen, 2016). We have paid attention and evaluated the surrounding circumstances as well as the emotional responses from our respondents. Since we have only conducted interviews and no further observations has been done, it is necessary to keep in mind that we can only analyse how our respondents perceive that their companies work with customer relationship and co-creation of value. A challenge with qualitative research study is that it might be difficult to achieve a high level of validity when using a small amount of material (Bryman and Bell, 2011). Conducting several interviews have somewhat mitigated the risk, whereas the findings of the study can be argued to have acceptable validity. In addition, high reliability can be hard to achieve since qualitative research is dependent on setting and context, whereas it can be difficult for other researchers to duplicate the study and provide the same results. To ensure fair reliability, we have attached the interview guide which makes it possible for other researchers to conduct the same interview in the future.

The interviews were conducted and transcribed in the same language. The citations and empirical material found in the result and analysis have however been translated to english to fit the language if this thesis as well as increase the relevance for a larger audience. The problems that might occur during this process can depend on linguistic, sociocultural and methodological aspects (Bryman and Bell, 2011). But as the translations were managed by both of us, we decreased the risk of material getting lost. We have during our interviews paid attention to maintaining focus when asking questions to avoid moving away from our purpose and research questions. We also tried to stay as unbiased as possible and have been careful not to let environmental factors as noise and technological issues impact our interviews (Bryman and Bell, 2011).

# Analysis

*In this chapter, we will present and analyse our empirical material using our theoretical frameworks. In order to be able to answer our research questions we begin with assessing how profitable customer relationships can be created. Thereafter our analysis will continue to investigate the importance of value and how existing relationships can be used to co-create value. All the citations in the analysis is derived from our empirical material.*

## Creating profitable relationships

Making a great first impression and understanding a customers individual needs are vital in order to establish a sustainable and long-term relationship. According to Bill Macaitis from Slack, marketing and customer experiences are crucial factors in order to satisfy customers. If a company manages to create a great experience and make a good first impression, it is more likely that the customer will venture into a business relationship. Determining how to initiate primary contact is therefore the first step of establishing relationships that have the potential of becoming profitable.

*"A great customer experience will yield happy customers... Marketing has a huge role in that experience and is often one of the first touch points that a customer has with your brand. It is critical that they have a great first experience."*
*(5)*

Lisen from Epidemic Sound provides a customer-centric approach for reaching out and attracting new customers. Before they started to develop their product, representatives from the company went to visit and interview different companies in order to understand what type of similar solution they used and what challenges they faced. By understanding the conditions of the market in terms of potential competitors and existing challenges, they perceive that they could more easily develop a product that would correlate well with customers expectations and also avoid making unnecessary costly mistakes. Customers usually target suppliers that seem reliable but who also show an interest towards their success and profitability (Ulaga and Eggert, 2006). Epidemic Sound perceive that they could therefore more easily attract new customers when appearing as genuinely interested in the future success of potential customers and not only profitability for their own company. Appearing as a reliable and committed supplier can result in more satisfied customers that are inclined to develop stronger relationships with the company rather than reaching out to other competitors.

*"Before we started to write a single code, we were out visiting and interviewing companies to ask what type of solution they had and what challenges they faced..."*
*(3)*

As previously mentioned, a customer targets suppliers that show an interest in their business and success (Ulaga and Eggert, 2006). Christian from Simple Sign mentions that they make an effort in providing an excellent product as well as information and support on how to use it. According to Christian this makes it easier to ensure product efficiency and also ensures that the customer is satisfied with how the product functions. However, whether or not the customer is satisfied does not solely depend on the product or company itself. Ulaga and Eggert (2006) argues that satisfaction also depends on the relationship characteristics and that providing additional traits as reliability and trust within a relationship are equally as important as providing a great product. This implies that if Simple Sign manages their relationship poorly, they risk that their customers choose other suppliers that provide additional value than just the product itself. According to Christian from Evry, a strong relationship can however make customers to overlook external offerings, even though the customer could possibly benefit financially.

*"We have customer success manager that makes sure that our customers use our product in the correct way. It is one thing being a customer that pays, and another being a customer that is satisfied. To get a really satisfied customer, I think it is important that they use the product the right way…"*
*(1)*

*"Existing customers always get in touch and if you have a good relationship they might contact you before contacting other competitors"*
*(2)*

As mentioned by Christian from Simple Sign, Christian from Evry and Maria from Epidemic Sound, agreeing on prerequisites and expectations before initiating a business deal is fundamental to achieve a profitable business relationship. However, the requirements for a successful relationship varies, whereas it is not possible to apply a predetermined template and expect it to work smoothly with every customer. Ulaga and Eggert (2006) mentions that customers have different expectations and require different relationship characteristics. Our respondents believe that customizing relationships can therefore increase prosperity since it can better satisfy the different needs customers have within a business relationship.

Forcing scheduled interaction with a customer that does not have the need could lead to a negative response since they might feel imposed and that they are wasting time. On the other hand, not indulging in spontaneous interaction can also lead to a negative experience since the customer might feel overlooked or neglected. This implies that the segregation among customers and the development of diverse communication strategies that correlate with customer expectations can be a successful approach for creating profitable relationships. In addition, as mentioned by Maria, segregation could also be a way of improving time-management. Maria suggest that if a company segregates among their customers according to strategic importance it could be easier to distribute resources. Moreover, Maria mentions that a more efficient and profitable interaction could transpire with the customers that the company classifies as most valuable.

*“The relationship is dynamic, you have to choose. I don't think our customers would appreciate that we interact with them one hour per month just because. But with our larger clients we have stated in the agreements that we have to see them during predetermined intervals”*
*(1)*

*"Customer relationships and management differ a lot. Most customers are different and have different needs which means you approach and deal with them differently"*
*(2)*

*“We have divided our customers into groups depending on size and strategic importance, all have access to our partner support… but if it is a larger request, a strategic collaboration or a production of some sort, the request is my responsibility.”*
*(4)*

How well a relationship progresses is according to Christian from Simple Sign and Christian from Evry the result of their employees. Products do not build profitable and long-lasting relationships, people do. Both of the respondents therefore suggest that their employees might therefore be even more important than the products themselves since they can create a personal connection with the customer and also mitigate issues or potential problems. Zwick et al. (2008) argues that training and educating employees are therefore necessary to establish how to most efficiently manage interaction and dialogue with customers. In the cases of Simple Sign and Every, their employees seem to have a well-developed toolbox on how to manage customer requests, feedback and issues so that the interactions that are taking place are managed correctly.

However, Lisen from Epidemic Sound emphasises that there is a close relationship between their product and their employees. Their product attract customers to begin with which implies that whilst employees are good at managing relationships, the necessity for providing a great product can not be ignored. Thus, Lisen think that employees might be vital in order to develop and maintain existing relationships, whilst their product itself is more important when attracting new customers. It is therefore hard to make a complete distinguishment between a company's product and their employees, since they in reality are closely connected.

*"It is our employees that establishes how well the relationships develops. It doesn't really matter how our product look, it is the person behind that is equally important, maybe even more important"*
*(1)*

*"My consultants interact with the customer all the time and this helps me develop and maintain relationships because they quickly notice any potential issues"*
*(2)*

*"Our product and our employees are closely connected. Good people create good relationships and can develop these relationships, while the product brings the customers to us to begin with"*
*(3)*

Hennig-Thurau et al. (2002) mentions that relationships aim to achieve a strong economical and emotional bond between companies and customers, a joint collaboration and interaction between parties are necessary for success. Lisen and Maria from Epidemic Sound and Christian from Simple Sign believes that implementing tools to enable ongoing interactions with customers is another efficient strategy to make sure that the quality of relationships are well managed. In addition, they should also consider to schedule meetings with their customers as it could be a way of exercising control and ensuring that interaction and dialogue transpires. According to Hennig-Thurau et al. (2002) positive outcomes are the result of a substantial relationship between a company and its customer, whereas it is of crucial importance to establish a personal contact and transparent dialogue. By implementing a marketing strategy that foster interaction, dialogue and collaboration between parties, Simple Sing and Epidemic Sound perceive that they have a much higher chance of creating relationships that will become mutually profitable for them and their customers.

Furthermore, it is also essential to create a great customer experience as it is the center of relationship marketing. Developing a qualitative way of creating experiences is therefore equally as important as interacting with customers. How qualitative a relationship becomes is in addition to commitment, trust and satisfaction also determined by the surrounding infrastructure of dialogue. The capacity of which a company can create customized ways of interaction can according to Prahalad and Ramaswamy (2004a) and Cova et al. (2011) therefore influence how well a relationship develops. As seen below, Christian, Maria and Lisen believe that their companies have established good communication channels such as email or chat functions which simplifies for customers to reach out as well as ask for assistance when needed. Only relying on face-to-face communication is no longer effective since the era of digitalization has made it easier to interact faster. Responding quickly to requests can according to Christian be experienced as proactive, which he believe could further strengthen the relationship as customers can receive fast support and assistance.

*"We have a partner support, one girl in our support team is dedicated to our customers and are available for questions on our email support where the customers get an answer within 24 hours…"*
*(4)*

*"We have chat functions where we try to create a living dialogue with our users or customers where they can ask questions about the product or how things work… "*
*(3)*

*"...we are able to identify different types of behaviour when customers browse our website and automatically generate suitable chat messages. The customers experience that we are communicating directly with them. The chat is like a bot, if the customer answer we get a notification so that we can start a discussion. It is perceived as very proactive"*
*(1)*

Adopting a customer-centric approach is according to Bill at Slack an effective way to develop profitable marketing strategies. However, as mentioned by Maria from Epidemic Sound, they do not view customers as isolated parties that should always be managed separately. Maria argues that managing a close personal dialogue with a large customer base can sometimes prove difficult and unsustainable from a profitability perspective. Therefore, customer and relationship management sometimes need a centralized overview where development and improvements can be managed more efficiently. By analysing some individual customer's businesses and challenges, Epidemic Sound experience that they can elaborate a greater understanding and overview of what is needed to satisfy a larger segment of customers.

*"We do approach everything we do with this customer-focused mindset and base all our decisions on what will be the best experience for our prospects and customers."*
*(5)*

*To have a mix of a centralized way of working with strategy to see what we want to achieve with the customers and also have a local connection where you really get to know the customer when meeting them in person, that is the combination to provide a good customer experience"*
*(4)*

As previously mentioned, the main consequences of not creating strong customer relationships is that it could have a negative effect on both market performance and financial performance. Customers demand more interaction and involvement than before and also expect companies to be responsive and produce great customer experiences. Failing to meet these expectations can therefore lead to the loss of existing customers to competitors that provide additional relationships features that the customers consider satisfactory. As mentioned by Lisen from Epidemic Sound, creating profitable customer relationships can however result in a better understanding of the market which could result in an increase of revenue and growth since they are better at meeting needs and attracting customers. In addition, all respondents agree that strong relationships that develop through commitment, dialogue and trust can result in a higher satisfaction rate since the customers experience that the company is more engaged and committed. However, we question the genuine interest in helping customers solve problems and become successful. Rather, we contemplate that relationship marketing could be just another creative way for companies to benefit themselves financially by retaining customers. However, a financial profitability of a company could also provide advantages for the customers since the company has a better capability to develop products and offerings according to customer needs and expectations.

From our analysis, we can determine that profitable relationships represent the positive outcome of dialogue, commitment and trust that result in satisfied customers which correlates with the theories of Ulaga and Eggert (2006) and Gummesson (2004). Through ongoing interaction and the creation of positive customer experiences companies can achieve customer satisfaction. Moreover, different customers have particular needs, whereas the characteristics of the relationship should also depend on each individual customer. This determines communication strategies through which an continuous transparent dialogue will improve the long-term relationship quality (Ravald and Grönroos, 1996).

To conclude, there are no major differences in our respondents opinions regarding how to create profitable relationships. The respondents have acknowledged that customers are a lot more well-informed than before and can better segregate among the different options that exist on the market as mentioned by Prahalad and Ramaswamy (2004a; 2004b). Strong customer relationships can therefore be regarded as a competitive advantage since it can help companies retain customers and increase their profitability. We can from our results draw the conclusion that it is important to develop a comprehensive understanding of a customer's business and the challenges they face in order to develop relevant products and build a reliable and long-lasting relationship.

## The importance of value

Ravald and Grönroos (1996) argues that to provide superior value is regarded as one of the most efficient marketing strategies for companies. The concept of value can therefore be considered a fundamental cornerstone of business relationships. According to Christian from Simple Sign, creating a valuable product is the core of a business idea. Christian mentions that failing to create value would leave the company without any customers since no one would be willing to pay for their product. In addition, creating a value proposition that is better than those of competitors is necessary to attract customers that are interested in purchasing your product. However, creating value for customers is a completely different approach than creating value with customers. Since it is no longer sufficient to only provide a product that functions well, Simple Sign would need to find additional ways of creating value.

According to Maria from Epidemic Sound, value is rather the positive outcome of a win-win situation. Maria believes that having the right expectations, agreeing on a business deal that is favourable for both parties and finding suitable ways of collaborating is the way to create value. According to Cova et al. 82011) the collaboration need to be mutually profitable, so neither the customers or the company feel exploited for the benefit of the other. Co-creation of value does not necessarily mean to customize value for every individual customer, but is rather a strategy where Maria perceive that they take advantage of customers insights and use feedback to enable innovation and improvement for as many customers as possible.

*"To create value for a customer is the core of a business idea. If you cannot create value then you do not have a product that anyone is willing to pay for"*
*(1)*

*"I think that value is about win-win situations. You have to make sure that the company and the customer have the same expectations, the best deal and also find a way of working that suits both parties. Value does not have to be that you customize every solution, but rather that you find synergies and that you can give as many customers as possible the qualifications to appreciate our product"*
*(4)*

Ravald and Grönroos (1996) concludes that value should always be related to specific customer needs since the concept of value is multifaceted. Christian from Simple Sign argues that customers perceive value differently. The features one customers perceives as important, another might regard as irrelevant. Some customers might regard time as valuable, whilst other think that money or security is the most beneficial trait for their organization. In addition, Maria from Epidemic further argues that value does not necessarily have to include monetary value, but rather that the important part is to set clear expectations and obligations for both parties. They consider that building customer interaction and dialogue depending on individual needs is therefore one way to develop a better collaboration since both parties have the same expectations on what is regarded as valuable. According to our respondents, to more precisely meet the needs and expectations companies must understand that value is viewed differently depending on different customers and therefore determine the expectations of the relationship and collaboration accordingly.

*"There are different ways to create value, one way could be that you save time, another that you save money or that you make something safer… in some organizations safety is important, but maybe the time savings are considered pretty irrelevant"*
(1)

*"We create value by improving and simplifying workdays for someone that manages a store, we make it easier for them to allocate their time on more important things"*
*(3)*

*"It is not always necessary to include a monetary value in a contract, but it is important to have a contract where both rights and obligations are defined"*
*(4)*

It is clear to us that Christian from Simple Sign does not have the same perception of value creation as Maria from Epidemic Sound. According to Christian, value is rather embedded in output and therefore distributed to customers through exchange which is argued by Lusch et al. (2007) to be a traditional view of marketing. This implies that Christian has a more company-centric approach when talking about value creation processes and that Christian consider it more important to create value for customers rather than with them. Maria on the other hand argues that an ongoing cooperation and an exchange of competences can result in the creation of value for both parties which is regarded as a more favourable customer-centric approach according to Vargo and Lusch (2008) and Prahalad and Ramaswamy (2004b). Rather than embedding value in the output created by a company, value should be created mutually between the parties taking part in the exchange (Vargo and Lusch, 2004; Grönroos, 2004). However, our respondents have consistent perceptions that value is not something that is fixed. Value is rather a dynamic concept that changes depending on circumstances and the surrounding business environment (Ulaga and Eggert, 2006). Our respondents believe that it is important to acknowledge that customers have different perceptions of value, since it simplifies the processes of setting the right expectations and create a qualitative collaboration between parties.

### Co-creating value through relationships

The activities of production and consumption can no longer be regarded as separate processes. Vargo and Lusch (2004) mentions that both companies and customers are integrated and are almost equally responsible for producing and consuming value. Lisen from Epidemic Sound explains how they invited customers for interviews and also let them interact with their new and purposely limited product. The reason for this was to co-create by generating feedback and ideas from the invited customers. Thus, Epidemic Sound perceive that they could more efficiently develop their product so that it would satisfy customer needs. Not including feedback and suggestions from customers in early stages of development can result in that the value created has little to do with the actual needs or demands of customers. Using relationships to integrate the customer in a larger part of the value creation process can however according to Vargo and Lusch (2004) and Kristensson et al. (2008) result in a higher chance of creating products that are relevant for customers. In addition, it can also strengthen existing relationships since customers experience that their feedback and ideas are taken seriously and that the company shares their level of commitment as mentioned by (Plé and Cáceres, 2010; Vargo and Lusch, 2004; Kristensson et al. 2008).

*"We invited customers to interviews, and also let them try our product. We had a simplified version of our app and let them interact with it and then give us feedback on how they think it worked… "*
*(3)*

Similar ideas on how to further develop and improve products and offerings exist among our respondents. Instead of continuously adding extra features, Christian from Simple Sign and Lisen from Epidemic Sound mentions that they deliberately often only develop features that the customers actually ask for. As mentioned by Ravald and Grönroos (1996), introducing extra features that are not directly connected to customer needs are not profitable for the company since they usually only provide short term solutions. We argue that the result is that our respondents does not operate alone to produce value, since the production also depends on the activity of their customers. From a company perspective, we believe that co-creation can also be seen as a way of saving money and time since they do not have to put unnecessary hours developing features that would not be desirable in the end. Adversely, from a customer perspective it can be a way of exercising influence so that the products they purchase are developed and improved according to their actual needs.

There seem to be a dissonance between how Lisen talks about developing and improving the company's product. Lisen mentions that they only act on the request from customers rather than just introducing new features that are not asked for. On the other hand, Lisen also argues that solely acting and developing features according to occasional inquiries is difficult since they would not be applicable to a larger segment of customers. It would therefore not be profitable in the long run since it would not be possible to produce a product or offering that is scalable. Even though customers co-create when providing feedback and suggestions for improvement, the relevance of the request is in the end something that is determined by companies. Cova et al. (2011) argues that this could be regarded as an exploitation of customers since they do not always receive compensation for their efforts of co-creating. Depending on the purpose of the collaboration, co-creation of value can therefore in some cases be seen as a way in which companies try to conform customer relationships to benefit themselves.

*"We have a customization team, a part of our developers...If the customer have a request for something specific, we let them order it from us. If we see that the function will be beneficial in the future we build it and invest extra time to make it to an addon"*
*(1)*

*Our philosophy is that we only develop features that are requested... Our first version was deliberately very stripped so that our customers would need to trigger what features they wanted to be developed"*
*(3)*

*"If you are supposed to build an offer or a product from occasional needs you will not have a model that is scalable"*
*(3)*

The collaboration that occur in existing relationships between Epidemic Sound as well as Simple Sign and their customers seem to be slightly governed. As mentioned by Lisen from Epidemic Sound, they choose when and with which customers they interact with. This implies that the co-creation activities are mostly controlled and structured by the company, rather in collaboration with the customers themselves. In addition, Christian from Simple Sign mentions that they only invite customers that have previously contributed with relevant input. Co-creation should be a mutual exchange of competences and ideas, in order to create value that is profitable for both parties. By controlling when, how and with who collaboration occurs, does Epidemic Sound and Simple Sign inhibit the process of co-creation instead of enabling it? According to Plé and Cáceres (2010), customers should not feel imposed to a specific behaviour or that they are expected to co-create on the premises of the company. To really foster a successful collaboration with existing customers, it is important that they experience that their ideas and suggestions are always taken seriously, even when the company has not planned for interaction. On the other hand, this might be the most effective way to control that co-creation transpires and does not only result in occasional request that would not be valuable for either parties.

*"We have something that we call a changeboard where we invite clients to chat with us in Slack and contribute with ideas."*
*(1)*

*"We try to fetch sporadic feedback by contacting some of our customers to see if we can find a trend or a feature that a larger group of customers are looking for"*
*(3)*

*"We also invite customers to internal meetings where we tell them about what we are doing, our ideas and thoughts. So before we build something new we present our roadmap and our product. We invite some customers to breakfast seminars so that they can contribute with ideas, these are the ones that we have noticed have relevant input"*
*(1)*

Another interesting aspect is that Christian from Simple Sign and Maria and Lisen from Epidemic Sound seem to be very selective about which customer relationships to use when co-creating. They argue that the possibility of collaborating and co-creating with larger customers is often greater considering that these relationships, from an individual perspective, are more important to retain. It may also be that the contracts with larger customers allow greater room for maneuver and commitment. As a consequence, Maria mentions that larger customers become a form of reference for them when doing analysis on how to develop their products. Co-creating activities therefore transpire with larger customers, however the end result is usually applicable to a larger segment of customers even though they have not all participated in the value creation. Maria also mention that it is important to emphasize that smaller customers and relationships are at least as important as larger ones, but that the possibility of co-creating can be more limited depending on company size. Maria believes that co-creating with a selected group of smaller scale customers can therefore in some cases also result in the creation of value that are applicable for all relationships.

*"I see a possibility to work more closely with some customers that are identified as a reference customer… We can do in-depth analysis with them and then apply new features to our product since it will probably be a larger group of customers that are interested in the same features"*
*(3)*

*"We gave one of our larger customers this budget, to sponsor them if they wanted to build any functions and customizations during the agreement period that can result in a new function that we can reuse. Then they have the possibility to be creative to raise new ideas and thoughts"*
*(1)*

*"A challenge is to segmentate among customers. Both parties need to feel satisfied with the cooperation, but developing a close collaboration also demands some size of the customer or the contract since it has to be financially profitable to be able to work closely with the customers"*
*(4)*

Something that we found during our interviews is that a company's ability to connect and construct networks of resellers or other partners are considered an important and valuable resource to obtain. Christian from Evry argues that partner's can contribute with valuable competences needed to solve complex issues in business situations. It is especially important today as technological advances is making products and services more complicated and customer needs harder to understand and satisfy. Christian mentions that the individual company may not possess the required competences to develop or improve their solutions according to customer needs, which makes it valuable to connect with additional partners or resellers that are in possession of additional competences. Moreover, Christian from Simple Sign explains that partners are very important since they might possess comprehensive and valuable knowledge about customers. Partners are here regarded as resellers that Simple Sign collaborate with in order to distribute their product. It is therefore clear to us that developing relationships with other partners or resellers can be beneficial since the parties can complement each other with valuable information, competences and knowledge.

*"If you look at business to business and co-creation the customers might not be the main focus. Rather the ability to connect and cooperate with other companies, to build networks. Today's technology is really complex and hard to comprehend and it is almost impossible to possess all the competence. Therefore you need partners"*
(2)

*"We also work with partners… They usually have a lot of requests and ideas since they have good knowledge about the challenges their customers face…"*
*(1)*

The most difficult aspect when co-creating seems to be the matter of expectations. The interaction between a customer and a company does not necessarily result in co-creation of value. Maria and Lisen from Epidemic Sound argues that they in some cases are not able to implement customer requests since other priorities are more important. It is therefore crucial to set the right expectations on what customers can expect. Plé and Cáceres argues that companies should provide comprehensive information and guidelines on what expectations customers can have when co-creating. In addition, satisfying individual customer needs will not be profitable for the company in the long-run since it will not always provide a deeper knowledge of on-going market synergies.

*"The challenges are to keep the expectations on a reasonable level. The customers that provide feedback also need to understand that the implementation can take time, or that it might never happen due to the fact that other priorities are more important."*
*(3)*

*"One challenge is that you need to listen and understand what is actually happening on the market, and that takes more than just working with customers separately…"*
*(4)*

However, whether or not customers are bound to a certain company for the benefit of a strong relationship and the possibility to co-create can be discussed. According to Christian from Simple Sign, the only reason that customers develop a relationship might in fact be because the company provide a superior product compared to competitors. One can therefore contemplate whether or not customers are interested in co-creating value if they already consider that enough needs are met. However, in order to create a product that functions perfectly, customers need to express their expectations and needs so that the company understands what type of features to develop or improve.

*"I don't think they care that much, I guess that they are tied to us because they get a product that actually functions perfectly in their organization. It is not good if a company has to change in relation to a product, it is better if the product can be dynamic instead"*
*(1)*

Vargo and Lusch (2004), Payne et al. (2007) and Lusch et al. (2007) emphasize that companies can no longer operate autonomously whereas they need to adapt to a new dominant logic where customers are integrated in value creation processes. Failing to acknowledge that customers want to exercise more influence and demand more interaction and collaboration in a business relationship can result in the loss of customer that would instead turn to competitors to fulfill their needs. Collaboration and co-creation between companies and customers as well as resellers therefore has prominent advantages in relation to the separation of production and consumption. It is clear that all our respondents consider their existing relationships as very valuable. The interaction, feedback and ideas from customers has proven to be a great resource when developing their products and offerings. However, there are several different approaches on how to initiate co-creation and also how the ongoing process is managed. Co-creating activities might appear easy, but in reality it is hard to determine the structure of co-creation, what customer relationships to utilize and also anticipate potential outcomes. Since customer relationships are dynamic it seems to be a challenge to decide exactly how to co-create. Judging from our respondents, co-creating activities need to be determined according to the expectations and needs of different customers in order to become successful.

To conclude, co-creation represents a departure from more traditional marketing strategies. Our theoretical frameworks as well as our analysis reinforces the idea that co-creation of value occurs when companies manage customer relationships efficiently through clear expectations, transparent dialogues, and also integrates customers in value creation processes. According to Zwick et al. (2008) and Prahalad and Ramaswamy (2004b) customer relationships are the necessary foundation to induce co-creation of value and foster experimentation, but additionally co-creation itself also aspires to further improve the existing quality of relationships. Existing relationships can therefore be used to co-create value by incorporating different strategies to trigger the customers to generate feedback, ideas and suggestions so that a company can more efficiently develop and improve their products and offerings.

# Conclusion

*In this chapter we provide the reader with a conclusion in connection to our research questions and the purpose of our thesis.*

The purpose of this thesis has been to research how relationship marketing can be used to generate a potential competitive advantage for companies when co-creating value with customers. We have found that profitable customer relationships develops in correlation to three strategies. 1: Exercising a strong commitment to customer success. 2: Adapting different relationship characteristics depending on customer expectations. 3: Educating employees on how to create personalized and efficient dialogues and interactions.

Furthermore, co-creation of value occurs by applying three strategies. 1: Always relate value to specific customer needs. 2: Use existing relationships to include customers in value creation processes. 3: Incorporate different communication strategies to generate feedback, ideas and suggestions from customers. By incorporating these strategies, resources can be allocated more efficiently to improve products according to customers expectations and also make it easier for companies to provide superior value compared to competitors.

From our respondents we can conclude that strong customer relationships and co-creation of value can be regarded as a competitive advantage since it can help them retain customers and increase their profitability. Hence, we contribute to existing literature by providing empirical indications of the interconnectedness of relationship marketing and co-creation of value.

# Discussion

*We will in this chapter further discuss the findings from our analysis and consider how these relates to our field of study.*

Our study confirms previous research within the field as it further accentuates the importance of strong customer relationships as well as how co-creation of value can be regarded as a competitive marketing strategy. The growing interest of customer relationships and co-creation of value is evident as several scientific articles discusses the topic but also since some companies have already incorporated the concepts of relationship marketing and co-creation of value in their business strategies. As mentioned, companies need to adapt a more customer-centric approach in their relationships as well as when co-creating. In order to do so, companies need to redefine their view on customers and acknowledge that they are an important contributor to create mutually profitable value. Therefore, we argue that customers should be defined as collaborative partners that are integrated in a company's development processes, rather than external parties to whom companies distribute value.

We argue that close customer relationships are the basic foundation to achieve co-creation of value. Integrating co-creation within a market strategy can create potential advantages since it can help companies understand market conditions and more specifically develop products that satisfy customer needs. In addition, we have seen that resellers as an additional resource is valuable to obtain. We address the importance to collaborate closely with resellers or other partners as they possess valuable information and knowledge about the final customers. Moreover, since it is hard for companies to obtain all necessary competences and knowledge themselves, whereas it can be valuable to build a larger network of resellers or other partners who can assist with additional competences when trying to solve more complex issues.

The differences in companies customer bases, industries where they operate and the opportunity to customize relationships also determines to which extent co-creation of value is possible. In addition, time and money are variables that affect the economical bond between a company and its customer and can therefore influence how well a cooperation progresses. We realize that co-creating value through customer relationships is therefore not possible without any complications. Companies can not always consider the feedback or requests received from every individual customer since it would not be financially justifiable. Is it therefore truly possible to have an equally profitable collaboration for both parties within a business relationship? We argue that the answer to this question is both yes and no. It inevitably depends on the expectations from both the company and the customer. If all expectations are met and the relationship develops according to the needs of the customer, the relationship could be argued to be mutually profitable. However, if the expectations are not evident from the beginning and therefore cannot be satisfied, it could lead to a negative impact since customers might feel exploited. Which in return would result in negative consequences of both the relationship and the co-creating activities.

Furthermore, it is always going to be a dilemma of trade-of for companies and customers due to what level of commitment of co-creation is financially justifiable. To what extent should companies develop and improve their products in relation to specific customer needs? It is not always going to be profitable to adjust the product or service according to occasional needs, and therefore other priorities might be more important to consider. Adversely, how much time should companies demand that their customers spend on co-creation, when they are not certain that the feedback and suggestions will be implemented? Companies can in this sense be argued to exploit customers for the benefit of themselves, since the customer might not in all cases receive appropriate compensation for their efforts. Considering that, we believe that co-creation of value is an effective strategy that can help companies retain and satisfy customers. However, it should not always be regarded as the best option when developing marketing strategies since it might be difficult to implement in relation to all customers and situations.

## Further research

*In this chapter we present our suggestions for future research.*

The study at hand have provided insight on how to create profitable customer relationships and utilizing these to co-create value. However, our study should not be regarded as exhaustive and further research within the field is necessary to legitimize the findings as well as to see if similar patterns can be seen within other industries. In addition, since the study focuses on relationship marketing from a company perspective, it would be of great interest to further investigate the phenomenon from a customer perspective. Do customers perceive co-creation as a competitive trait within a relationship? Or are they only tied to a company because they provide a product that is superior than those of competitors?

During our research another interesting topic has emerged. The interaction between a customer and a company does not necessarily result in co-creation of value. Collaboration can also lead to adverse consequences of co-destruction of value, which means that one or both parties misuse the available resources for their own advantage or benefit (Plé and Cáceres, 2010). Further research of co-destruction of value and how it can negatively affect relationships as well as value creation processes would therefore be of relevance to get a broader perspective of our field of study. We encourage further research to analyze the concept of co-creation from a customer perspective, as well as the phenomenon of co-destruction of value to get a more holistic and nuanced perception of how value can be created and destroyed within business relationships.

## References

Annika Ravald, Christian Grönroos, (1996) "The value concept and relationship marketing", *European Journal of Marketing*, Vol. 30 Issue: 2, pp.19-30.

Bryman, A., Bell, E. (2011). *Business research methods,* 3. Ed., Oxford University Press, Oxford.

Charlton, G. (2019). *21 ways online retailers can improve customer retention rates – Econsultancy*. [online] Econsultancy. Available at: https://econsultancy.com/21-ways-online-retailers-can-improve-customer-retention-rates/ [Accessed 7 May 2019].

Corinne Bagish. (2019). *The smart marketing strategies behind Slack's extreme growth*. [online] Mashable.com. Available at: https://mashable.com/2015/12/07/marketing-strategy-slack/?europe=true&fbclid=IwAR16GiC40bhXtrd-GHhYxJk_RPDkyQ2D66u27CqKDCgHKsZOrMJ-MsMUHE0#LOfzWXnbMuqO [Accessed 7 May 2019].

Cova, B., Dalli, D. and Zwick, D. (2011). Critical perspectives on consumers' role as 'producers': Broadening the debate on value co-creation in marketing processes. *Marketing Theory*, 11(3), pp.231-241.

Cova, B. and Salle, R. (2008). Marketing solutions in accordance with the S-D logic: Co-creating value with customer network actors. *Industrial Marketing Management*, 37(3), pp.270-277.

Crang, M. and Cook, I. (2007). *Doing ethnographies*. London: Sage.

Creswell, J.W., 2012 *Qualitative Inquiry and Research Design: Choosing Among Five Approaches.* Thousand Oaks, Sage.

Dyer, Jr. Gibb W., Wilkins, Alan L. 1991. Better Stories, Not Better Constructs, to Generate Better Theory: A Rejoinder to Eisenhardt. *The Academy of Management Review*, 16(3), pp. 613-619.

Eriksson, P and Kovalainen, A. 2015. *Qualitative methods in business research: A practical guide to social research*. Sage.

Fronteer. (2019). *What is Co-creation? A definition, some background and how it's done*. [online] Available at: https://fronteer.com/what-is-co-creation/ [Accessed 16 Apr. 2019].

Forsey, C. (2019). *The Ultimate Guide to Relationship Marketing*. [online] Blog.hubspot.com. Available at: https://blog.hubspot.com/marketing/relationship-marketing?fbclid=IwAR3RDlEaJcNTLObGgJ5wMDuymErza7wG5tlOfaB_9quK4UKwqxpwCxcUKMY [Accessed 7 May 2019].

Grönroos, C. (1997). Keynote paper From marketing mix to relationship marketing - towards a paradigm shift in marketing. *Management Decision*, 35(4), pp.322-339.

Grönroos, C (2000). *Service Management and Marketing: A Customer Relationship Management Approach*. West Sussex, UK: John Wiley and Sons.

Grönroos, C. (2004). The relationship marketing process: communication, interaction, dialogue, value. *Journal of Business and Industrial Marketing*, 19(2), pp.99-113.

Gummesson, E (1994). Broadening and Specifying Relationship Marketing, *Asia-Australia Marketing Journal*, 2 (August), 31-43.

Gummesson, E. (2004). Return on relationships (ROR): the value of relationship marketing and CRM in business-to-business contexts. *Journal of Business and Industrial Marketing*, 19(2), pp.136-148.

Hennig-Thurau, T., Gwinner, K. P., and Gremler, D. D. (2002). Understanding Relationship Marketing Outcomes: An Integration of Relational Benefits and Relationship Quality. *Journal of Service Research*, *4*(3), 230–247.

IKEA Bootcamp. (2019). *IKEA Bootcamp – in collaboration with Rainmaking*. [online] Available at: https://ikeabootcamp.rainmaking.io/ [Accessed 7 May. 2019].

Karpen, I., Bove, L., Lukas, B. and Zyphur, M. (2015). Service-Dominant Orientation: Measurement and Impact on Performance Outcomes. *Journal of Retailing*, 91(1), pp.89-108.
Kohtamäki, M. and Rajala, R. (2016). Theory and practice of value co-creation in B2B systems. *Industrial Marketing Management*, 56, pp.4-13.

Kristensson, P., Matthing, J. and Johansson, N. (2008). Key strategies for the successful involvement of customers in the co-creation of new technology-based services. *International Journal of Service Industry Management*, 19(4), pp.474-491.

Lusch, R., Vargo, S. and O'Brien, M. (2007). Competing through service: Insights from service-dominant logic. *Journal of Retailing*, 83(1), pp.5-18.

Miles, M, B., Huberman, A, M. (1994). *Qualitative data analysis. An expanded sourcebook.* Sage.

Patel, N. (2019). *Customer Retention Statistics*. [online] Neil Patel. Available at: https://neilpatel.com/blog/retaining-customers/ [Accessed 7 May 2019].

Payne, A., Storbacka, K. and Frow, P. (2007). Managing the co-creation of value. *Journal of the Academy of Marketing Science*, 36(1), pp.83-96.

Plé, L. and Chumpitaz Cáceres, R. (2010). Not always co-creation: introducing interactional co-destruction of value in service-dominant logic. *Journal of Services Marketing*, 24(6), pp.430-437.

Prahalad, C. and Ramaswamy, V. (2004a). Co-creating unique value with customers. *Strategy and Leadership*, 32(3), pp.4-9.

Prahalad, C. and Ramaswamy, V. (2004b). Co-creation experiences: The next practice in value creation. *Journal of Interactive Marketing*, 18(3), pp.5-14.

Ravald, A. and Grönroos, C. (1996). The value concept and relationship marketing. *European Journal of Marketing*, 30(2), pp.19-30.

Sheth and Parvatiyar,  (1995). The Evolution of Relationship Marketing. *International Business Review* Vol. 4, No. 4, pp. 397-418.

Skålén, P., Gummerus, J., von Koskull, C. and Magnusson, P. (2014). Exploring value propositions and service innovation: a service-dominant logic study. *Journal of the Academy of Marketing Science*, 43(2), pp.137-158.

Vargo, S. and Lusch, R. (2004). Evolving to a New Dominant Logic for Marketing. *Journal of Marketing,* 68(1), pp.1-17.

Vargo, S.L. and Lusch, R. (2008), From goods to service(s): divergences and convergences of logics, *Industrial Marketing Management,* Vol. 37 No. 2, pp. 254-9.

Vargo, S. and Lusch, R. (2017). Service-dominant logic 2025. *International Journal of Research in Marketing*, 34(1), pp.46-67.

Vargo, S., Maglio, P. and Akaka, M. (2008). On value and value co-creation: A service systems and service logic perspective. *European Management Journal*, 26(3), pp.145-152.

Wilden, R., Akaka, M., Karpen, I. and Hohberger, J. (2017). The Evolution and Prospects of Service-Dominant Logic. *Journal of Service Research*, 20(4), pp.345-361.

Ulaga, W., Eggert, A. (2006) "Relationship value and relationship quality: Broadening the nomological network of business-to-business relationships", *European Journal of Marketing,* Vol. 40 Issue: 3/4, pp.311-327.

Yin, R, K. (2009). Case study research: Design and methods, 4th. *Thousand Oaks.*

Zwick, D., Bonsu, S. and Darmody, A. (2008). Putting Consumers to Work. *Journal of Consumer Culture*, 8(2), pp.163-196.

# Figures

Figure 1: The difference between goods-dominant and service dominant logic. Derived from Vargo, S. and Lusch, R. (2004). Evolving to a New Dominant Logic for Marketing. *Journal of Marketing,* 68(1), pp.1-17.

# Appendix 1: Interview guide

**Bakgrund**

1. Vad är din position på företaget?
2. Hur länge har du arbetat här?
3. Kan du berätta lite om din bakgrund, vad har du gjort innan din anställning här?

**Värdeskapande**

4. Vad innebär kundvärde för dig?
5. Hur skapar ni värde?
6. För vem anser du att ni skapar värde?

**Kunder och relationer**

7. Vad är en kund för dig?
8. Hur arbetar du/ni med kunder idag? Hur många kunder har ni?
9. Vad har du/ni för relation till dina kunder?
10. Vad tror du det är det som avgör hur relationen utvecklas?
11. Finns det några utmaningar med era kunder? Vilka är dessa?
12. Vad anser du är de starkaste fördelarna/nackdelarna att ha nära relationer med sina kunder?
13. Hur gick ni tillväga när ni utvecklade och lanserade er tjänst?
14. Inkluderade ni era kunder i den processen? På vilket sätt?
15. Arbetar ni tillsammans med era kunder för att förbättra er tjänst?
16. Hur avgör ni vilka kunder ni vill samarbeta med?
17. Har du något mer att tillägga som du tror kan vara viktigt för oss att känna till?

**Runda av**

Har du några frågor till oss?

Vill du ta del av resultatet när vi är klara med vår uppsats?

Är det okej att vi är transparenta med ditt och företagets namn i vår uppsats?