

## **Understanding the Value Drivers for Intermediaries: An Exploratory Study in the Heating Industry**

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### **ABSTRACT**

Value facilitation has become a critical element of value creation in buyer-supplier relationships. The literature lacks studies that provide an understanding of how facilitators or intermediaries in a supply chain perceive and create value for themselves and their customer(s) across the distribution channel. The objective of this research is to bridge this gap through an in-depth qualitative investigation. Findings about value drivers of facilitators are discussed as well as implication and areas for future research.

**Keywords:** Customer value, Supply Chain, Intermediaries, Business relationship

### **INTRODUCTION**

Product typical or conventional view of the marketing channel is a series of middlemen from the manufacturing to the end user. The links that tie different channel members and other service providers include a series of supply chain activities that include the movement of products and services through the channel as well as the transactional components associated with this flow such as order processing all related

financial transactions (Bowersox and Morah, 1989).

As supply chains become more extended with more players involved in the channel, the interdependence across different channel members increases. Most of the research in the area of value in supply chain channels has focused on the dyadic context of a buyer and a supplier, or from the perspective of consumers. A fundamental pre-requisite for providing value in a supply chain is the value facilitation process (Grönroos and Ravald, 2011). This is not restricted to suppliers and buyers but also involves intermediaries in the supply chain. Intermediaries have to provide their customers with the necessary resource, such as goods or services or a combination of both, for their value generating process.

The objective of this study is to provide a better understanding on how intermediaries can play the role of facilitators of customer value. Understanding how the facilitator or intermediary perceives value for themselves and their customer(s) across the distribution channel is not adequately addressed in the literature and presents a gap in our understanding of this phenomenon. The main research questions that are addressed in this study are:

1. What is the role of the facilitator in the supply chain in creating or transferring value to the customers?
2. What are the main drivers for value creation in the context of a facilitator in a supply chain?

## **BACKGROUND**

### **Marketing Channel, Intermediaries and Customer Value**

Different agents or middlemen are used in a marketing channel such as wholesalers, retailers, etc. Traditionally these intermediates get the ownership of the product or the service and take on some or all of the tasks required to get the product or service to the end consumer.

Intermediaries are sometimes perceived as providing value only to buyers. The potential of facilitating agencies for going beyond their traditional of routine role in the performance of distribution tasks to provide new kinds of services can significantly improve their value to all levels to the marketing channel. Particularly, customer value is a trade-off between benefits and sacrifices – whether monetary or not. This trade-off is certainly influenced by what competitors offer and implies an assessment of what customers perceive relatively to what they receive (Jüttner et al., 2007) Building customer value theory in B2B contexts has focused on defining the concept (Woodruff, 1997), measuring its drivers (Ulaga and Eggert, 2006; Russo and Cardinali, 2012) and

exploring value creation as a process that dynamically unfolds in relationships. In order for firms to understand how to create and deliver value for and with the customers they need to have a better understanding of this phenomenon. The research stream of customer value is still in its early stages and needs further insights and investigation (Blocker et al., 2011). Specifically the role of facilitating agents in marketing channels and the value they provide. The facilitator is not the traditional intermediary, for example they do not get involved with the physical flow of products, rather provide an information outlet to customers. The facilitator may “facilitate” and/or create value in the supply chain. The facilitator may be a specialized middleman adding to the value creation in his own right without the ownership of the product but more involved in the information flow toward the final customer. There is a need for more research into the mechanisms of value facilitation, co-creation of value, and the ways providers and customers conduct their roles and influence each other in these processes.

### **INSIGHTS AND DISCUSSION**

We developed an exploratory study to examine the role of value facilitator utilizing in depth qualitative interviews. We interviewed a sample of business people in the heating industry. Rather than relying on a hypothetical-deductive approach, we defined the value drivers from a managerial perspective. We conducted sixty four interviews with heating specialist businesses using a grounded theory approach. This sample included: six installers, eleven heating specialists, six project manager, ten architects and also thirty one wholesalers/retailers of the heating market. Interviewees were asked to discuss about their knowledge on the competition, the structure and the drivers of marketing channel and the role of business relationship and sales strategy. The main goal was to collect data and information on the marketing channel, the different customer value drivers, and the perception of the reality around them.

The participants explained the importance of taking care of the marketing channel for the manufacturer in order to get success in the marketplace. The complexity for the products in the market has driven customer searching for advice from trustworthy and reliable sources.

The facilitators played a critical role in identifying the value drivers. In fact, during the qualitative research, facilitators identified the drivers that were important for them, although the study has been conducted within a specific sector such the heating industry. The results demonstrate that the main attributes can be summarized as product attributes such as *energy efficiency, design, size, time to heat, silence, heating efficiency, compatibility and combination with other devices* and suppliers' attributes

such as: *brand reputation, product reliability, deliver lead time.*

Another important finding from this research is identifying the value delivered to the customers from the facilitators' point of view. The facilitators were able to identify the drivers important for the customers and defined their own value ranking, which is then transferred to the customer as well. This contributes to understand the evaluation process of facilitators and predicts their related activity of suggesting, giving information and contributing in their customer's decision making process.

The role of the firm is to produce tangible and intangible resources as input into its customers' consumption or value-generating processes. Additionally, between suppliers and customers there must be specific players in the supply chain that work for them in order to integrate, create and deliver value out for customers from upstream to downstream. By providing its customers with such inputs into their value-generating processes these players facilitate value creation across the marketing channel. This provides a better understanding on how these value drivers have been formed and evaluated by the intermediaries that contribute to create customers' value in their creation process. Thus the facilitators are part of the value generation process and part of value delivery system for the customers. This is particularly true when customer needs "*to drive and advise in his choice*", so the facilitators are critical in the marketing channel in order to provide the best fitting value proposition for the manufacturer.

### **IMPLICATIONS LIMITATIONS AND FUTURE RESEARCH**

While there has been a lot of discussion in the marketing literature on creating value, the roles of service providers such as customer consultants or "facilitators" have been neglected. This research addresses this gap in the literature by shedding some light on the role of such facilitator in providing and creating value for the customer. The findings extend the customer value discussion by providing several important theoretical and managerial implications.

From a managerial perspective one of the interesting findings is revelation of the different value drivers as perceived by the facilitators in the heating industry. Another key finding is the role of the facilitator in providing value in the supply chain context. This can help marketing managers in designing different strategies based on those value drivers. It also provides suppliers with an understanding of what their customers (facilitators and eventually final consumers) value most in their products and design future products incorporating more of those value drivers. In order to validate these findings and provide more generalizable implications we might future research should be directed to examine the relative importance of each value driver using a quantitative

study. The objective could be to identify the evaluation process of facilitators for these drivers, understanding how they attribute different weights and importance to them.

### CONCLUSION

This research has addressed several gaps in the existing literature with many managerial and theoretical implications. By exploring the role of the facilitator in the Italian heating industry, this research has uncovered the main value drivers and attributes that are considered in the process of delivering value to the customer.

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