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WEI WEN
USE OF CUSTOMER VALUE PROPOSITION AS A TOOL TO COM-
MIT OVERSEAS DISTRIBUTORS

Master of Science Thesis

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ABSTRACT

WEI WEN: Use of Customer Value Proposition as A Tool to Commit Overseas Distributors

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Currently, with the development of economies, an increasing number of companies intend to expand businesses outside of their original territories. However, as a countermeasure in market development, business expanding process has a large number of challenges. Indeed, even if companies entering the target market successfully, the risks and problems still exist over time. As a matter of fact, it is very common to see that companies would like to find a distributor who will take care of fussy businesses in target markets. To some extent, how to convince qualified distributors to cooperate and be motivated in future sales is significant for new market entrants.

The objective of the thesis is to help companies entering new markets to figure out a solution with regards to how to convince distributors in target markets to start cooperation and be motivated in future sales. In this thesis, customer value proposition and the analysis of distributors from an academic perspective are core content. The framework is built on the combination of both concepts. What is more, the value of end customers as a new weapon can significantly increase the negotiation power of companies.

The main finding of the thesis is the scenario building with regards to how salespeople approach, negotiate, convince and reevaluate distributors step by step. This thesis proposes a four-step weapon in negotiations which have corresponding solutions based on the attitude of distributors. To some extent, the proposed four-step weapon in negotiations can give helpful tips for companies who would like to get into international markets.

PREFACE

This thesis intensively discusses how the customer value proposition can be used as weapons to increase negotiation power of multinational companies. For new market entrants, it is difficult to earn more benefits than local distributors in negotiations. New market entrants as new suppliers in target markets usually sacrifice parts of benefits for the cooperation. Distributors in target markets have more power to conduct the market channel. Compared with investing time and resources in terms of long-term verbal communication, new market entrants should come up with more powerful weapons to tempt those conservative distributors.

In the process of completing the thesis, I learned a large amount of practical knowledge in terms of negotiating with distributors in the target market. The whole research was surrounded via international sales and distribution process. As a researcher, I was supposed to find out problems at routine work and figure out the most applicable solutions to solve them. To some extent, it was very impressive that before starting the negotiation, leaving enough space in mind concerning business potential can provide more jetton for salespeople to bargain during the negotiation.

I would like to thank Dr. Jouni Lyly-Yrjänäinen for his suggestions and inspections for my work, especially in terms of identification of study orientation and follow-up guidance. Then, I would like to thank the colleagues and employer in the case company who shared much empirical information and helped me a lot. Lastly, I would like to mention my family and my friends who were always patient and inspiring me.

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Wei Wen

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LIST OF SYMBOLS AND ABBREVIATIONS

B2B	Business to Business
B2C	Business to Customer

1. INTRODUCTION

1.1 Background

Currently, market development is a challenge for most organizations all the time. According to Johnson et al. (2015), market development can be considered as a strategy management that distracting attention to another market which could be totally different geographical markets. In fact, with the emergence of internationalization, it has many unexpected benefits such as growing liberalization of the trading system and expansion of regional economic integrations (Leonidou, 2004). As a matter of fact, it is very common to see in the B2B market that companies try to expand existing businesses outside of their original territories in order to acquire more benefits. However, as a countermeasure in market development, business expanding process has a large amount of challenges (Johnson et al. 2015). Indeed, even if companies entering the target market successfully, the risks and problems still exist over time. For instance, when a company enters a new market successfully, the next problem is how to accomplish cost-efficient business target in that market.

When a company has decided to expand markets, the next step is to confirm a method with regards how to implement the decision. Generally, it is very common that new entrants would like to find local distributors to take care of their businesses in target markets. Recently, with the development of markets, distributors are often proposed and almost have become arbiters who have considerable power to dominate marketplace (Dickson, 1983). Vázquez-Casielles and Iglesias (2013) proposed that the cooperation between distributors and manufacturers represents the evolution from discreteness to rational integration in terms of market transactions. To some extent, it will be much more difficult and costly for the new entrant to clarify everything in target market by itself. However, the existence of distributors is very helpful that they are able to evade potential risks for the entrants.

Then, the next challenge is how to win in negotiation with distributors. Neale and Bazerman (1992) explained that negotiation is a decision-making process existing in different organizations who depend on each other with the different perspectives. It can be considered as the art of talk that negotiators can make others feel like they win the mission but meanwhile, the negotiator already has achieved his strategic target (Iman et al. 2015). In other words, when a company has decided to cooperate with a local distributor, how the company convinces the distributor to start cooperation is the big challenge. Geiger (2017) also argued that most B2B transactions rely on negotiations,

but the key problem is there is no research identifying what needs to be negotiated and how.

Nevertheless, in order to attract distributors' eyes, customer value can be regarded as a numerical index which is more visualized than verbal communication. Generally, the value is always the fundament of all marketing activities (Holbrook, 1994). Slater (1997) referred to in B2B marketing, understanding customer value can be deemed as a key competitive advantage. Mikkola et al. (2013) proposed that customer value proposition can be applied as a communication tool which is in more practical level. In other words, new market entrants can use customer value proposition as a weapon to increase their negotiation power.

1.2 Objective

This thesis proposes a methodological approach for new market entrants with regard to how to convince distributors in target markets to cooperate with each other. The target of the cooperation is that new market entrants can enter target markets with the help of local distributors. Meanwhile, cooperated distributors should realize the business potential of the cooperation and be motivated in future sales. In B2B markets, negotiation is an essential procedure. All activities and decisions are completed based on the negotiation between each other. Therefore, for new market entrants, how to increase their negotiation power with the most cost-efficient methods is always the priority.

The establishment of the methodological approach is based on the literature review in terms of customer value proposition and international distribution process. What is more, customer value assessment model and the value of end customers indicate the reliability of the methodologic approach. Compared with traditional studies, this thesis not only studies how to negotiate with distributions in international distribution process but also utilizes the value of the end customers as a new negotiation weapon. Hence, the objective of the thesis is ...

...to help companies entering new markets to figure out a solution with regards to how to use value proposition of distributors and the value proposition of end customers to convince distributors in target markets to start cooperation and be motivated in future sales.

To approach this objective, this thesis firstly argues theoretical background of customer value from the perspective of value proposition, and clarified roles and responsibilities of distributors and relevant key information in internationalization. Then, based on aforementioned information, a methodological approach is designed and clarified.

Finally, the proposed approach is used by case company to enhance its negotiation power.

1.3 Data Gather Methods and Research Process

In the business world, when doing a case study research on the management subjects, how to qualitatively generate data is one of the most important procedures. The performance of the procedure is able to impact the quality and value of the outcome. Sutton and Austin (2015) mentioned that through gathering qualitative data, researchers are able to access the thoughts and feelings of relevant participants who share their experiences to enable development of an understanding of the meaning. What is more, Simmons et al. (2011) argued that researchers have to have capabilities in terms of the application of proper data gathering methods.

Draper and Swift (2011) argued that selections of data collection and sampling techniques are somewhat daunting because of technological difficulties, but proper research methods are significant in terms of ensuring the quality of research. Afterwards, they introduced four available methods to collect qualitative data which are interviews, observation, texts and documents, and archived qualitative data respectively. To some extent, all mentioned four methods are straightforward in data gathering. Similarly, Gill et al. (2008) also explored that interviews and focus groups are the most common methods in terms of data gathering used in qualitative research.

According to the introduction (Gill et al. 2008), first of all, research interviews consist of three fundamental types which are structured, semi-structured and unstructured interviews respectively. Structured interviews are verbally administered questionnaires which have a lot of preconceived questions. On the contrary, unstructured interviews have no preconceived question or idea there. Finally, semi-structured interviews have parts of preconceived ideas there. However, interviewers have space to pursue responses at more detailed level. Compared with research interview, focus groups are group discussions based on specific topics organized for research purposes. Researchers can gather more similar data from many participants at once.

What is more, Hayman et al. (2012) proposed that in qualitative research interviews sharing stories can be used as a kind of practical and valuable method of data collection. Heliker (2009) mentioned that story-sharing can be used to enhance cooperation between researchers and participants by balancing the power between them. To some extent, researchers are usually more powerful than participants that researchers have the initiative in interviews. However, story-sharing can mitigate the atmosphere and balance the power in interviews in which researchers are easier to obtain accurate qualitative data in research.

Gummesson (1993) mentioned that the reason for doing case study research can be deemed as exploring tacit truth and value behind the phenomena. Through such exploring process, people are able to understand true essences of the phenomena such as source, justification, development, and future. Afterwards, in order to clarify how it works, Gummesson (1993) proposed five main case study research data gathering methods:

- Use of existing materials
- Questionnaire surveys
- Questionnaire interviews
- Observation
- Action science

The first method is using existing material to generate qualitative data. Existing material can be deemed as the substantial existence that consists of unstructured data and analyzed information from websites or knowledge in books, articles, records and even notes. For instance, more and more information has been published on the internet. People can search for the newest information in the website and extract qualitative data rather than review historical books published in the early period of the 20th century.

The second method is questionnaire surveys which are more related to quantitative data gathering but can be supportive to obtain qualitative data in case studies. The method applies statistical techniques which are acknowledged by academics and experts. For instance, it is common to see in universities that researchers use questionnaires to collect relevant information from schoolmates.

The next data gathering method is questionnaire interviews. It is the most common way to generate qualitative data in case research. The interviews could be carried out via the format of individual or group. Compared with questionnaire surveys, interviews can allow researchers to obtain desired information in time. The whole process is very straightforward. In addition, the qualitative data could come from formally and informally interviewing related personnel.

The fourth method is observation, which consists of direct observation and participant observation. To some extent, the observation includes all human senses. It is usually applied in gathering data with regarding a phenomenon which can be captured by the human sensory system. For instance, the data gathered via sight, hearing, touch, smell, and taste belongs to the observation method.

Finally, action science is the most complex but valuable data gathering method. In this method, researchers will be active participants that influence the process under study. Gummesson (1993) mentioned it contains all other types of data gathering methods but requires the involvement of researchers. In other words, the participation of researchers

could improve the performance of qualitative data gathering.

In summary, all data and information from the researchers should be accurate, complete, objective, timely, understandable and presentation clarity. Gathering data will be used to support main ideas proposed in the case research. Then, the proposed ideas will be used in the decision-making process.

The research process was kicked off in November 2017, when the author got the job offer from the case company in Finland. The topic of research is based on the job content in the case company. In general, the research process can be divided into three stages. The first stage is identifying existing and potential problems for case company. The identified problems can more or less impact the business development of case company. The second stage is analyzing identified problems from an academic perspective. The outcome of the problem analysis is creating a theoretical framework via the literature review and action science. Finally, through applying the created framework in the business process for the case company to solve relevant problems. Figure 1 shows the working process of the thesis.

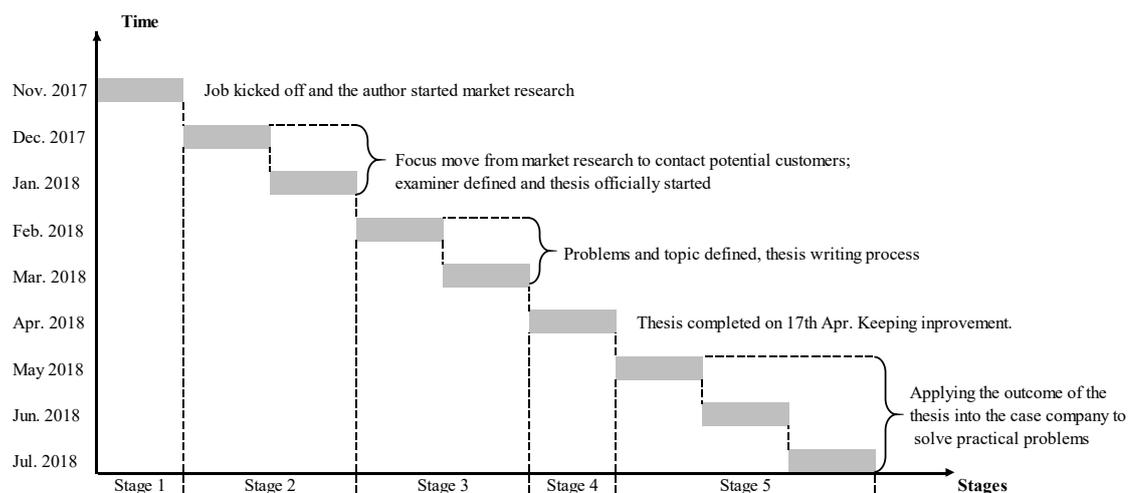


Figure 1. The working process of the thesis.

According to the demonstration in Figure 1, the whole process can be separated into five stages. The first stage is job kicks off in the case company. The main responsibility of the author is market research with regarding who could be potential business customers in the target market. The outcome is a potential customer name list which consists of companies' relevant information and assessment.

Then, the next stage consists of two parts. One is related to the work in the case company. The focus of the author is moved from market research to contact potential customers according to the name list. During the process, relevant problems are found via the author. However, the topic of the thesis is not ready yet. The author has to consider and define a

specific topic from an academic perspective as well as combining the problems from the case company.

At the beginning of the third stage, the topic of the thesis was defined. The topic was related to solving problems between companies and distributors in target markets. Then, the rest of time was working on thesis writing and correction.

In the last stage, the full thesis was completed. The next task was thesis modification and improvement. On the other hand, the responsibility of the author in the case company was moved from contacting potential customers to managing connected customer relationships. The author collected and provided a large amount of business information for business partners in the target market.

In the last stage, the outcome of the thesis will be used in the case company to solve existing problems. The ideal consequence is that the framework can help the case company to convince distributors in the target market and motivate them in future sales activities. The application will be initiated in the middle of May.

During the working process, in order to obtain the most needed qualitative data, different data gathering methods were used in different stages. According to Gummesson's (1993) five data gathering methods, the author used three of them to collect qualitative data which are using existing material, questionnaire interview and action science respectively. Figure 2 is the illustration research process based on the working process.

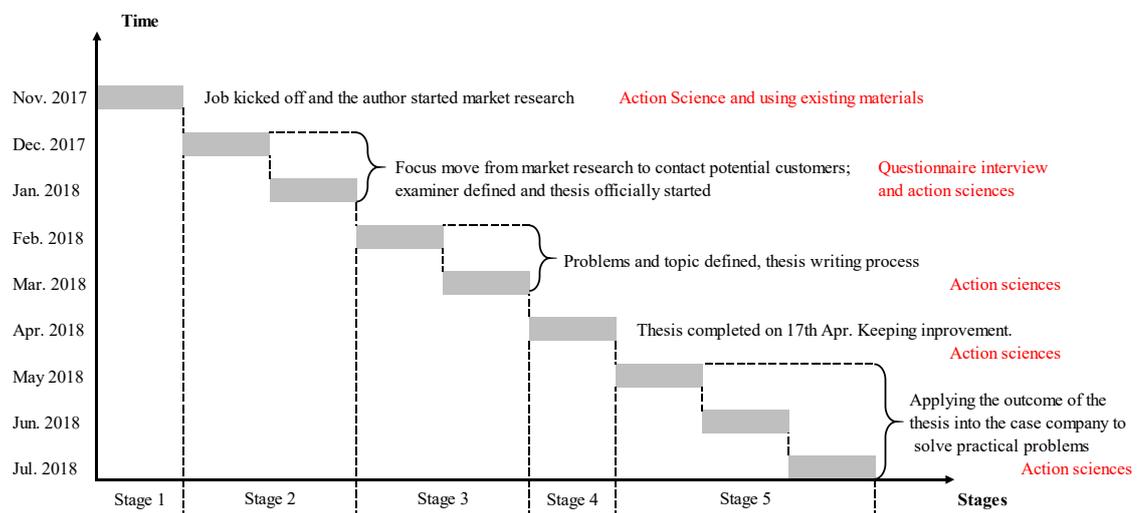


Figure 2. The research process based on the working process.

According to Figure 2, in Stage 1, the author used a combination of using existing materials and action sciences as the qualitative data gathering method. The market research

was based on Internet search that all found potential customers can match the characteristics of the products of the case company. Then, the author filtered all found potential customers and made a short customer name list.

In Stage 2, the author found some problems in the international business process. In order to figure out the truth behind the problems, the author informally interviewed the professionals in the specific industry. The outcome was that the author can consider those problems from a big picture and solve them at the root. Afterwards, more qualitative data was collected via action sciences when the author negotiated with qualified potential customers in the target market.

Then, in Stage 3, due to the problem and topic of the thesis were defined, the main tasks were literature review with regarding the customer value proposition and explanation of distributors from an academic perspective. A large amount of qualitative data was gathered. After that, the author considered the intersection of both concepts and created a new framework, which can solve the problems not only for the case company but also for most multinational companies.

After two months of writing, the thesis was completed on 17th April 2018. The main activities in Stage 4 are modification and improvement of the thesis. Most qualitative data were based on action sciences.

At last, after the employer of the case company approved the thesis and creative framework, the next step is the application of the framework. The framework will be used in the case company to enhance its negotiation power. The ideal consequence would be that qualified distributors in the target market can be sincere in the cooperation and motivated in future sales activities.

1.4 Structure of the Thesis

This thesis is systematically divided into eight chapters. In each chapter, the objective and main content are respectively:

Chapter 1 is the introduction of the thesis. It contains the study background, the objective of the thesis, research process and data gathering methods. The outcome of Chapter 1 lays the foundation for the study.

Chapter 2 argues customer value proposition from academic perspectives. The author follows the order that started from identification of value proposition to establishment of customer value model and customer value assessment. The outcome of Chapter 2 is deep study customer value and provide a convinced model which can be applied in

subsequent chapters.

Chapter 3 is the identification of distributors and relevant information. The identification starts from discussing distributor's role and responsibility. Then, the author clarifies distributor's working process and their cost structure in the global supply chain. Finally, how to choose a distributor is mentioned which can be considered when companies want to enter global markets.

Chapter 4 is one of core chapter in this thesis which combines core content in previous two chapters and creates a theoretical framework. The establishment of the framework is based on the problems of distributors. The outcome of the chapter is to introduce a solution that how to convince a qualified distributor to sincerely cooperate and be motivated in future sales for a new market entrant.

Chapter 5 is the introduction of the case company. It contains what the case company is, what the main business is and how it operates in international markets. In this chapter, roles and responsibilities of all stakeholders are core parts which clarify the business relationships from original suppliers to end customers. At the end of this chapter, two business success are mentioned that give samples to show competitive advantages of the case company.

Chapter 6 is the other core chapter of this thesis. It discusses problems of the case company at the first. Then, the cost structure of the case company is discussed which can match the previous perceived customer value for distributors. Based on above-mentioned problems, customer value models are used as negotiation weapons for the case company. It clarifies not only what the weapons is but also how to use them. At last, customer value assessment is introduced as the third weapon which can identify the business potential of distributors for the case company.

Chapter 7 is a reflection of the whole thesis. It starts with an overview of the problem and framework. Then, the reflection of the case framework explains why the created framework can be applied in the case company. Analysis of the case based on framework introduces how the framework can be used in the case company as well as the evaluation from the perspective of the case company with regarding follow-up actions after each step.

Chapter 8 is the conclusion of the thesis. It reminds the background of the thesis, what the objective of the thesis is and what the finding after the thesis is completed. What is more, the limitation of the thesis is shortly discussed which can significantly impact the running of the framework.

2. CUSTOMER VALUE PROPOSITION

2.1 Definition of Value Proposition

As a classical concept, the value proposition has been proposed and widely applied in both academic discipline and business domain over 20 years (Frow and Payne, 2011). Recently, value propositions are frequently mentioned and discussed in the context of interactions and co-creation between customers and suppliers (Vargo and Lusch, 2004, 2008). What is more, Osterwalder et al. (2015) discussed the value proposition from the perspective of the business model Canvas. They mentioned that value propositions are based on a cluster of products and services which can provide customer demand for different customer segments.

Grönroos and Voima (2013) proposed that the value proposition for the customer can be deemed as a critical communication tool which can accomplish the value exchange among different parties. The communication tool is generally used to describe what the customer value is and what the competitive advantages are respectively. Therefore, Grönroos and Voima (2013) defined...

“... the value proposition must be considered as a promise that customers can extract some value from an offering”

It is obvious that value proposition can be understood as the value replacement between the commitment from companies and the return from customers. In other words, companies provide what customers demand at the first. Then, customers will pay what companies desire back. Correspondently, Doyle (2016) gave the definition of the value proposition in the Dictionary of Marketing which is published by an authoritative academic organization...

“... the company's core promise of benefits to clients and prospective clients”.

According to Doyle, the value proposition can be understood as the value exchange that both sides finally acquire expect value from each other. For companies who play the role of the offering customer demand, they should not only identify what the value proposition of their offering is but also consider the value proposition from customers' perspective. As a matter of fact, companies and customers usually have a different understanding of the same offering.

Through literature review, the original resources of the customer value proposition concept come from Lanning and Michaels (1988) in McKinsey Staff Paper which is generally accepted by academic sector. In that paper, Lanning and Michaels proposed two connected activities: developing a value proposition and creating a value delivery system respectively. Their proposition contained three processes which respectively are:

- Analyzing customer's attributes from customer's perspectives
- Evaluating opportunities in each segment then delivering superior value to customers in that segment
- Defining and applying the proper value proposition that optimizes aforementioned opportunities.

To some extent, the above process identification can be understood that companies have to consider value proposition not only from their own perspectives but also, they have to try to play the role of customers to imagine what customers truly need. Therefore, the subject needs to be surveyed constantly. Compared with previous literature review in terms of the value proposition, Frow et al. (2014) considered value propositions from a new perspective which is the service ecosystem. The ecosystem is used to refer to entities that can survive in the changes of environment (Pickett and Cadenasso, 2002). However, from the perspective of the markets, Frow et al. (2014) thought an ecosystem can be used to describe the interdependence between their stakeholders, adaptation, and evolution. If changes are too great and stakeholders cannot adapt in time, the ecosystem could collapse at the end.

Vargo and Lusch (2011) argued the service ecosystem and thought it is a complex system as well as a generic conceptual set of value creators in economy and society. Normann (2001) mentioned the service ecosystem is a "value-creating system" where complex interdependent relationships of different value creators can be operated. In other words, when talking about value proposition in the market context, the ecosystem should be protected and maintained in a balanced status. Finally, Frow et al. (2014) redefined that the value proposition is...

"... a dynamic and adjusting mechanism for negotiating how resources are shared within a service ecosystem".

Frow et al. (2014) analyzed the value proposition in a big picture. They argued that relationships of company's stakeholders should be built in a service ecosystem rather than just concentrating on relationships among different stakeholders without any attention for the environment. To some extent, when considering the value proposition, the actual environment should be taken into account as an ecosystem and the background in which all action points should be based on the context.

In summary, the value proposition is based on the offerings of products and services which can satisfy customer demand. Customers are willing to buy products or services because they need those products or services to fulfill their requirement. On the contrary, the return value for companies depends on the extent of user experience from customers.

2.2 Customer Value

Customer value is a multi-faceted concept with many meanings and connotations (Paananen and Seppänen 2013). Recently, the concept is increasingly used in the marketing strategy (Khalifa, 2004). However, different authors have different clarifications for the concept. Table 1 shows review regarding the definitions of customer value.

Table 1. Review regarding the definitions of customer value.

Authors, Year	Definition
Zeithaml, 1988	<i>“Perceived value is the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given.”</i>
Woodruff, 1997	<i>“Customer value is a customer's perceived preference for an evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations.”</i>
Chen & Dubinsky, 2003	<i>“Value for the customer is any demand-side, personal perception of advantage arising out of a customer's association with an organization's offering, and can occur as a reduction in sacrifice and benefit (determined and expressed either rationally or intuitively); or an aggregation, over time, of any of all of those.”</i>

Recently, the value is facing challenges and has been paid close attention by more people in the territory of marketing (Day, 2002). Recent researchers refer to that customer value is the starting point for new business models (Ala-Maakala and Liimatainen, 2016). Smith & Colgate (2007) argued that especially for manufacturers who must have a deep understanding in terms of what customer value is for their offerings in different contexts. Ulaga (2003) argued that customer value is unique and dynamic for each customer. In other words, for different customer segments, a customer in different contexts may have different perceived value. In order to satisfy different customer demand and create maximum

customer value, companies need to identify the proper marketing strategies for each segment.

According to Marketing Science Institute (2014), creating and communicating value to customers to fulfill their satisfaction, loyalty, and profitability is one of the most important tasks in marketing (Kumar and Reinartz 2016). From the perspective of the business sustainability, it is obvious that all companies are looking for long-term cooperative relationships with customers rather than one bill ends. In other words, customer satisfaction and loyalty sometimes play a more important role than short-term profitability for companies. Zeithaml & Bitner (2000) proposed the purpose of business development is not only limited to profitability in which people are more and more paying attention to the capability of value creation at present. To some extent, the capability of the value creation is more like the foundation for business in which companies can pursue more business potential value in future.

Kumar and Reinartz (2016) argued that business is a series of value-creating actions. They mentioned that a sustainable business consists of at two steps which are creating value for customers and extracting the value from customers based on business offerings. At that time, customers perceive the value through the business offerings, whereas companies capture the value through the profit from customers. Nevertheless, Gutman (1982) defined perceived customer value coming from the offerings and can be deemed as the aggregation of customer benefits. According to A Dictionary of Business and Management (Law, 2016), the definition of customer value is...

“a consumer’s assessment of the overall capacity of a product to satisfy his or her needs”.

Based on such definition, customer value is evaluated via customer themselves, but it has to be defined via companies beforehand. In other words, before manufacturing products, companies have to define the value of their offerings from standpoint of customers. The success of the customer value creation depends on the actual performance of companies’ offerings and customer satisfaction. Otherwise, the business would fail. Wieland and Wallenburg (2012) argued customer value as service performance which is the service outcome of a company compared with market averages. What is more, Wieland and Wallenburg (2013) proposed that service performance contains delivery, customer satisfaction, problem solving and other relevant actions for the customer.

Simchi-Levi (2010) mentioned customer value as a concept which can accomplish the improvement of companies’ offerings and customers. According to Simchi-Levi’s analysis, companies should have deep understanding and mindset regarding:

- Why customers want their offerings
- Why customers are willing to buy their offerings as well as rebuy
- Why some customers defect from them
- What defected customers really want
- How they are satisfied by companies' competitors
- What kind of customers are the most profitable and have potential to increase the revenues for companies
- What kind of customers are the lowest profitable and keep consuming companies' resources without too much revenue improvement

Finally, Simchi-Levi (2010) defined customer value as...

“the way customers perceive the company's offerings, including products, services, and other intangibles”.

It is obvious that customers perceive their desired value from company's offerings which can be tangible products or intangible services. However, from the perspective of the companies, how to approach and capture more customers than their competitors is one of the urgent problems all the time. In order to fulfill the argument, Simchi-Levi proposed several dimensions to explain what customer perception could be:

- Product innovation
- Product selection and availability
- Price and brand
- Value-added services
- Relationships and experiences

According to Simchi-Levi, first of all, product innovation, product selection, and availability, as well as price and brand, can be deemed as essential dimensions for different companies because it is difficult to increase competitive advantages in those aspects. However, value-added services and relationships and experiences are more complicated features which can cause huge gap among different companies. Companies are going after an improvement in competitive advantages via providing unique services constantly. On the other hand, different companies have their own respective customer resources pool which cannot be imitated by competitors. To some extent, the customer perceptions are not easy to manipulate but possible to guide and operate.

Ala-Maakala and Liimatainen (2016) discussed the influence of customer value from the perspective of global competition and customer demand. First of all, they argued that increased global competition asks companies to make an adjustment in terms of prices, products, and service attributes. Then, the increased customer demand gives companies much pressure which pushes them to improve their service level constantly.

What is more, there is some literature mentioning that the objective of creating and keeping customer value is related to customer satisfaction and loyalty. Rauyruen and Miller (2007) argued that customer satisfaction comes from customer value and can affect the customer loyalty for companies. Some researchers stated the customer satisfaction has more functions that people usually focus on when evaluating the business outcome. (Malthouse et al. 2004). Other research thought discovering customer satisfaction is the foundation to obtain more business potential in the future in terms of customer loyalty, retention and profitability (Burnham 2003; Kassim 2001). Gilaninia et, al. (2013) referred to customer satisfaction is the precondition for companies to meet and keep in order to capture customer loyalty in the future.

Nevertheless, in terms of customers loyalty, Debonis et al. (2002) considered that customer loyalty means customers are willing to join the relationships with companies whereas they are possible to leave at any moment. Jones & Sasser (1995) thought more customer loyalty means more positive customer satisfaction. To some extent, the customer is also one of the most significant indicators of business offerings for companies. What is more, Gilaninia et, al. (2013) talked about offering high-quality products and services to customers constantly can create competitive advantages and improve customer loyalty.

Utami and Sadeli (2016) proposed that keeping customer value can improve customer loyalty. Meanwhile, they illustrated that companies can utilize customer satisfaction as a performance indicator which can keep companies working on the right track. Afterwards, Utami and Sadeli (2016) provided a conceptual framework to clarify the relationship between customer value, customer satisfaction, and customer loyalty. Figure 3 indicates their relationships.

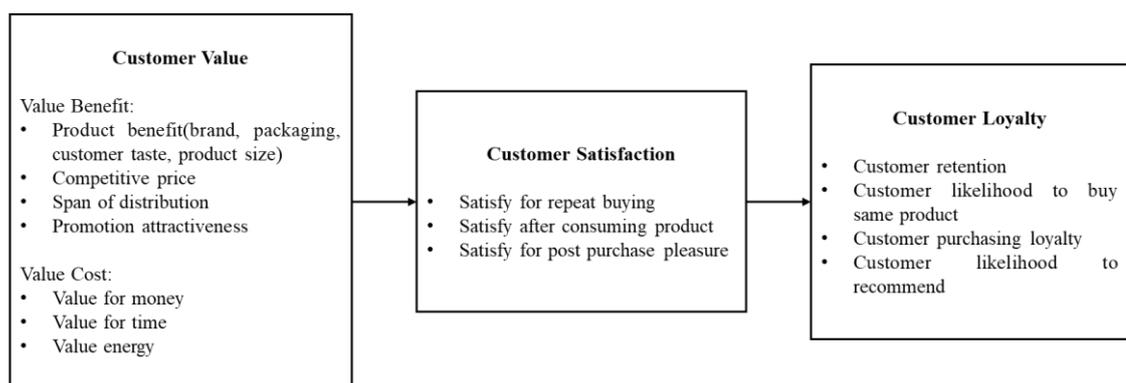


Figure 3. Relationships between customer value, satisfaction, and loyalty (Utami and Sadeli, 2016).

According to the illustration in Figure 3, firstly, the customer value consists of value benefit and cost. Value benefits identify the value that customers gain from company's offerings. For instance, product categories, size, price, channel and other attractive factors are all value benefits.

At the beginning of the chapter, customer value is defined as value perceived via customers based on the company's offerings such as products, services, and other intangibles. As a matter of fact, it is common to see that customers more focus on price rather than the value behind it. However, the clarification of the potential customer value usually comes from the salesperson. In other words, customers usually are not interested in the sales pitch, especially in B2C markets. However, Anderson et al. (2006) proposed that customer value proposition is one the most widely used terms in the B2B markets. In other words, the customer characteristics and behaviors are different from B2C markets in which business customers are more caring about the value proposition between both sides.

2.3 Customer Value Models

This section focuses on customer value models based on the literature review. In the previous section, customer value is defined as value perceived by customers based on the company's offerings such as products, services, and other intangibles. Menon et al. (2005) proposed a structure which describes customer value in B2B relationships. Figure 4 shows the customer value structure.

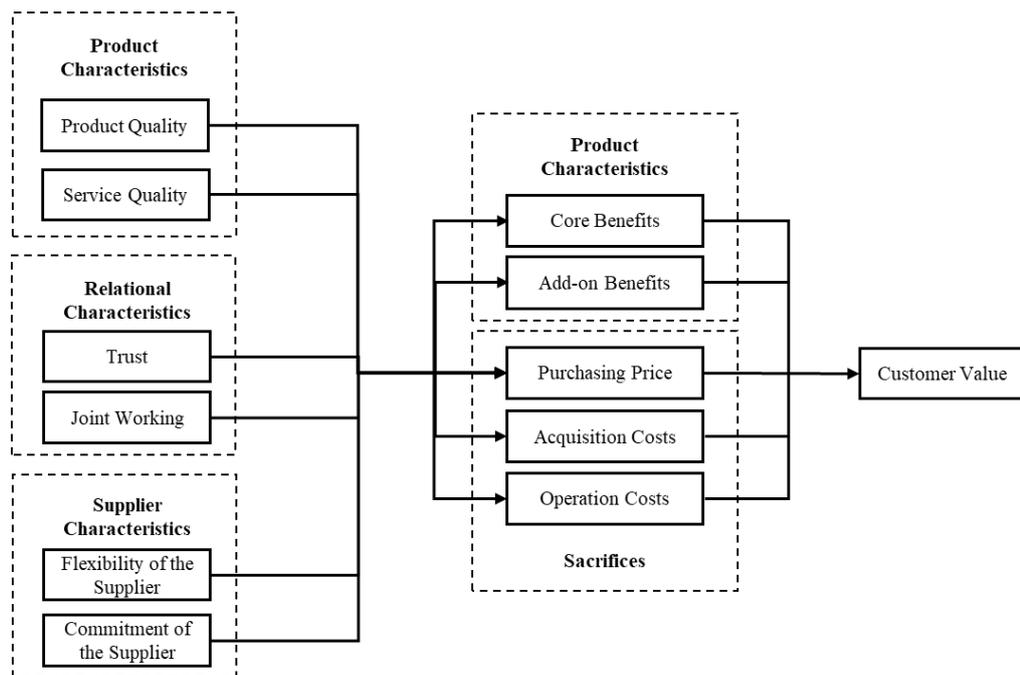


Figure 4. Customer Value in B2B relationships (Menon et al. 2005).

According to the demonstration in Figure 4, Menon et al. (2005) analyzed the customer value from the perspective of benefits and sacrifices in B2B markets. They divided benefits into core benefits and add-on benefits as well as separated sacrifices into purchasing price, acquisition costs, and operation costs. To some extent, sellers provide products or services with core benefits and add-on benefits for customers, whereas customers have to pay money for sellers to obtain that benefits. Nevertheless, all benefits and sacrifices are impacted by product characteristics, relational characteristics and supplier characteristics. For instance, quality of products can affect core benefits and add-on benefits. Customers sometimes would like to buy expensive products to last ten years rather than buy cheaper one which could be replaced in every two years.

As a matter of fact, it is common to see that customers more focus on price rather than the potential value of it. The clarification of the potential customer value usually comes from salespersons, but customers are usually not interested in the sales pitch, especially in B2C markets. Whereas, Anderson et al. (2006) proposed that customer value proposition is one the most widely used terms in the B2B markets. In other words, customer characteristics and behaviors are different from B2C sales in which business customers are more caring about the value proposition between both sides.

Similarly, Lyly-Yrjänäinen et al. (2010) mentioned a customer value model which applies total customer value, total customer cost and perceived customer value as measurements. Figure 5 is the demonstration of the customer value model.

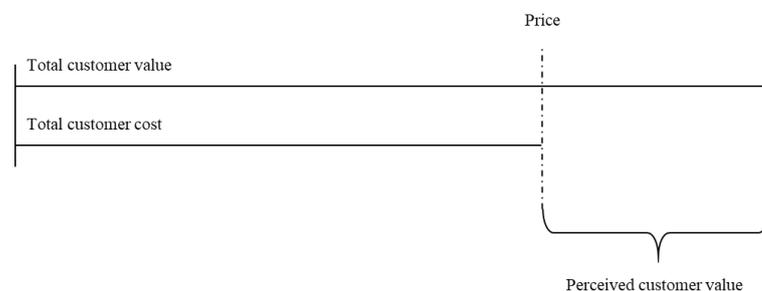


Figure 5. Customer value model (Lyly-Yrjänäinen et al. 2010).

According to the illustration in Figure 5, it is obvious that perceived customer value is equal to total customer value minus total customer cost. Lyly-Yrjänäinen et al. (2010) defined that total customer value is the monetary value of all offerings from the company. Meanwhile, total customer cost includes offerings' purchasing cost and outstretched cost after the payment of purchasing. For instance, when an airline company purchases a plane from airplane maker, the total cost includes not only the sales prices of the plane but also the fuel cost, maintenance cost, and other costs such as disposal cost. However, the total customer value is equal to the revenue that how much profit the airline company earns from end customers. In order to clarify the customer value model clearer, Figure 6 is the illustration of customer value model for the instance.

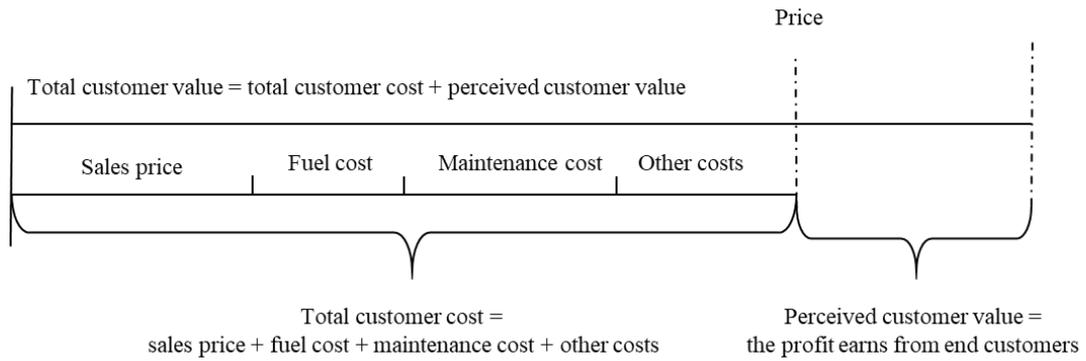


Figure 6. Customer value model for the instance.

In Figure 6, perceived customer value is the profit that the airline company earns from end customers. The perceived customer value can be deemed as the incentive of the airline company to purchase the plane from the airplane maker (Lyly-Yrjänäinen et al. 2010). Similarly, in this instance, the perceived customer value for end customers is they can reach anywhere they want through purchasing the airline tickets and enjoy relevant customer services.

According to aforementioned analysis, customer value is related to customer satisfaction even to customer loyalty. Yang (2003) introduced a model to illustrate the link between customer satisfaction and quality attribute of business offerings. Figure 7 is the importance-satisfaction model from Yang.

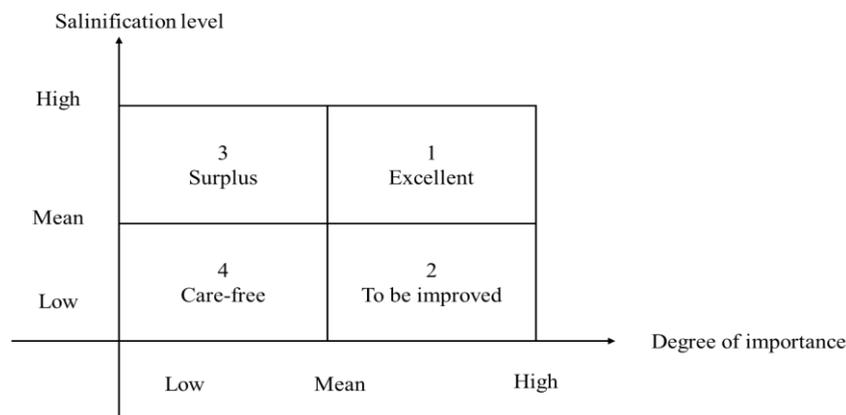


Figure 7. The Yang's importance-satisfaction model (Yang, 2003).

It is obvious to see that the model consists of a vertical and a horizontal dimension respectively. The vertical dimension means the satisfaction level of customers whereas the horizontal dimension means the degree of the quality attribute importance. From the perspective of the companies, they can adjust and improve their business offerings in terms of quality attributes. The coordinate is divided into four fields.

The most positive field is a field where customers think the offerings of companies are very important, and companies show up a great performance that is recognized via customers. However, if companies want to maintain those customers, they have to commit to keeping the quality attributes constantly.

Secondly, to be improved field means, from the perspective of customers, the quality attribute is important for customers but customer satisfaction is not good enough. In other words, the current company's offerings cannot fulfill the customer demand. Therefore, companies have to improve the quality attribute for their customers.

The third field is a surplus field that means the performance of the company's offerings is good but not right. In other words, from the perspective of customers, the degree of the quality attribute is not very important in this area whereas the effect of the offerings exceeds actual demand. To some extent, companies should consider decreasing the focus in this field and pay more attention to the area in demand.

The last field is the care-free area. In this area, there is the lowest customer satisfaction as well as the lowest degree of importance in terms of the quality attribute. From the perspective of the companies, it does not matter to keep it care-free where customers have no requirement in terms of the quality attribute in this area.

Although the importance-satisfaction is easy to be understood and can give tips to companies with regarding what should be improved and what is the objective of the action point, there is no specific solution in terms of how to correct them. Depending on the actual situation, companies should collect enough information to identify the position of the quality attributes beforehand.

In the past, customer satisfaction used to be considered as that the more customer demands are fulfilled in terms of quality attributes, the more customer satisfaction can be got (Yang, 2005). However, not all quality attributes are very helpful in terms of improving customer satisfaction (Matzler & Hinterhuber, 1998). Schvaneveldt et al. (1991) mentioned that there are some studies trying to connect both physical and psychological aspects of quality attributes which can be understood from the perspective of physical products and customer behavior respectively. Similarly, Kano et al. (1984) created a model to demonstrate known quality attributes from two aspects which are objective quality fulfillment and subjective customer satisfaction.

The well-known customer value model is proposed by Kano who proposed three value components. The model is mainly used in consideration in the process of development of new products and services (Khalifa, 2004). Figure 8 is the illustration of Kano's model with regards to customer value perception.

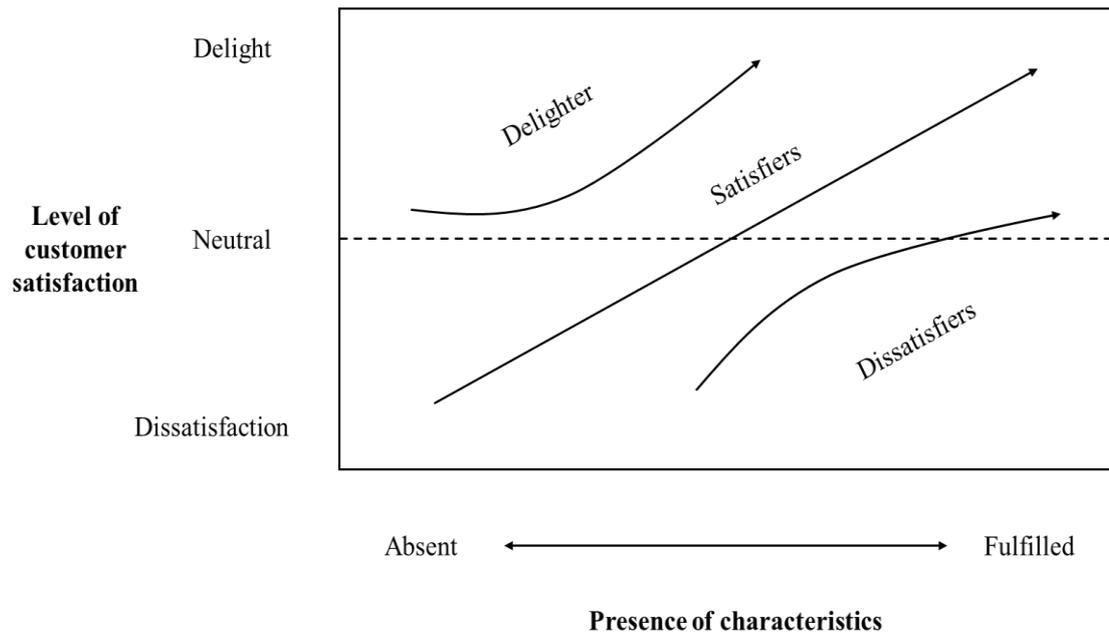


Figure 8. Kano's model with regards to customer value perception (Khalifa, 2004).

According to the illustration in Figure 8, the dimension is identified via level of customer satisfaction and presence of characteristic. The horizontal axis represents the presence of characteristic between absent and fulfilled as well as the vertical axis is level of customer satisfaction. The whole dimension includes three components of value which are dissatisfiers, satisfiers, and delighters respectively.

First of all, delighters are new or innovative characteristics that customers have no expectation. It is obvious that delighters are above neutral customer satisfaction which means there is no negative effect on the customer value perception.

The second characteristics, satisfiers, are paid attention to customers. Because the performance of products and services decides the customer satisfaction. When the products and services cannot fulfill the customer demand, the customer will be dissatisfied very much. Vice versa, when the characteristics of products and services are what customer want, level of customer satisfaction will be in higher degree.

Lastly, dissatisfiers are characteristics that totally the other side of delighters. Customers also have no expectation because those characteristics must be there and customer satisfaction level will be neutral level. However, when the characteristics of a product or service cannot fulfill customers' minimum demand, customers will be easily unhappy. To some extent, dissatisfiers can be regarded as characteristics that dare not hope for great accomplishment, but hope only to be free from mistakes.

2.4 Customer Value Assessment

In the last section, customer value models are proposed and used to visualize the truth behind it. Nevertheless, from the perspective of companies, it is not enough to understand what the customer value is. How to evaluate customer value could be deemed as another problem that companies are interested in. This section focuses on customer value assessment as well as demonstrating how to evaluate customer value.

Payne & Holt (2001) suggested that assessment methods of customer value can be considered from the perspective of customer satisfaction and service quality. In other words, customer value is proportional to customer satisfaction in which high customer value is equal to delight level of customer satisfaction. Therefore, customer satisfaction can be deemed as a strong indicator that can be used to predict customer buying behavior in the consumer market (Mittal & Kamakura, 2001).

On the other hand, from the perspective of service quality, customer value is largely regarded as a trade-off between quality and price (Keränen and Jalkala, 2013). Meanwhile, Keränen and Jalkala (2013) proposed a framework that contains main evaluating process in terms of customer value. Figure 9 shows the framework for customer value assessment.

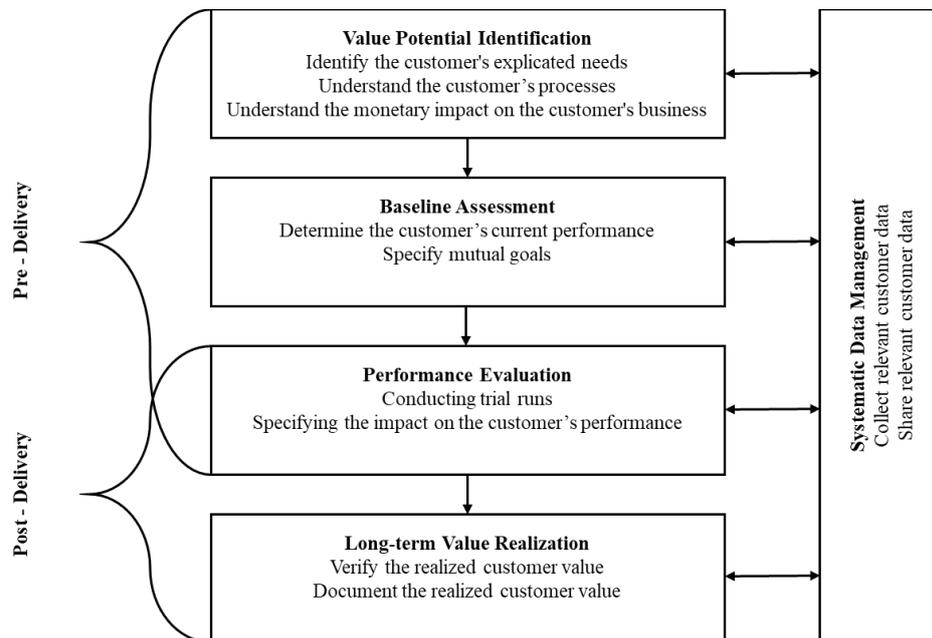


Figure 9. The framework for customer value assessment (Keränen and Jalkala, 2013).

According to a demonstration in Figure 9, the customer value assessment framework contains five main processes and dimensions which are value potential identification, baseline assessment, performance evaluation, long-term value realization and systematic data management respectively. First of all, value potential identification is the start of cus-

customer value assessment, which contains identifying the customer's explicated needs, understanding the customer's processes and understanding the monetary impact on the customer's business. To some extent, before officially approaching customers in B2B markets, companies have to figure out what customer demand is, what value can be provided to customers, what customer business process is as well as financial implications for customers.

Then, the next value evaluation process is baseline assessment which mainly consists of determining the customer's current performance and specifying mutual goals. The objective of baseline assessment is to evaluate customers' current situation and specify what customers want from the companies' offerings and what benefit the companies can obtain. For instance, there is an airline company whose passenger flow volume is 20000 people every day, but the working capacity of the company is only 15000 people per day. In order to solve the problem, the airline company decides to purchase 4 airplanes to satisfy passengers demand. At this moment, the goal of an airline company is to buy new planes to increase capacity and improve its market influence. On the other hand, the outcome of the airplane maker is to sell planes and earn profit from the airline company.

Performance evaluation is the third assessing process which includes conducting trial runs and specifying the impact on the customer's performance. The objective of the process is related to assess the actual value influence on customers businesses. Conducting trial runs means suppliers have a deep understanding of their offerings and know how the offerings can solve the problems for customers. Similarly, specifying the impact on the customer performance means how suppliers transmit the ideas to customers in terms of problem-solving and improvement.

The next assessing process is long-term value realization. There are two tasks in this process which are verifying the realized customer value and documenting the realized customer value respectively. The objective of the process is to ensure that customers have actually received the value analyzed in the previous stages. Suppliers need to invest time and resources to teach the customer how to operate efficiently and effectively. On the other hand, documenting realized customer value means suppliers have to figure out a way to visualize the perceived customer value in paper or other forms.

Lastly, systematic data management is the last step which also intersects the whole framework. The main tasks here is to collect relevant customer data and share relevant customer data in each step in real time. Suppliers collect relevant information from customers. For instance, customer feedbacks, comments, experience, suggestions and demand information are all helpful for suppliers to make accurate solutions to improve the level of customer satisfaction. Afterwards, the created solution and ideas will be delivered to customers to help the customers to solve problems. In order to demonstrate the relationship

between customer value model and customer value assessment clearly, Figure 10 shows how the framework works in perceived customer value evaluation.

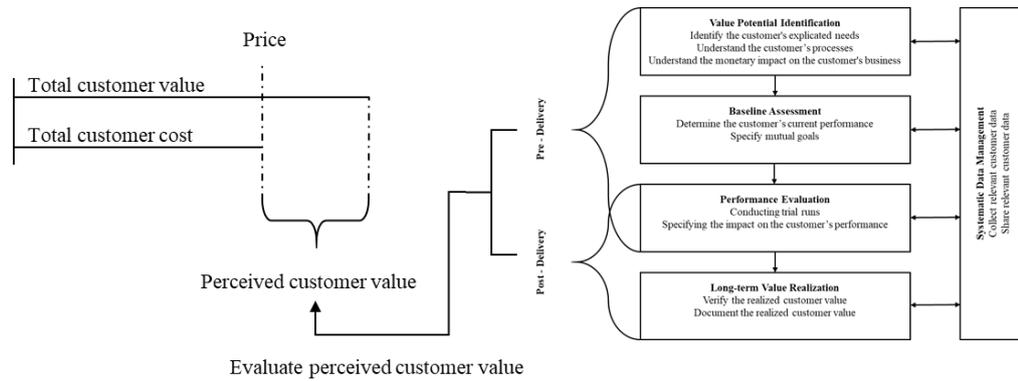


Figure 10. How the framework works in the perceived customer value evaluation.

According to the illustration in Figure 10, the framework can evaluate perceived customer value step by step. What is more, the framework also clarifies the link between the value of offerings and customer satisfaction. Companies can use the framework as a tool to provide perceived value to customers and let them know the benefits of the cooperation.

2.5 The Value of End Customers

Except for previous customer value assessment framework, there exist other methods evaluating customer value in different viewpoints. From the perspective of companies, good performance in perceived customer value means customers are satisfied with offerings and are willing to pay for the offerings. Therefore, the return of companies can be considered as an important indicator to evaluate the business success. In other words, the monetary value from customers can be deemed as a significant indicator. Zhang and Hu (2010) introduced a method which evaluates customer lifetime value from the perspective of customer income. They proposed four factors which can influence customer income significantly. Figure 11 is the demonstration of four factors.

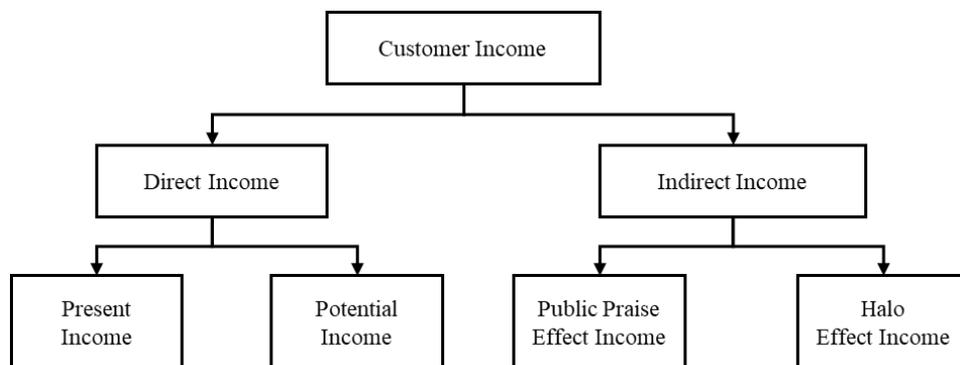


Figure 11. Four factors which can influence customer income significantly (Zhang and Hu, 2010).

In Figure 11, a key measurement of customer value evaluation is customer income which is the root node of the structure. It contains direct income and indirectly income based on the usage of suppliers' offerings. Then, present income, potential income, public praise effect income and halo effect income are the branches of the structure.

First of all, in terms of direct income for the customer, present income is the income that customers get from the usage of supplier's offerings. For instance, an airline company has bought a new plane from the airplane maker. The new plane has been operating for a year that the revenue of the airline company for the new plane is present income. Generally, present income can be understood as the income from customers in a fixed period.

Secondly, potential income is the value that companies can continuously obtain from customers via existing offerings. For instance, based on previous the airline company's example, the lifetime of a new plane is 30 years. It means there is 29 years left and potential income will be revenue in 29 years.

Then, in terms of indirect income for the customer, public praise effect income is intangible which means customer experience with regarding using suppliers' offerings. It can be understood as a brand effect which can create business opportunities for suppliers. For instance, the airline company has top-level flight experience and customer service where it always the first choice for business people.

Lastly, halo effect income is the potential income comes from new customers when existing customers utilize the products and services of suppliers, they will tell their families, friends or colleagues what their experiences are. Then, when their families, friends or colleagues have relevant demand, the positive recommendations will be the first options emerging in their minds. To some extent, the halo effect is very important in B2B markets which is more efficient than personal selling. However, the disadvantage is that is too hard to control for suppliers.

In this customer value assessment model, suppliers can consider customer income to evaluate the performance of their offerings. According to the illustration in Figure 9, direct income is the sum of present income and potential income, and indirect income is public praise effect income and halo effect income.

To some extent, this customer value model is more visualized and easy to demonstrate with monetary value. In order to visualize the relationship between the framework and customer value model, Figure 12 shows how the framework works with customer value model.

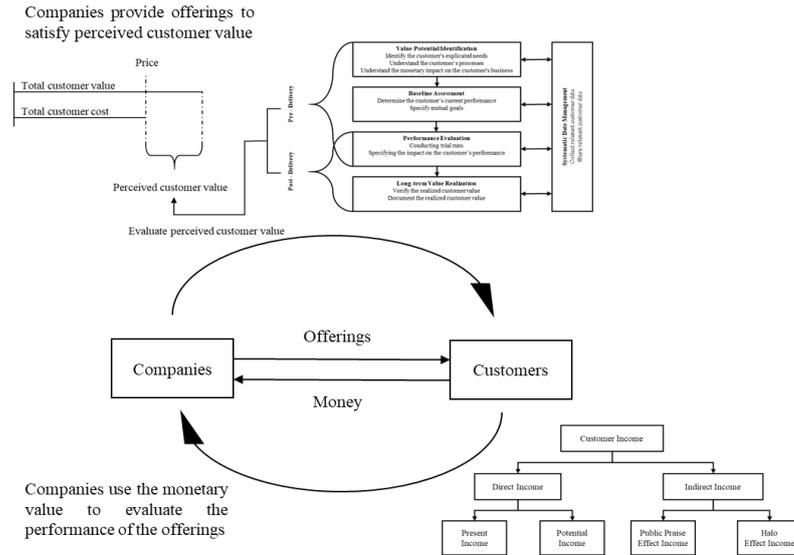


Figure 12. How the framework works with customer value model.

According to the illustration in Figure 12, customer value assessment model evaluates the performance of the perceived customer value, whereas the value of end customers represents the return from customers. In other words, the first assessment model focus on the whole sales process, and the other model only take care of how much monetary value can be got from customers. To some extent, the outcome of the business is outstanding for both sides. Therefore, from the perspective of companies, high income from customers means customers are satisfied with their perceived customer value.

In summary, customer value is a problem which needs to be recognized by supplier companies. Therefore, discussed two customer value assessment models could give some helpful advice for supplier companies. Through demonstrating and analyzing two different perspectives' customer value assessment models, the relationship between customer satisfaction and monetary value is clarified.

3. DISTRIBUTORS

3.1 Role and Responsibility of Distributors

Recently, with the development of markets, distributors are often broached and have become almost like arbiters or interceders who are responsible for managing products or services to enter the local marketplace, and to some extent, they dominate that marketplace (Dickson 1983). Candler (1993) mentioned that new market entrants sometimes are willing to prospect middle-tier distributors who acquire products or services from manufactory and in turn takes orders with that brand then delivers products or services to local retailers. Compared with directly installing sales offices in a new marketplace, the existence of distributors can help new market entrant start their businesses easily and cost efficiently.

Klosek (2007) mentioned it is valuable for an organization to build a strong relationship with a distributor because sometimes the distributor's longevity means a high value coming back to the organization. As a matter of fact, it is easy to consider in the mind that in some regions with strong cultural and high-density population, it is hard to enter the markets directly. Nevertheless, for such valuable potential markets, finding reliable distributors will be very helpful to start a business in that market segments. On the other hand, sharing the modest percentage of profit with distributors and to create more return is worthy.

In literature review with regards to the definition of the distributor, law (2016) introduced the distributor in the dictionary of business and management and dictionary of accounting as...

“...an intermediary, or one of a chain of intermediaries, that specializes in transferring a manufacturer's goods or services to the consumers”.

According to the definition, distributors can be deemed as the middlemen who connect both manufacturers and retailers to accomplish product delivery and information transmission. What is more, distributors are also actual operators in distribution process in the supply chain. Skjøtt-Larsen et al. (2007) proposed that distribution as a process provides the link between production and markets. Through literature review, Black et al. (2017) defined the distribution in a dictionary of economics...

“... as the process of moving goods and services from producers to final consumers, via a network of wholesalers and retail shops”.

As a matter of fact, distribution as one of the processes is usually discussed in global supply chain management, in which companies consider connecting manufacturer and retail customer. Aitken (1998) once created a structure with regards to supply chain which illustrates the position of the distribution in the global supply chain network. Figure 13 is the role of distributors in the global supply chain.

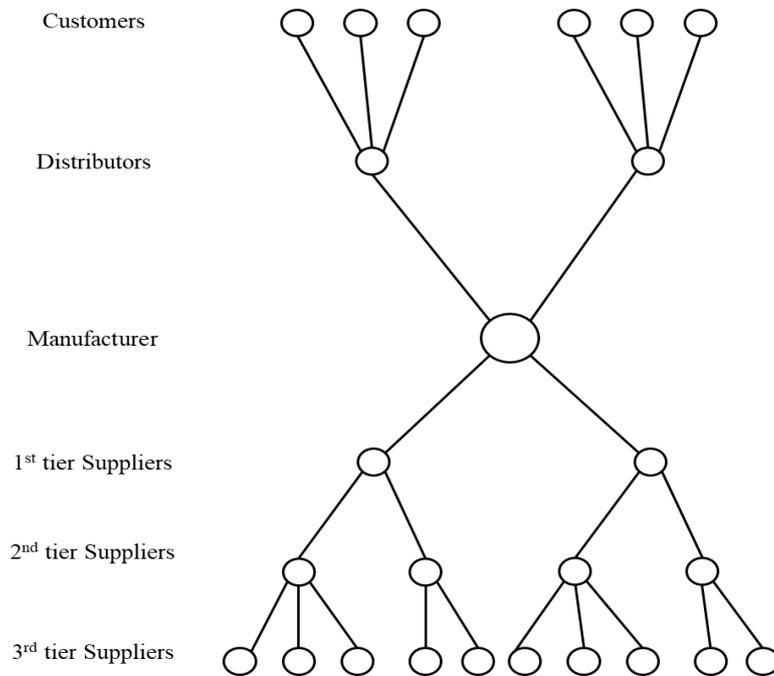


Figure 13. The role of distributors in the global supply chain (Aitken, 1998).

According to the demonstration in above figure, distributors are the middleman between manufacturers and customers. The tasks of the distributors are to deliver products and services from manufacturer to customer as well as collect order information from customers to manufacturers. What is more, besides those duties, distributors as members of the network are also responsible for providing market information from customers to initial suppliers.

Stewart (2008) mentioned that business process of most distributors flows two steps. One step is that all products or services come from producers and finally deliver to retailers. The other step is cash from revenues of retailers and will go back up to hands of the producer. During the business process, distributors will get modest percentage remuneration. Nevertheless, Stewart (2008) also emphasized the major problem for distributors is payment term for retail customers. The distributor is not willing to wait for the verification of credit-card companies if retail customers pay via their credits. To some extent, it is the reason why distributors sometimes look like indisposed to extend credit to new credit customers.

Cavusgil et al. (2014) proposed a more precise framework that indicates role and responsibility of distributors in the international business. According to their framework, role and responsibility of distributors and other stakeholders can be clarified very clearly. Figure 14 shows the role and responsibility of distributors in alternative distribution approaches.

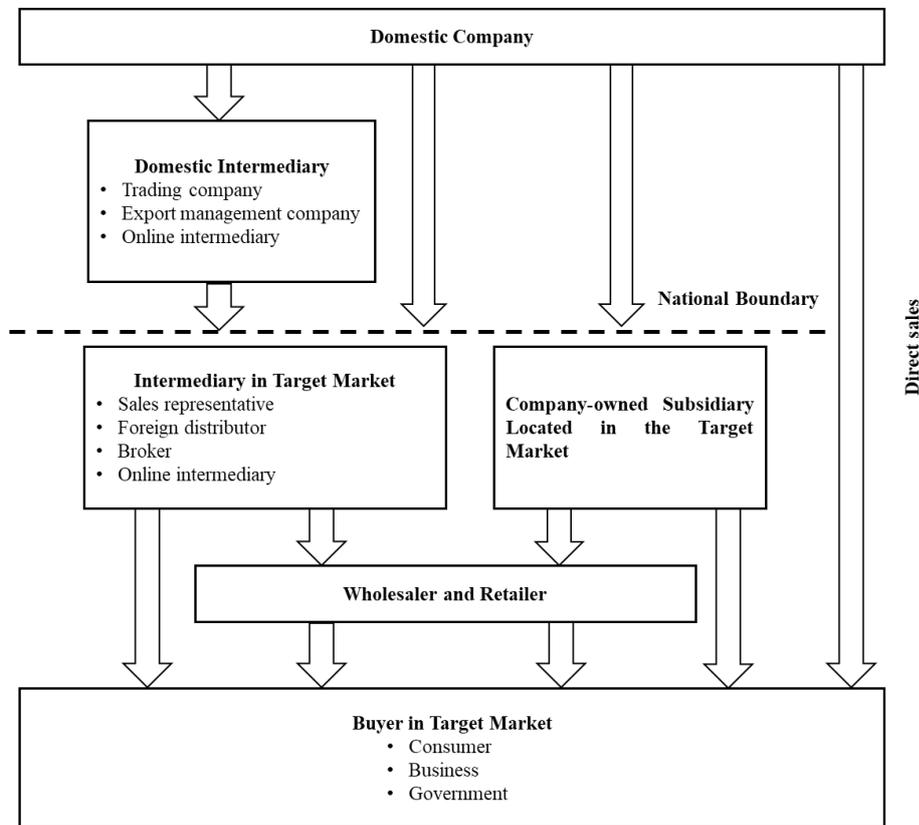


Figure 14. The role and responsibility of distributors in alternative distribution approaches (Cavusgil et al. 2014).

According to the illustration in Figure 14, the distributor is one of the foreign intermediaries existing in the target market. To some extent, distributors have same role and responsibility as a sales representative, broker and online intermediary. They all get offerings from domestic companies or intermediaries, or they have opportunities and capabilities to approach end customers directly. What is more, they can select to cooperate with wholesalers and retailers in target markets who will take care of follow-up works.

As a matter of fact, there are some other approaches for the domestic companies to accomplish globalization such as direct sales or building local offices. However, compared with cooperating with intermediaries in target markets, the cost and risk have a significant impact. In other words, finding local distributors to sell products and services from the exporter can minimize risks for all participants.

Nevertheless, the objective of the paper is to study the cooperation between companies

entering new markets and distributors in target markets. Via combining both structures, the difference between two structures can be analyzed more clearly. Figure 15 shows the difference between two structures for distributors.

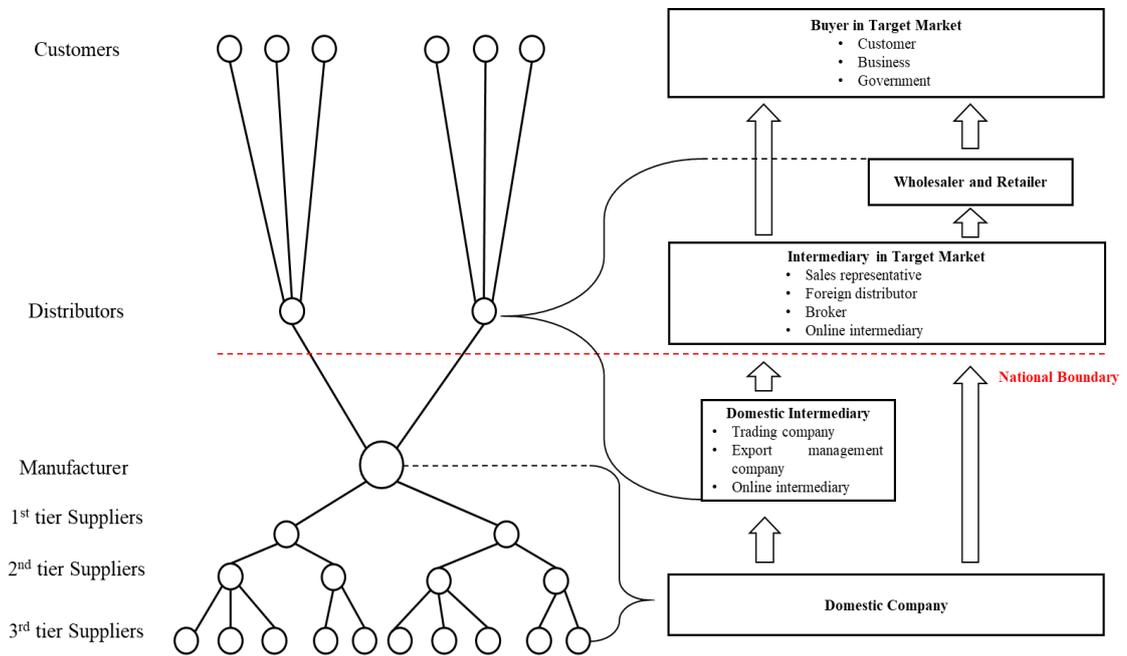


Figure 15. The difference between two structures for distributors.

According to a demonstration in Figure 15, firstly, the domestic company consists of all suppliers and the manufacturer domestically. Then, in the distribution process, there are many options for the domestic company. For instance, the distribution process can be taken care of via the domestic company alone or hire a domestic intermediary. In the second way, the cost of entering new markets will be increased whereas the domestic company just listens to the command of the domestic intermediary.

Similarly, intermediaries in target markets can select to approach end customers directly or cooperate with local wholesalers and retailers. However, the difference will be illustrated in sales prices for end customers. In other words, if distributors cooperate with local wholesalers and retailers, the cost will be added to final sales prices.

In summary, distributors are actual operators in process of distribution in global supply chain network. The roles and responsibilities of distributors have connected both manufacturers and customers in order to accomplish the replacement of products and information. The ideal consequence is customers got the products and service they want as well as manufacturers and distributors obtain the profit margin they pursue.

3.2 Distribution Process in International Business

In the previous section, distribution was defined as a part of process existing in global supply chain network. The objective of the distribution process is to accomplish the products and information transmission mutually. As a matter of fact, there are different operating processes to distribution in international markets.

Skjøtt-Larsen et al. (2007) argued that main issues in distribution process are related to local discrete distributors and more centralized distributors who could be the best service provider for local sales. Picard (1983) proposed four basic distribution models between manufacturers and customers which respectively are:

- Classical system
- Transit system
- Direct system
- Multicounty distribution center system

First of all, the classical system means local distributors are responsible for management of the whole distribution process from the exporter to customers completely. In addition, local distributors have to hold the inventory locally and delivery the products to customers. Figure 16 is the illustration of the classical system in international distribution.

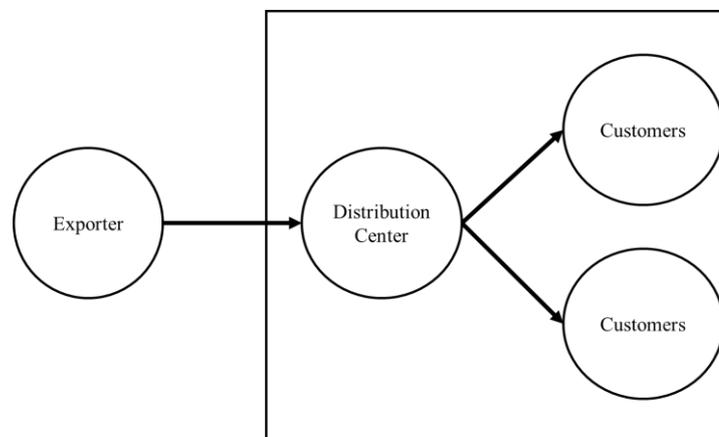


Figure 16. The classical system in international distribution (Picard, 1983).

It is obvious that local distribution center is the only channel which connects customers and the exporter coming from abroad. What is more, the local distributor is able to take care of the businesses from local suppliers if there is demand. According to Skjøtt-Larsen et al. (2007), this system is a typical model applied via most companies in Europe at the end of 20th century.

The next international distribution system is transit system. Compared with the previous typical system, there is a higher-level distribution service provider who links the local

distributors and the exporter from another territory. Figure 17 is the illustration of the transit system in international distribution.

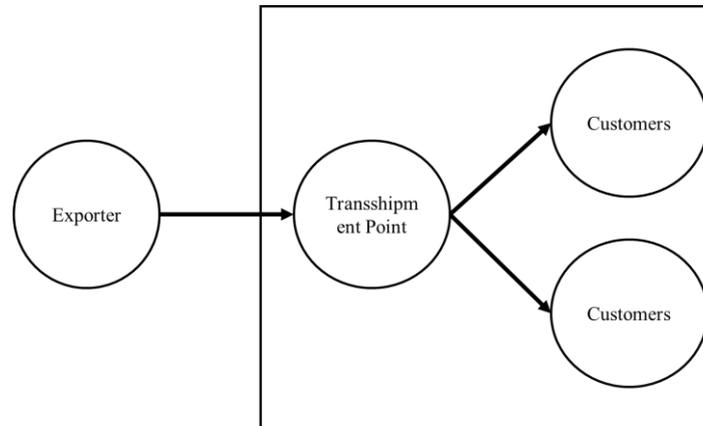


Figure 17. The transit system in international distribution (Picard, 1983).

According to a demonstration in Figure 17, there is a transshipment point in target markets. The main tasks of the transshipment point are holding inventory and fulfilling orders from customers. The transshipment point is usually controlled by a third-party service provider who unloads products from the exporter as well as delivers products to customers.

The third international distribution system is a direct system which is different from previous two models. Products and services are moved from the exporter to customers directly. The whole process does not need intermediary and inventory holder anymore. Figure 18 is the illustration of the direct system in international distribution.

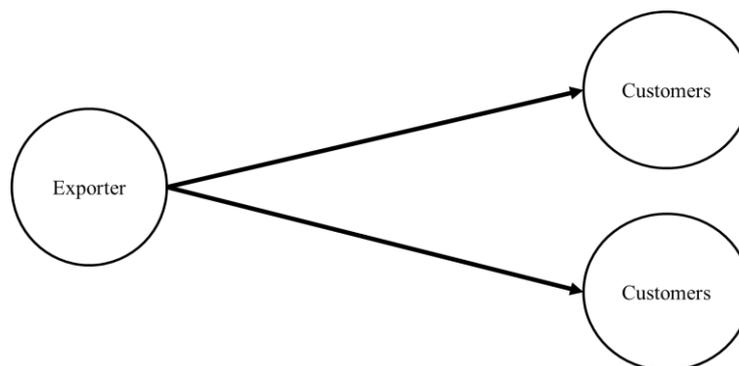


Figure 18. The direct system in international distribution (Picard, 1983).

It is obvious that the system is very simple. No local distributor or higher-level distributor exists between the exporter and customers. The delivery of products and services are taken care of by one of them such as the exporter or customers. Skjøtt-Larsen et al. (2007) mentioned the system is common to use in Europe where it is easy to operate for most multinational companies as well as resulting in lower cost and time-saving.

The last system is the regional distribution system. It uses a regional distribution center in a fixed territory where can fulfill the requirement from several neighboring countries. Similarly, the regional distribution system is common to see in Europe or North American because of its advantaged trade conditions and policy support such as European Union and North American free trade agreement (Skjøtt-Larsen et al. 2007). Figure 19 is the illustration of the multicounty distribution center system in international distribution.

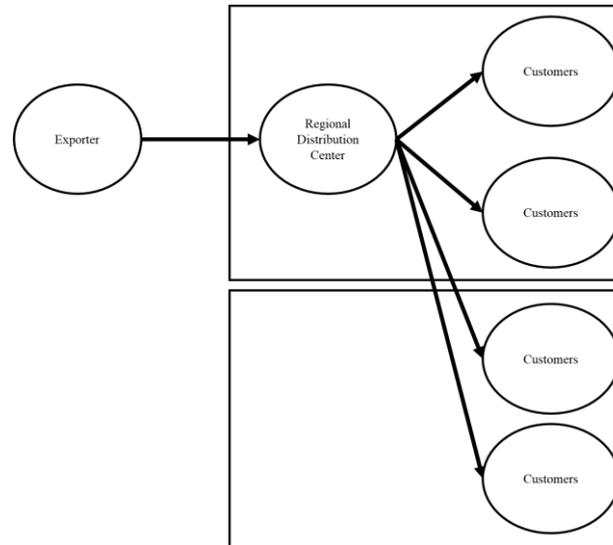


Figure 19. The multicounty distribution center system in international distribution (Picard, 1983).

According to the demonstration in Figure 19, the regional distribution center locates in a fixed place. It can take care of customers in different territories. For instance, a regional distribution established in Sweden can fulfill the business demand from Finland, Norway, Denmark and other Baltic Sea countries. Compared with establishing a distribution center in each country, the regional distribution system can accomplish cost-efficient and effective in a big picture.

In summary, aforementioned four basic distribution systems have different operating procedures within the same target, which can accomplish the movement of the product from the exporter to local customers. However, all proposed distribution systems are often used in traditional industries within specific territories and physical products. In other words, if the products are intangibles, it is no sense to argue about where is the best place to establish a distribution center.

Encyclopedia Britannica (2018) proposed that the whole economic activities can be divided into two classifications: goods and services which are tangible and intangible respectively. First of all, tangible goods-manufacturing industries include agriculture, min-

ing, manufacturing, construction and other physical products. However, in terms of service industries, all products cannot be touched but existed in other forms such as banking, communications, wholesale and retail trade, all professional services such as engineering, computer software development, medicine, nonprofit economic activity, all consumer services, all government services, including defense and administration of justice.

In literature, recently, a large number of articles is gradually focusing on service marketing in knowledge related continued development (Boksberger and Melsen, 2011). According to the statement of Britannica (2018), the service industry is a part of the economy making profits via intangible objects. For instance, banks can provide money deposit and loan transaction services to their customers. Nevertheless, money usually comes from the people's salary and directly transfer to a personal bank account where is no tangible operations and products needed. Minna-lanz et al. (2013) stated that service business has been deemed as an integral part of industrial business portfolios via Finnish materials and engineering competence cluster and Finnish ministry of employment and the economy. It means the boundary between tangible and intangible industries are no longer clear to separate them. To some extent, the business market positioning of service industries has been as significant as traditional industries.

Lay et al. (2009) mentioned that in B2B markets, a common trend in manufacturing industries is that they are looking for new business development orientation which is from manufacturing industry players to service providers. In other words, manufacturing companies are considering changing their strategies and building new business development direction (Neu and Brown, 2005, sourced from Lay et al. 2009). Patterson and Spreng (1997) proposed professional business services should include a range of management consulting services which is marketing, market research, human resources management, strategic planning, information technology, logistics, and financial planning respectively.

According to the aforesaid discussion, the distribution process for intangible products and services would be different from traditional industries. According to Skjøtt-Larsen et al. (2007), e-commerce as a new concept that can create big changes in the distribution structure and process. E-commerce usually contains a website in which has online order system. Customers can fill in their orders online. Then, manufacturers or distributors will deliver products and services to customers directly.

3.3 Cost Structure in Distribution

This section focuses on the cost of distributors in the international business. According to information in previous sections, distributors are the actual operators in process of distribution in global supply chain network. As a matter of fact, distributors sometimes are

more powerful than exporters. Dickson (1983) argued that distributors have become arbiters in the distribution channel in which they decide what products are able to enter the marketplace. One of the possible reasons could be distributors have certain market shares who dominate target market. They do not want to take risks to bet their valuable market share. To some extent, local distributors not only have to take pressure from local competitors but also there are threats coming from overseas.

Nevertheless, government intervention can be deemed as the second main reason why local distributors are powerful. Lü et al. (2012) proposed that international economy is unequal among different countries because of political trade protection. In other words, from the perspective of government, protecting and ensuring the balance of the domestic market are always the top priority. It is the reason why local distribution providers receive high levels of benefits within lower-earning and less-skilled characteristics.

In the marketing area, developing a cost model has an important impact because cost information can be deemed as a powerful tool for measuring the effectiveness and efficiency of marketing activities. Meanwhile, it is also can be used to approach proper strategic pricing levels (bobby, 2007). In order to study how to allocate the cost into global supply chain process, Harrison and Hoek (2014) showed an example concerning cost structure of a product comparing to its total price. Figure 20 is the illustration of the cost structure of the example in the global supply chain.

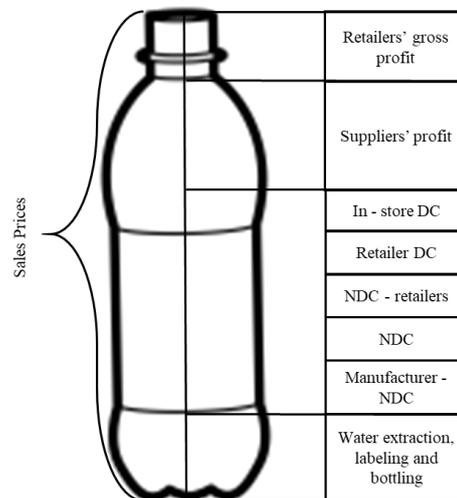


Figure 20. The cost structure of the example in the supply chain (Harrison and Hoek, 2014).

According to the demonstration in Figure 20, it is obvious that total price mainly consists of manufacturing costs, transport costs, supplier profit and retailer gross profit. First of all, in this case, manufacturing costs mainly contain the cost of extracting water from the original place, detecting, purifying, labeling and bottling. In other words, manufacturing costs include all direct cost for manufacturers.

Then, the second part of the cost is transport costs. Generally, transport costs contain the whole costs in transportation from manufacturers to retailers. According to figure 21, the whole transport costs consist

- Cost of transportation from manufacturer to suppliers' national distribution center
- Cost of inventory in suppliers' national distribution center,
- Cost of transportation from suppliers' national distribution center to retailers' regional distribution center,
- Cost of inventory in retailers' distribution center
- Cost of transportation from retailers' distribution center to final retailers

The third and fourth parts of the cost structure are supplier profit and retailer gross profit. According to Harrison and Hoek (2014), all indirect costs and relevant costs, as well as profits, are left there. The indirect costs include manufacturers' indirect cost, suppliers' indirect cost, and retailers' indirect cost. Based on that information, a more detailed cost structure could be made to study the integrated cost structure. Figure 21 is the more detailed cost structure.

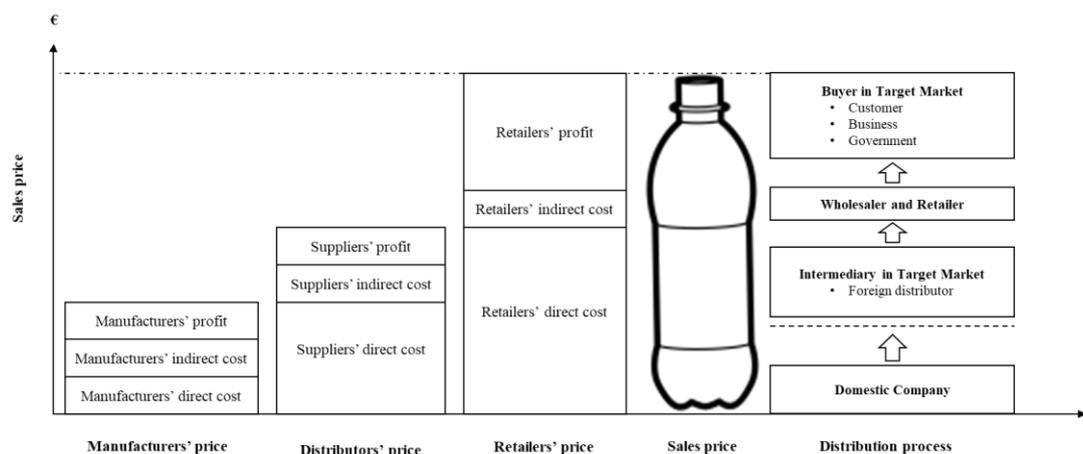


Figure 21. More detailed cost structure.

According to the demonstration in Figure 21, in supply chain network, manufacturers, suppliers and retailers have their own total costs and profits. For manufacturers, their sales prices for distributors include their total costs and profits. Then, the sales prices will be deemed as the direct costs for suppliers such as inventory holders, national distribution center and other relevant distributors. Before those suppliers deliver products to retailers or retailer's regional distribution center, there exist suppliers' profits. Lastly, the sales prices from distributors will be deemed as the direct costs for local retailers who will add their indirect costs and profit as final price for end customers.

In a word, from the perspective of distributors, their costs mainly come from the international import and their final profit will be the difference between total costs and sales

prices for retailers. Generally, each party in the supply chain network has a specific profit margin as a percentage. However, there is a problem that in the target market, aggressive retailers could raise the price to increase their own profit margin which could hurt the benefit of local distributors (Dickson, 1983). Figure 22 is the illustration that retailers rise sale prices and hurt the benefits of distributors.

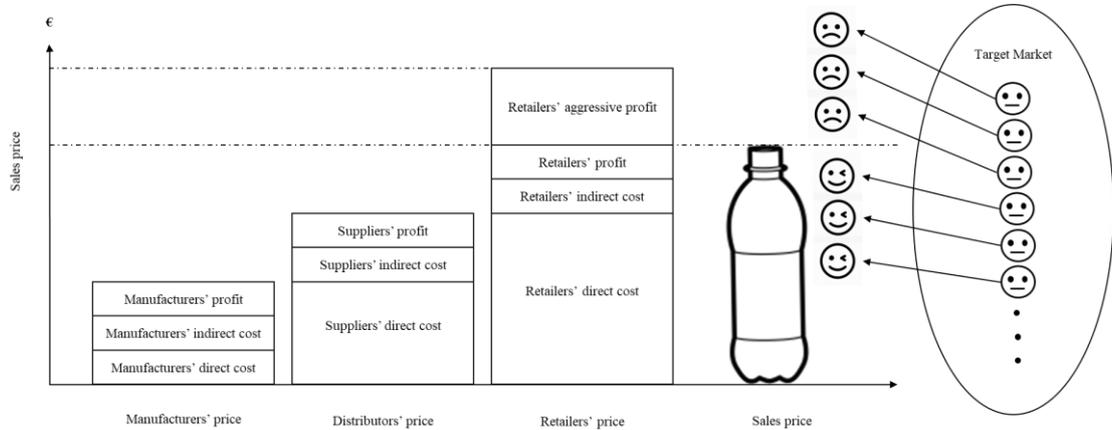


Figure 22. Retailers rise sale prices and hurt the benefits of distributors.

In figure 22, end customers cannot accept unreasonable price increase in the target market. The consequence will be aggressive retailers destroy the market equilibrium and upset the customers for a single bill. A part of customers could be kept at the normal price level. When the market share of products cannot satisfy distributors' minimum demand, distributors will end the cooperation and find other business opportunities. However, for manufacturers, the brand will be shamed because of what retailers did.

In summary, developing a cost model has an important impact because cost information can be deemed as a powerful tool in terms of measuring the effectiveness and efficiency of marketing activities. Meanwhile, the cost structure of supply chain network can help new market entrants approach right local distributors within proper strategic pricing planning. However, the whole process could be risky because of the behavior of the aggressive retailers. To some extent, when new market entrants want to cooperate with local distributors, it is hard to start cooperation until indicating enough benefits in their cost structure.

3.4 Choosing a Distributor

When a company chooses a distributor to spread its business, the challenge is how to find a right distributor who is able to provide the help to satisfy the demand of the company (Candler 1993). According to the discussion in previous sections, the basic sales process for a distributor is buying products or services from manufacturers then reselling to retailers. However, Cavusgil (1983) argued that it is the most difficult part of the distribution process in which selecting a right distributor to do the best job in that market. From the perspective of the manufacturers, good distributors can help them open local market

and approach more customers with their products and services. For customers, distributor background can provide relevant details and tell them which manufacturer can be trusted as a partner. In terms of approaching right distributors for manufacturers, Cavusgil (1983) introduced that...

“...identifying attractive foreign markets and their export potential and selecting, training and evaluating the performance of foreign distributors are the most important tasks of export marketing research conducted by firms considering entry into the international market”.

Based on aforementioned problem identification, Cavusgil (1983) proposed a three-step screening process that can be used as a tool in terms of how new market entrants to approach right distributors in international markets. Figure 23 is the demonstration of the three-step screening process.

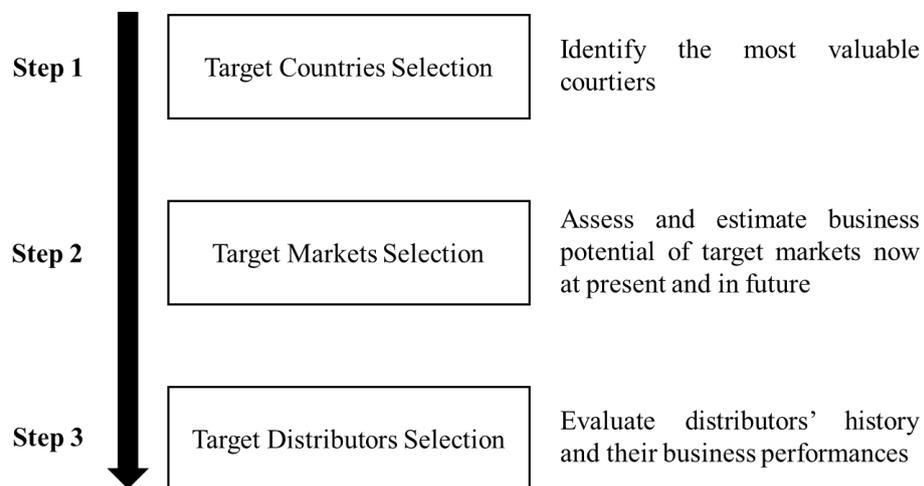


Figure 23. Three-step screening process (adapted from Cavusgil, 1983).

According to the demonstration in Figure 23, the first step is target countries selection. New market entrants or foreign companies should select the most attractive and highest business-potential countries. Through gathering information with regards to physical characteristics and economic characteristics, including overall wealth, gross national product, income distribution, expenditure patterns and foreign exchange situation, foreign companies could have an initial impression for different countries. The screen and selection could be based on such parameters. Nevertheless, political characteristics, culture and geographical factors are worth to study especially in terms of customer behavior and trade restrictions.

The second step is target market selection. Through assessing business potential of industrial markets in each foreign country, foreign companies can get a list that what the business potential assessment is in each country and what the estimation is in the future. In addition, existing market statistical data and other helpful data can be used to screen and select target markets.

The third step is target distributor selection. Foreign companies need to assess distributor candidates' sales potential in countries which passed the first two steps. The main standards for distributor candidates are market share and profitability of export sales which must be scrutinized.

What is more, Candler (1993) mentioned that for a manufacturer, a basic eligible distributor generally can offer many services such as a warehouse for products inventory as well as advertising and promoting them. For instance, in order to advertise manufacturer's products or services, the distributor would like to publish catalogs like brochures to retailers.

In order to overcome the difficulties for manufacturers, Candler pointed out the best way to choose a good distributor according to the analysis of Lalonde (adapted from Candler, 1993):

- talk to the distributor's customers
- talk to the distributor's competitors
- whether the distributor is knowledgeable
- check the credit of the distributor in terms of the bill payment

Bernard discussed, first of all, through talking with customers of the distributor, the company can recognize what about the reputation of the distributor. If the distributor treats his customers not well, the collaboration will be catastrophic. Then the company can try to talk with his competitors with respect to whether the distributor is a good and honest rival. In order to establish a long-term relationship, collaboration should be based on the context of mutual trust.

The third aspect is concerning specialist degree of the distributor. Bernard emphasized that a good knowledgeable distributor can help company recognize its specific market segment effectively within cost-efficiency. Sometimes a valuable small-business practice can create much more profit compared with a huge investment which needs time to cover its return on investment. The last element is a credit of the distributor. To some extent, it is the most important factor for most companies when they begin to consider a partner. If a distributor has terrible behavior in the aspect of paying bills, it is very dangerous to work with him. As a matter of fact, normally the distributor is far away or has high entry cost for the manufacturer. If the distributor cannot pay revenue back in time, the manufacturer cannot maintain its normal business then pay more human, physical and financial resources for loss of distributor.

In conclusion, choosing a right distributor is a significant and rational decision in terms of business expansion. When qualified distributors are decided, the performance of qualified distributors could be used to indicate the outcome of business-expansion companies. As a matter of fact, it is difficult to promise the qualified distributors are willing to cooperate. In B2B markets, if new market entrants cannot refer to enough benefits to local distributors, qualified distributors could refuse the cooperation advice. At this moment, the new challenges will emerge.

4. VALUE PROPOSITION FOR DISTRIBUTORS

4.1 Problems between Companies and Overseas Distributors

In the previous chapter, customer value proposition and distributors' characteristics have been analyzed at a deep level. This chapter will focus on how to apply the knowledge in customer value proposition to solve problems in the distribution process. The objective of the chapter is discussing existing problems in distribution process and figure out how to solve those problems.

Since 1991, the development of world export trade has risen significantly (World Bank, 1996, adapted from Morgan and Katsikeas, 1998). To some extent, internationalized activities can bring more benefits for foreign companies who regard the whole world as their markets. Morgan and Katsikeas (1998) proposed that many industrial manufacturers are inclined to enter international markets to obtain more revenues and profits gradually. What is more, they introduced that competitive awareness of companies has a significant change in the domestic market where they also deem local competitors as foreign competitors. In other words, under the pressure of domestic and international competition, there is no sensibility with competitors in front of total market share.

Cavusgil (1983) identified five common problems for foreign companies with regarding selecting right distributors in target markets which are respectively:

- The problem of distributors who are loaf and make little effort to sell products and services of exporter's products
- The problem of differences in motivational factors between countries
- The problem of excessive markups by distributors
- The problem of distributors who derive power from the ruling government
- The problem of turnover within the distributor's organizations

The first problem for foreign companies is related to the attitude of distributors in terms of selling products and services to suppliers. In target markets, distributors will replace new market entrant to take care of relevant sales activities. However, for local distributors, the new market entrant is only one of the partners in its business. If the benefit of the cooperation is not attractive enough, distributors are not willing to invest resources into the sales. From the perspective of local distributors, they are looking for the highest business potential rather than pay the same attention to all business activities.

Secondly, the problem of differences in motivational factors between countries can be regarded as problems coming from culture effect. Cavusgil (1983) discussed that in some

countries, non-financial incentives are more appropriate than money. In other words, culture characteristics are sometimes very important but easy to be neglected. To some extent, it is easy to irritate people in target market if foreign companies violate local culture especially in terms of religion.

Excessive markups by distributors are the third problem for foreign companies. Sometimes, local distributors will increase sales prices to pursue higher profit. The consequence is it will give a bad name to suppliers as well as their products. In the previous section, the halo effect was introduced which is more efficient than personal selling in B2B markets. Nevertheless, the disadvantage is it is too hard to control by suppliers. For this problem, the consequence is irreversible for foreign companies.

The fourth problem is that distributors could derive power from the ruling government. Lü et al. (2012) proposed that international economy is unequal among different countries because of political trade protection. In other words, from the perspective of government, protecting and ensuring the balance of the domestic market are always the top priority. It is the reason why local distribution providers receive high levels of benefits within lower-earning and less-skilled characteristics.

The last problem is concerning turnover within the distribution organizations. Cavusgil (1983) argued that each capable distributor generally has a core individual who is able to make deals in local markets. However, the risk is when the new market entrant and local distributor lose the special person, the business network could be devastated. It is also a problem for local distributors in terms of how to retain core business men as competitive weapons.

In summary, all aforementioned five problems are based on the facts and significant for foreign companies as well as for distributors in target markets. It is why most managers consider selecting a proper distributor being one of the most complicated steps in the distribution process. Correspondingly, the benefits behind all aforementioned problems are immeasurable for foreign companies.

4.2 Perceived Customer Value for Distributors

In order to mitigate the negative effects in terms of supplier-distributor problems mentioned in the previous section, managers of foreign companies are always careful when they select distributor candidates. Some powerful foreign companies finally decide to enter new markets by themselves which can totally avoid aforementioned problems. However, they have to pay higher costs to cover all activities in target markets. For other global companies who are not powerful enough, how to select potential distributors in target markets is a very important step in the distribution process.

Based on the introduction in Chapter 2, distribution as one of the processes is usually discussed in global supply chain management, in which distributors connect manufacturer and retail customer. Just like other members of supply chain network, distributors have their own customer value proposition compared with other stakeholders. Figure 24 is the demonstration of customer value in the whole supply chain network.

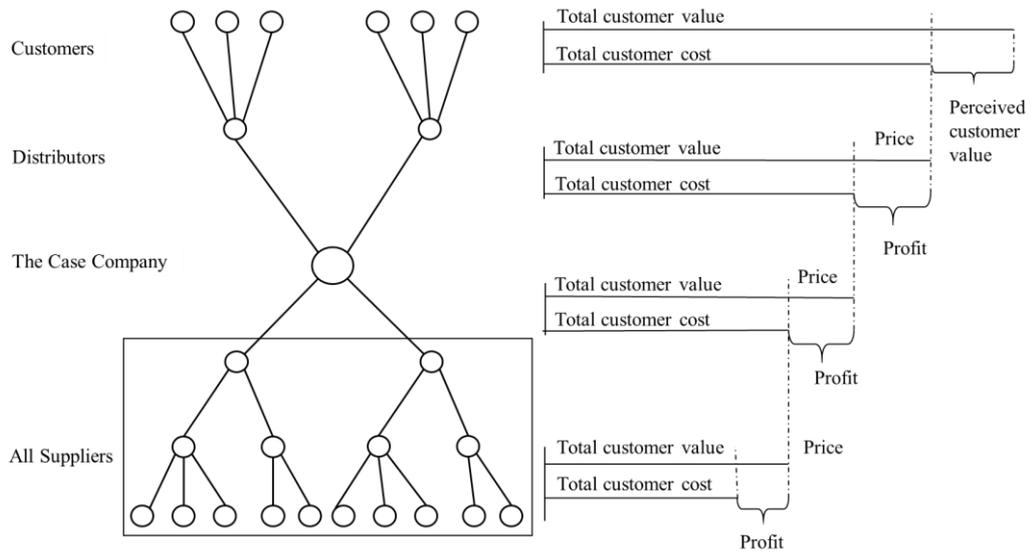


Figure 24. Customer value in the whole supply chain network.

According to the demonstration in Figure 24, all stakeholders have their own customer value structures from the perspective of the value proposition. As a matter of fact, indirect costs are not considered here. It means total customer costs here is equal to purchasing costs of products and services. Meanwhile, total customer value is equal to the sum of total customer cost, profit, and perceived customer value.

From the perspective of manufacturers, they are focal firms who purchase raw material from relevant suppliers and transform into final products. Therefore, its total costs consist of direct costs and indirect costs. To some extent, indirect costs of manufacturers usually have a significant impact on profits. Figure 25 is the customer value structure for manufacturers.

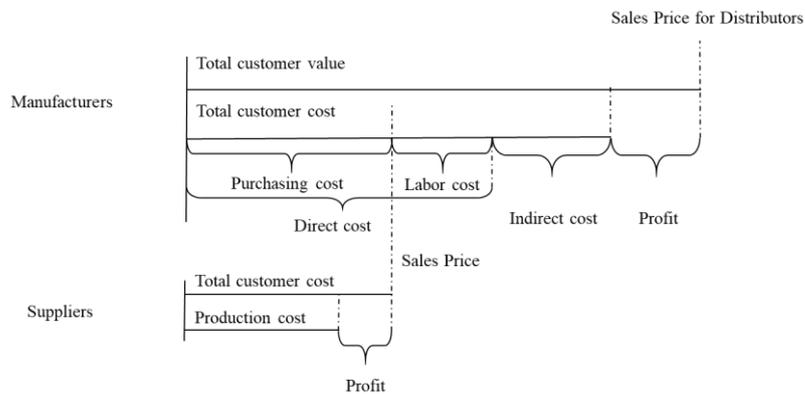


Figure 25. Customer value structure for manufacturers.

It is obvious that for manufacturers, the purchasing costs for raw material is only one part of total customer costs. They still have to pay salaries for labors who operate equipment and transform raw material into final products. Indirect costs here include inventories costs, administration costs, delivery costs and others. Then, the total costs plus target profit will be the final sales prices for distributors. In B2B markets, it is common to see that manufacturers would like to increase production efficiency to decrease total manufacturing costs. Meanwhile, manufacturers have more negotiation power in terms of raw material purchasing which can significantly decrease total costs.

However, the customer value model for distributors is a little bit different. Compared with manufacturers, distributors have no labor cost. The main tasks for distributors are purchasing final products from manufacturers then resell those products to retailers as well as end customers. Figure 26 is the demonstration of detailed customer value model for distributors.

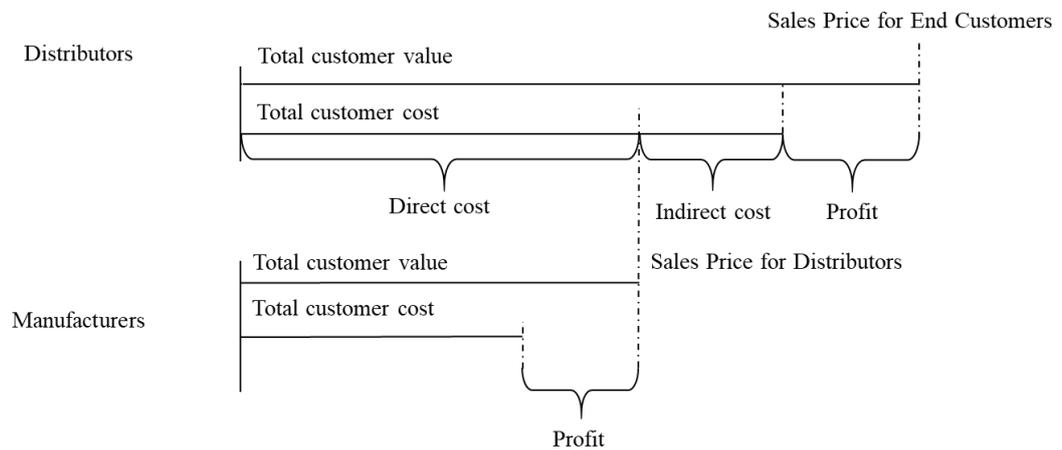


Figure 26. Detailed customer value model for distributors.

According to the illustration in above figure, the direct cost is equal to purchasing cost for distributors. Then, costs of inventory, operating, loading, unloading, delivery can have deemed as factors in indirect cost. What is more, the promotion costs are also regarded as an indirect cost of distributor's total customer costs. Afterwards, the next part is profit. In a word, the sum of direct cost, indirect cost and profit is the sales prices for end customers.

To some extent, from the perspective of distributors, they usually have strong negotiation power in sales prices for manufacturers. One of the possible reasons is they have to invest more resources than manufacturers in product promotions. In addition, based on the competitive situation in B2B markets, when the sale prices for end customer are at the same level, lower cost of purchasing means higher profit for distributors.

4.3 How to Convince Distributors via Perceived Customer Value

After distributors' customer value is clarified, the next step is how to approach qualified distributor candidates via the perceived customer value. Neale and Bazerman (1992) proposed that the negotiation is a decision-making process existing in different organizations who depend on each other with the different perspectives. At this very moment, the main challenge is how foreign companies convince distributors to start cooperation.

Dooly (2011) proposed 100 ways to convince customers from advertising psychology to neuromarketing. Dooly argued that neuromarketing includes "*behavioral research and behavior-based strategies*". In other words, before salespeople officially approach customers in markets, they have to study what customer behaviors are, what they are thinking and how their brains work. Those 100 ways can be summaries in 14 sections. Table 2 shows the details of 14 sections.

Table 2. The details of 14 sections (Dooly, 2011).

	Name of Way to Convince Customers
Section one	Price and product brainfluence
Section two	Sensory brainfluence
Section three	Brainfluence branding
Section four	Brainfluence in print
Section five	Picture brainfluence
Section six	Loyalty and trust brainfluence
Section seven	Brainfluence in person
Section eight	Brainfluence for a cause
Section nine	Brainfluence copywriting
Section ten	Consumer brainfluence
Section eleven	Gender brainfluence
Section twelve	Shopper brainfluence
Section thirteen	Video, TV, and film brainfluence
Section fourteen	Brainfluence on the web

It is obvious that 100 ways contain tangible operations and intangible influence. From the perspective of intangible influence, the main logic is to transmit the ideas that are significant for customers. For instance, the price is very straightforward for customers. If customers cannot afford costs of products, it is no sense to talk about the brand and other characteristics. Then, from the perspective of tangible operations, all mentioned operations can be operated via substances such as paper, picture, writing, video and TV. Customers can approach ideas via tools which are more visualized than an oral statement. As a matter of fact, in B2B markets, it is common to see that most foreign companies use

both tangible operations and intangible influence to convince business customers to cooperate.

The ideal outcome of a negotiation is both parties' needs and interests can be satisfied. To some extent, bargaining power is a nonnegligible weapon determining which side can win the mission. However, as new market entrants, foreign companies need to confront a variety of counterattacks and barriers from target markets as well as from local distributors.

Therefore, it is not easy to convince a distributor without enough temptation. Nevertheless, perceived customer value for distributors can be used as a powerful weapon to increase negotiation power for companies. Figure 27 illustrates that how to use perceived customer value as a weapon to convince qualified distributors.

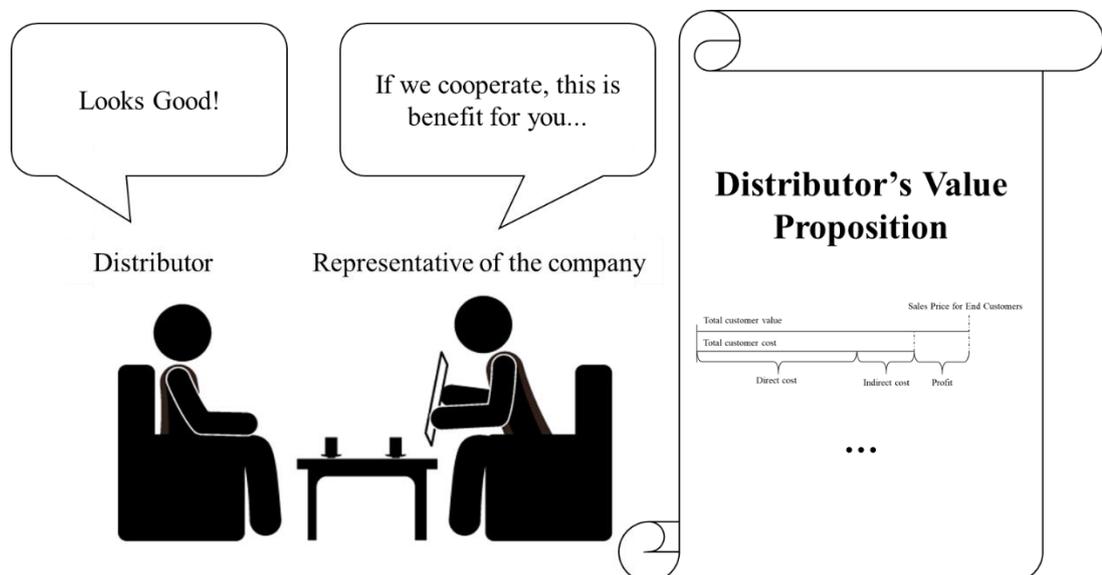


Figure 27. How to use perceived customer value as a weapon to convince qualified distributors.

According to the illustration in Figure 27, distributor's perceived value is not only visualized but also formalized by salespeople from the new market entrant. In the customer value proposition, the distributor's direct cost, indirect cost and profit are clarified in numbers. Compared with only communication in verbal, the distributor can perceive their benefit in cooperation as soon as possible.

In order to obtain perceived distributor's value proposition, foreign companies have to investigate target markets beforehand. The objective of market research in the target market is analyzing business potential, studying customer behavior, visualizing the outcome of research, and reporting in the documentation. In other words, more accurate perceived

customer value can be defined, more negotiation power can be got.

Nevertheless, when foreign companies identify distributor's perceived value in paper, it does not mean the negotiation will succeed. As the discussion in the previous section, one problem is distributors are loaf and make little effort to sell products and services of companies' products. If the benefit of the cooperation is not attractive enough, the distributor is not willing to invest too many resources into the sales. From the perspective of local distributors, they are looking for the highest business potential rather than all businesses. Therefore, foreign companies can provide more evidence and support to help distributors approach customers in right market segment. Figure 28 shows how foreign companies support distributors to touch end customers.

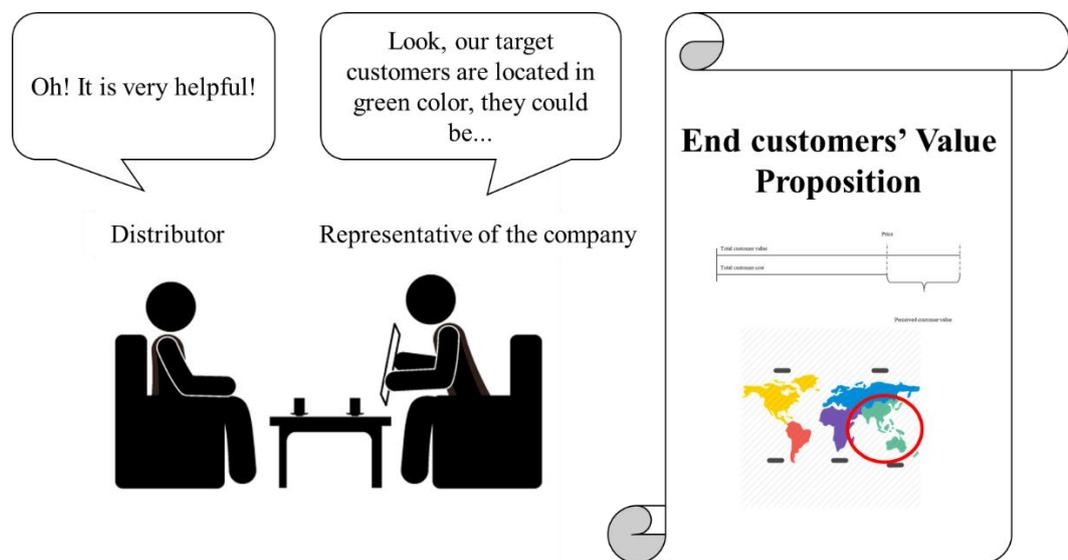


Figure 28. How foreign companies support distributors to touch end customers.

In Figure 28, the new market entrant makes a specific market research with regards to who could be right end customers in the target market. Through market research, foreign companies can identify customer segments for their products beforehand. Then, the summarized information can be provided to the distributor when they are selling. From the perspective of the distributor, such end customers' value proposition can be applied in B2C sales. To some extent, distributors can save a large number of resources in identifying proper end customer in the target market. Meanwhile, distributors salespeople can provide modified end customer value proposition to end customers when they are in the B2C sales process.

In a word, with the help of formalized perceived customer value, foreign companies can demonstrate perceived value to distributors in numbers, which can capture distributors interests. Meanwhile, the perceived value for end customers can be provided to right dis-

tributors in their sales process. To some extent, the objective of the framework is to eliminate potential problems for distributors and enhance negotiation power of foreign companies.

4.4 Distributors' Value Assessment

The objective of customer value models is used as tools to convince qualified distributors to cooperate with foreign companies. To some extent, customer value models can indicate company's value and distributor's value in numbers which is more visualized. Nevertheless, customer value assessment can be also used as a weapon by foreign companies to hold on to hands of hesitated distributors.

According to analysis in Chapter 2, customer value assessment is used to illustrate relationships between customer satisfaction and monetary value. Foreign companies can make value assessment from the perspective of distributors beforehand. Then, in the formal negotiation, the result of value assessment will be utilized if distributors are still hesitant at the end. Figure 29 shows how salespeople of a company use the report of customer value assessment to convince a distributor to cooperate.

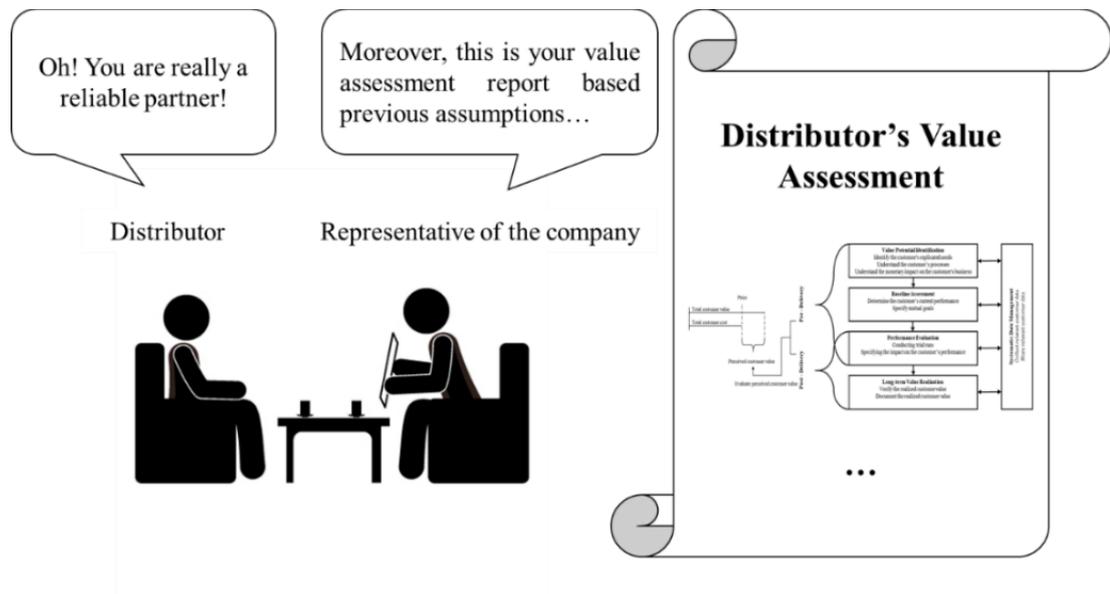


Figure 29. How salespeople of a company use the report of customer value assessment to convince a distributor to cooperate.

According to Figure 29, after demonstrating perceived value proposition and end customers' value proposition to the distributor, the new market entrant can provide the value assessment report to distributors. In this report, the new market entrant analyzes the business potential of cooperation. To some extent, the customer value assessment framework illustrates how to assess customer value step by step. Meanwhile, the framework

also clarifies the link between the value of offerings and customer satisfaction.

Then, the new market entrant can consider using the value of end customers as the fourth weapon. Compared with customer value assessment, the new market entrant can show the business potential of the cooperation to distributors in numbers. Figure 30 shows how to use the value of end customers to convince distributors.

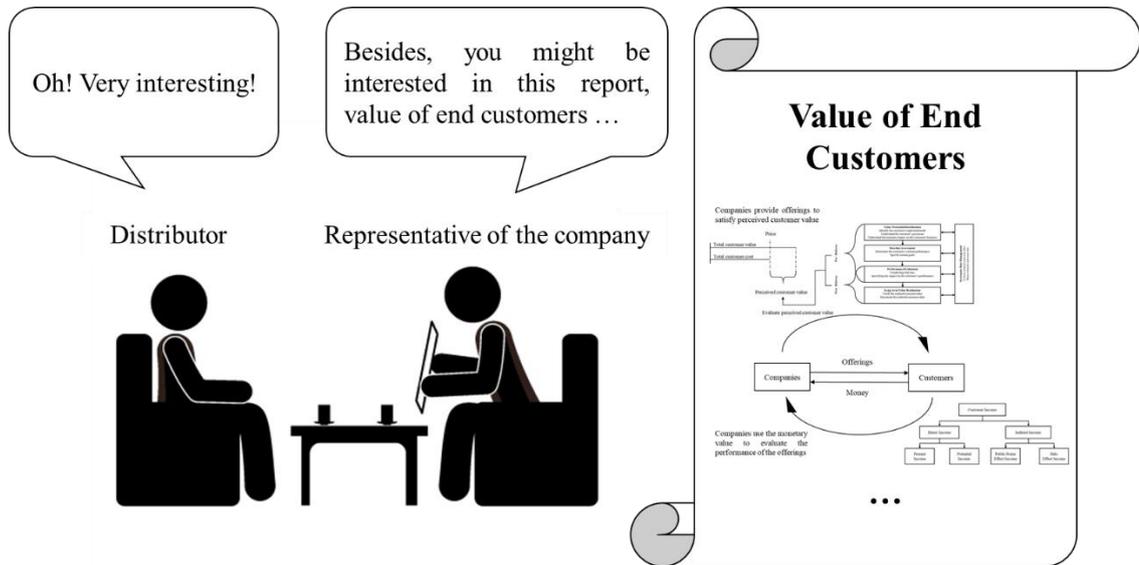


Figure 30. How to use the value of end customers to convince distributors.

According to Figure 30, in the value of end customers, customer income will be deemed as the indicator to evaluate the performance of offerings. For instance, based on the market research and previous assumptions, the supplier can identify the value of direct and indirect income in terms of present income, potential income, public praise effect income and halo effect income for distributors. In other words, distributors can be attracted via customer value in numbers which is based on rational assumption. Compared with the previous framework, the second customer value model is more visualized and easy to demonstrate with monetary value.

In conclusion, according to all aforementioned analysis, a systematic process is identified. For companies entering new markets, they can follow steps in the negotiation process to attract qualified distributors. The objective of the process is that companies will be able to convince qualified distributors to cooperate with them as well as be motivated in future sales. Figure 31 is the demonstration of the systematic negotiation process.

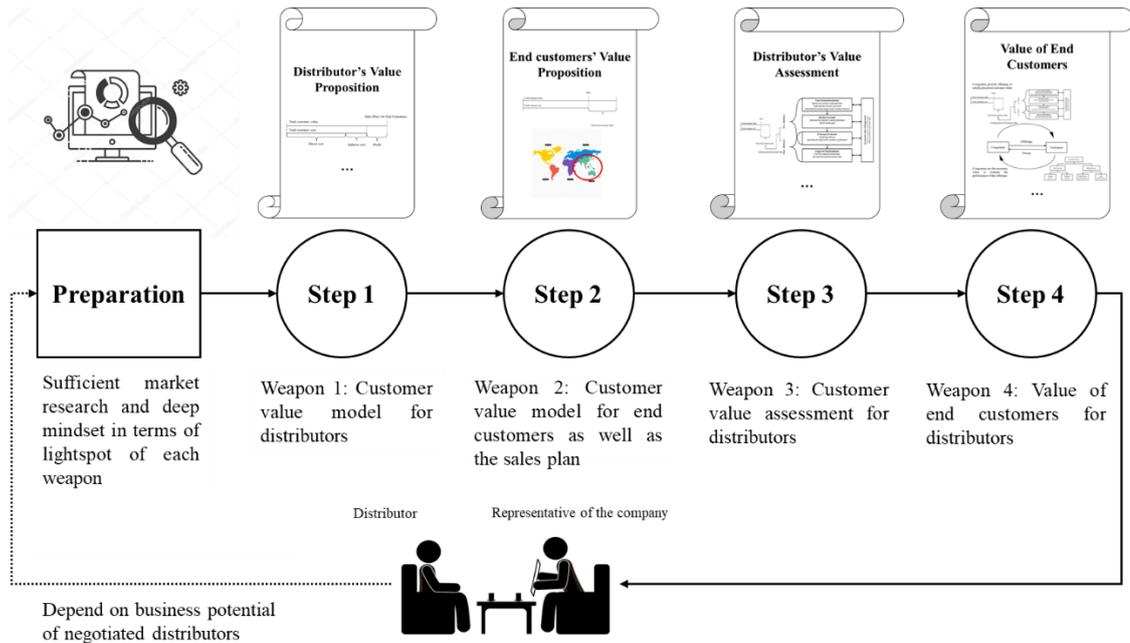


Figure 31. The systematic negotiation processes.

According to above demonstration, the first step in the systematic negotiation process shows distributors value proposition. Distributors can capture the idea how much they can get. The outcome is to allow distributors to perceive their benefit of the cooperation in time and be interested in.

Then, when distributors express that they are interested in the proposal, new market entrants can show the second weapon that is a sales strategy. It contains who will be target customers in new markets and where the customer segments re. The outcome is to save distributor's time and effort in terms of sales strategic planning. To some extent, it will spend some resources for new market entrants but the return is worthy.

Thirdly, if distributors are still hesitant in terms of total cost of the cooperation, new market entrants can take out the third weapon to show the customer value assessment based on the assumption. The assessment will tell distributors what current value is, what potential value will be.

The last weapon is the value of end customers. It will tell distributors the business potential of the cooperation in numbers. At this moment, it is time for new market entrants to evaluate attitude and courage of distributors who have considerable business potential or not. If distributors still hesitate, new market entrants can consider moving focus to other distributor candidates.

5. THE CASE COMPANY

5.1 Introduction of Case Company

The case company is not only a professional tour operator but also a local travel counseling provider in Tampere, Finland. It was established in 2016 with the support of the Tampere municipal government, education, travel and commercial economic development bureaus. The case company was also built with the support of Microsoft venture fund based on its policy. The founder is experienced who has been working in Nokia and Microsoft for more than ten years.

According to the business strategy of the case company, target customers are Chinese visitors. It means all products are designed and worked for Chinese customers. However, for the case company, it is too far away from Finland and China. As a new market entrant, the case company decides to cooperate with distributors to start a business in China. Meanwhile, in order to approach more potential customers, the case company established a local office in Shanghai in 2017 in which can handle relevant counseling work and follow-up services. The subsidiary is basically under the management of case company in Finland.

As a professional Chinese-Finnish tour operator, the objective of case company is to be an intermediary to connect Finland and China in terms of education, culture, businesses and other relevant resources. The main public resources are in Finland. However, for customers who have more specific destinations in terms of the itinerary, the case company can design exclusive travel plan for them. Meanwhile, according to customer demand, case company is also capable to provide relevant travel service in other surrounding countries. Figure 32 indicates the business capabilities of the case company.



Figure 32. The business capabilities of the case company.

It is obvious that the business capabilities of case company can extend to most countries surrounding the Baltic Sea. The business focus is in Finland as well as other Scandinavian area. When end customers have relevant demand, for instance, they would like to visit central Europe, the additional customized travel plan will be made with its corresponding quotation.

Since the case company is the first tour operator established in Tampere Finland, its business philosophies concentrate on quality, integrity, profession, creation and make perfection more perfect. With the support of Finnish public administrations, all unique competitive advantages are the main elements which will make the case company lead to success as soon as possible. Figure 33 indicates business philosophies of case company between Finnish resources and Chinese market.

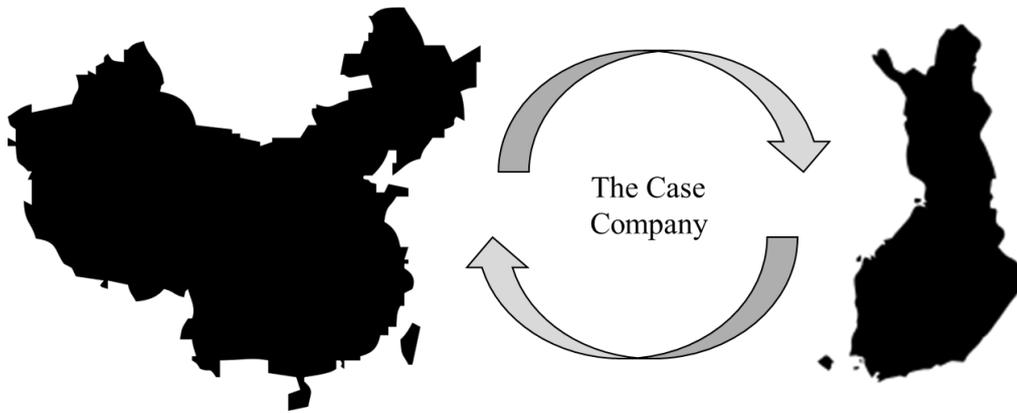


Figure 33. Business philosophies of case company between Finnish resources and Chinese market.

According to a demonstration of above figure, the case company can be deemed as the bridge which can accomplish the resources replacement between China and Finland. On the one hand, Chinese people can visit Finland via the case company to accomplish their personal targets. For instance, the unique Finnish landscape is one of the most irresistible reasons. The case company designs relevant travel plans as well as formalizes the plan into tourism products. Chinese people who are interested in Finland can contact the case company any time. When the number of people who are interested in the same product reaches the minimum requirement, the case company will schedule a pleasant travel.

On the other hand, from the perspective of the Finnish government, the entrance of large numbers of Chinese visitors can create more revenue for the country. Tourism economy as one of the most important economic section has a positive impact on most countries. At the same time, Finnish culture and resources can be brought back to China via Chinese visitors especially in terms of business investment. The best-known example is Finnish education which is deemed as the most famous education system in the world. For some

Chinese universities, it is a good opportunity to visit some Finnish Universities and research center to investigate. It also can create business opportunities for Finnish education. The outcome is Chinese universities can cooperate with Finnish universities to train students together as well as relevant investment in terms of education. As a matter of fact, a large number of Finnish universities has built cooperative relationships with Chinese universities in the different professional field. And currently, the focus of education begins to move from universities to primary and secondary schools as well as kindergartens.

5.2 Company's Offerings

Currently, the main offerings of the case company are travel itineraries and corresponding tour operating services in Finland. Its travel itineraries can be divided into four categories which are study tour, business travel, theme travel and tailored tours respectively. According to actual demand, end customers can find introductions of all aforementioned products and contacts in the case company's website. The case company will provide scrupulous services to customers in order to let customers perceive the most interesting products. Figure 34 is the illustration of four types of travel itineraries of the case company.

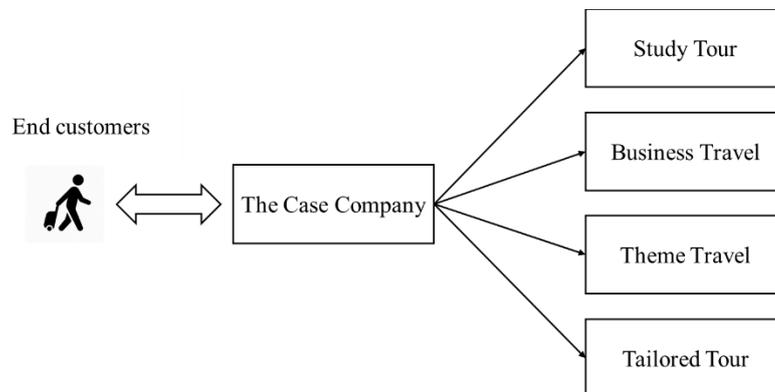


Figure 34. Four types of travel itineraries of the case company.

According to the demonstration of different travel itinerary, first of all, study tour means to study abroad for a fixed term. The target customers could be not only students in primary and secondary school but also adults. Generally, students and adults have to be separated into different groups when they sign up. However, sometimes there are parents who would like to participant in the study tour with their children.

In order to fulfill different customer demand, the case company designs different study tours with a different topic. For instance, the topic of a study tour for students is usually relevant to Finnish education and campsites. However, for adults, the topic will be more related to Finnish history and investigation of local schools. They will have opportunities

to communicate with Finnish educator to discuss the difference in education between China and Finland. The duration of study tour could be long-term, middle-term and short-term. Generally, it is common to see that local students can study two to four weeks in foreign schools. Figure 35 shows different topics of the study tour.

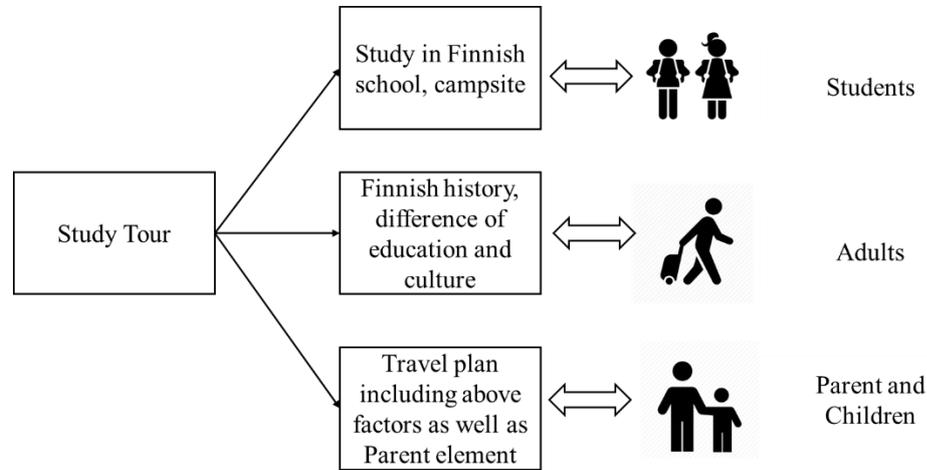


Figure 35. Different topics of the study tour.

According to the demonstration in above figure, as a new concept, study tour is gradually understood and accepted by more and more Chinese families in last few years. Parents are willing to pay for the journey that their children are able to go abroad to experience foreign education and expand horizons when they are in teenage. The overseas journey generally in summer or winter when children are in the holiday. In other words, children have enough time to take participant in the journey without any negative impact for their studies in China.

With regarding study tour in Finland, Chinese students are able to study in local primary or middle-high school several days with Finnish students. In the period, communicating with Finnish students and teachers will be the most attractive point. In addition, the case company will arrange a Chinese teacher who will be professional in terms of teaching and language in Finnish, English, and Chinese. The Chinese teacher can handle any problems between Chinese students and Finnish students as well as local teachers. What is more, the Chinese teacher will play the role of tour conductor in follow-up sightseeing.

The outcome is Chinese students not only can feel the Finnish style educations being personally on the scene, but also the new environment can give them an unusual relaxed holiday. In addition, the study abroad experience can improve children's competitive advantages in terms of international university application in the future. In other words, the students who are going to study abroad after they graduate from local senior high school will be highly potential customers in China.

Then, in terms of business travel, the target customers usually are business people in China who will have business activities in Finland. For instance, there will be an international trade exhibition in Finland at the end of the year. If Chinese companies are interested in the trade exhibition, they will contact the case company several months ago to inquire relevant prices in terms of accommodation, transportation, and other visit services. Figure 36 is the demonstration of characteristics of business travel in details.

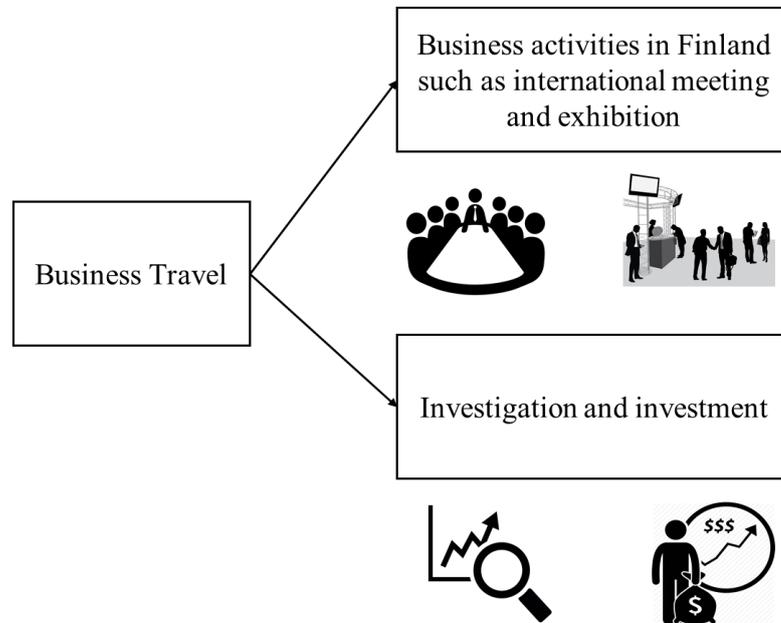


Figure 36. Characteristics of business travel in details.

According to above figure, for business travel, the target customers could be business travelers, tourist employees, conventioners and official sightseers who come from private companies, governments, and other relevant institutions in China. Their objectives of the business travel are not only traveling but also having business activities in Finland. The outcome is Chinese company can have opportunities to communicate with other visitors from other countries face to face. They can find out more business potential in the international trade exhibition. To some extent, it will be a good opportunity for the company in China to approach more potential customers or partners around the world.

In Figure 36, it is obvious to see that some visitors are business investors who come to Finland to investigate relevant resources. Through the business travel, business investors are able to communicate with Finnish officers or representatives of Finnish enterprises. The outcome of the business conversation is that they can figure out new business potential and cooperative opportunities in different territory. From the perspective of the Finnish government, they warmly welcome investors coming from other countries to invest in Finland. It can create more job opportunities and business potential for local people. Homoplastically, compared with study tour, customers in business travel not only

can focus on the business activities but also are able to enjoy the local culture and natural scenery during the period.

Afterwards, except aforementioned two types of products, there are other two types of travel itineraries which are the theme travel and tailored tours respectively. Compared with previous two types of travel itineraries, the sales process, pricing, and designing complexity are totally different. The case company would not design relevant travel itinerary until there are customers coming to consult and inquire. Based on customer actual demand, the case company will design the unique travel itineraries for them. Figure 37 is the characteristics of theme travel and tailored tours.

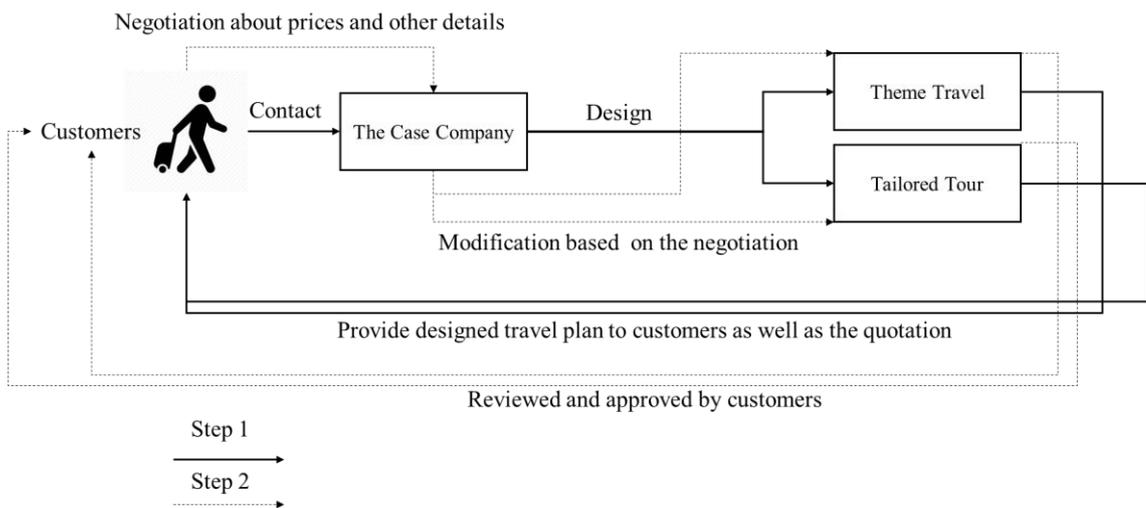


Figure 37. Designing process of theme travel and tailor.

According to Figure 37, the whole designing process for theme travel and tailored tour are very complicated. First of all, there must be customers who have relevant demand in Finland. They can contact the case company via email or phone call to illustrate what they want. Then, based on the customers' demand, the case company will design relevant travel itinerary. When the travel itinerary is done, a corresponding quotation will be calculated. After that, the designed travel plan and quotation will be delivered to customers to review.

Then, the next step is usually the negotiation between customers and the case company in terms of prices and itinerary details. Customers used to concentrate on prices more than travel plan. When everything is agreed by both sides, the case company will modification the travel plan based on the outcome of the negotiation. Finally, a completed travel itinerary will be reviewed by customers to approve.

Generally, target customers for theme travel usually come from the same territories. For instance, the leader of a luxury club will arrange an unusual journey for all members. The

journey will be named with a topic that every one of them is an enthusiast. When the case company accepts relevant orders from this kind of end customers, a customized travel plan will be made which can satisfy their requirement.

Lastly, tailored travel products can be deemed as a higher level in term of customization. Fulfill the customer demand will be the priority for case company. Nevertheless, compared with previous three different products, the number of visitors in the group is no limit here. In other words, end customers can decide total amount of customers in a group. However, the price level will be different, too. According to actual customer demand, case company will calculate and give a specific quotation to end customers before making a decision.

Therefore, different travel itinerary has different background and target customers. From the perspective of the case company, the travel itineraries for study tour and business travel have already been designed beforehand in a draft. It means the designed travel itineraries can be modified at any time. To some extent, target customers from different territories could have different interests for their travel plan in Finland. In other words, the case company have to spend a large amount of time in terms of negotiation and modification of details in travel plan. Figure 38 is the integration of four types of travel itineraries of the case company.

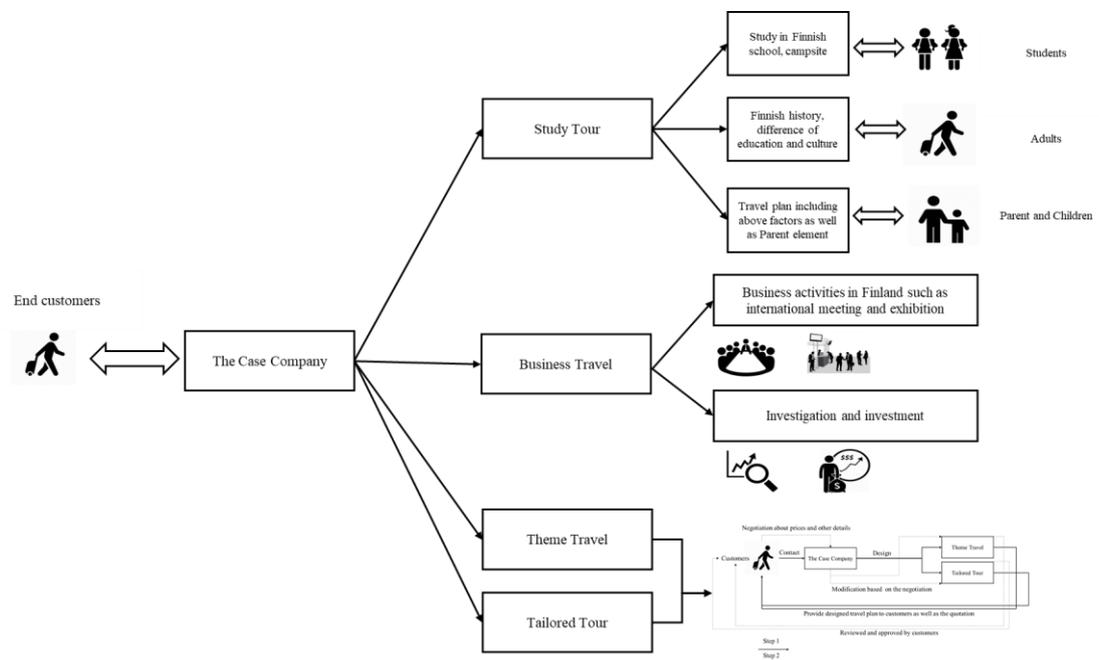


Figure 38. Integration of four types of travel itineraries of the case company.

In addition, Finnish culture experience and high-end positioning are the long-term business strategies for the case company. It means the focus of the case company will be in Finland and potential customers are the high-end customers in China. Compared with

existing competitors in Finland, the average number of customers is 20 people per group, in which the competitors usually provide 40 people per group within four to five countries in two weeks. To some extent, the case company concentrates on the niche segment in Finland which is different from others.

5.3 Role and Responsibilities of All Stakeholders

According to the description in the previous section, exploring Chinese markets is one of the most urgent tasks for case company right now. Compared with directly entering Chinese markets by itself, finding and cooperating with local distributors is the most cost-saving strategy in business. For instance, reputation building will be time consuming and unstable. However, the existing reputation of distributors can offset the weakness of case company. As a matter of fact, there are many rules and regulations for foreign companies in China. It is common to see that international economy is unequal among different countries because of political trade protection. In other words, from the perspective of government, protecting and ensuring the balance of the domestic market are always the top priority.

On the other hand, as a European company, the business culture in Finland is different from that in China. It will be costly for the case company to identify potential customers in China by itself. In a word, through cooperating with Chinese distributors, the case company can easy to avoid the conflict in culture and start a business as soon as possible. Figure 39 is the demonstration of all stakeholders in business network of the case company.

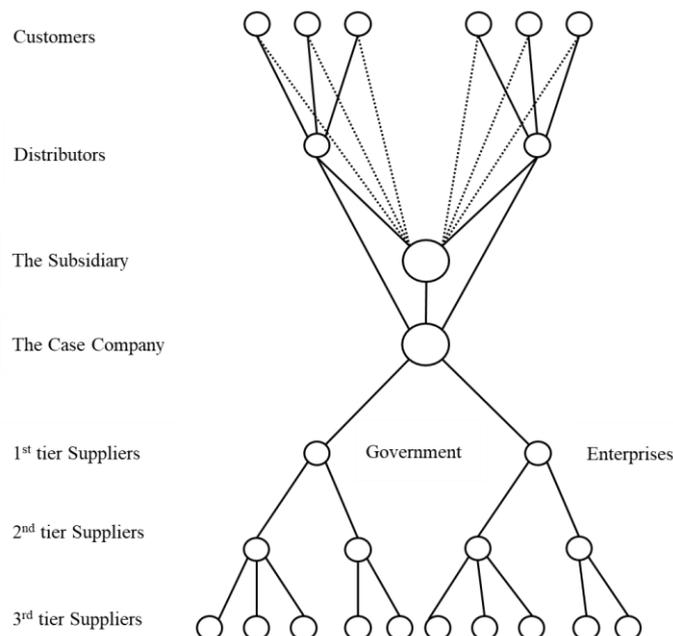


Figure 39. All stakeholders in business network of the case company.

According to the illustration in Figure 39, it is obvious that the main stakeholders in the business network are customers, distributors in China, the subsidiary, the case company and all relevant suppliers respectively. In terms of all relevant suppliers, Finnish government and enterprises are the most key partners. They have considerable public resources in Finland which can be regarded as a valuable competitive advantage. For instance, for different travel itineraries, the case company will have a different channel to get support from its stakeholders. On the other hand, the relationship between the subsidiary and the end customers is a little bit complicated.

Firstly, all suppliers are the original service provider in Finland. They are conducted via Finnish government or local enterprises. For the case company, the government is one of the most significant stakeholders in Finland. In fact, Finnish government gradually realizes that Finnish education and business resources should be popularized to all over the world especially in China. One of the possible reasons could be that China is the country with the largest population around the world. From the perspective of Finnish public organizations, they have power and right to rationally distribute business and education resources for Chinese investors.

Similarly, Finnish local companies are also good stakeholders who can provide other perspective resources and opportunities for Chinese investors. Generally, local enterprises can provide knowledge, technologies, products and service to Chinese investors who will find interests and resonances in the business investigation. On the other hand, Finnish local travel tourism can provide Finnish-style travel experience for end customers who will have a wonderful feeling in Finland as well as the whole Scandinavia area. Figure 40 shows relevant public resources conducted via the government and enterprises.

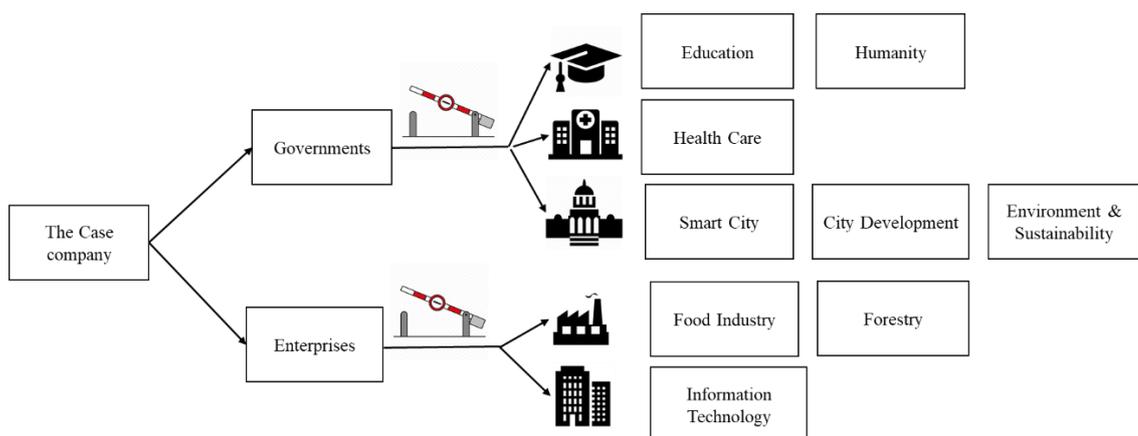


Figure 40. Relevant public resources conducted via the government and enterprises.

According to the demonstration of above figure, governments and enterprises are two main coordinators for Finnish public resources. Currently, public resources in terms of

education and humanity are controlled by the local universities. Local hospital can provide advanced healthcare service. Meanwhile, the new concepts with regarding smart city, city development, environment and sustainability are intellectual properties of the Finnish government. On the other hand, Finnish enterprise can provide a tour of facilities, technical communication, and exchange in terms of the food industry, forestry, information technology and other relevant resources. Chinese investors are able to meet with Finnish experts to discuss resource replacement face to face. The objective is both sides can identify business potential in relevant field as well as finally create more cooperative opportunities.

As a matter of fact, as long as the customer demand can be acceptable, the coordinators can help case company approach the specific resources what end customers want. All specific information from coordinators will be organized and feedback to end customers to make a decision. In other words, the coordinators' permissions are very important for case company because all operations should be legal not only for case company but also for Finnish government. In addition, for instance, when customers are companies who may want to convene a meeting in Finland, the case company has to contact with the conference center in Finland before replying the feasibility of the suggestion. However, from the perspective of the local conference center, if the case company cannot provide sufficient information about customer details and demand, they cannot promise anything at that time. To some extent, if the case company always contacts Finish conference center without any result and orders, the relationship between the case company and local resources organizations will be affected. The consequence is irreparable.

Then, the subsidiary of the case company plays a very important role in stakeholders who can be deemed as a spokesperson. The main responsibilities of the local office take care of the B2B customer relationship in China as well as provides high-quality counseling services for end customers. Figure 41 shows the role and responsibility of the subsidiary.

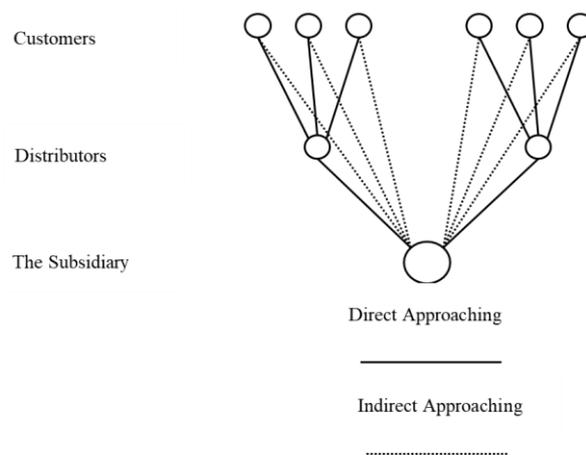


Figure 41. The role and responsibility of the subsidiary.

According to above figure, the subsidiary only approaches local distributors rather than end customers in China. If end customers would like to apply the journey, the subsidiary will introduce them to sign up on the website of local distributors. Nevertheless, the focus of the subsidiary will be maintaining business relationships with local distributors for the case company. It can represent case company performs functions directly in China to solve relevant problems with business partners as well as end customers. For instance, local officials can help Chinese visitors to apply for the Finnish travel visa and purchase the travel insurance with no service charge. For B2B customers, after signing the contract, the local office can provide free training for distributors' sales group.

Nevertheless, for the case company, its role and responsibility are comprehensive. To some extent, based on actual customer demand, the case company will connect specific resources to satisfy customer demand. Figure 42 indicates how the case company cooperates with different types of distributors to take care of all possible end customers.

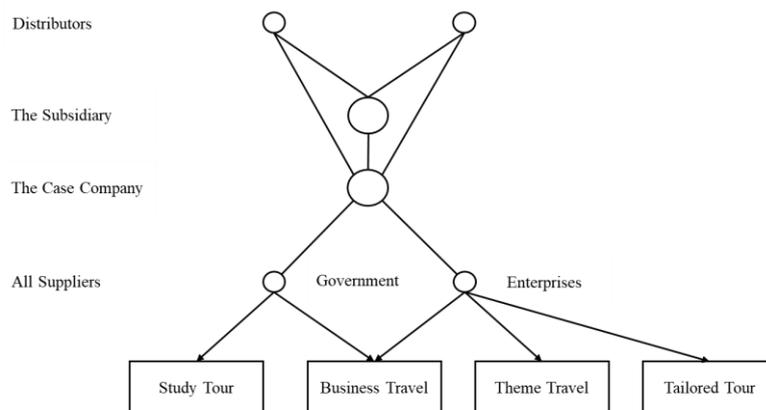


Figure 42. How the case company cooperates with different types of distributors to take care of all possible end customers.

According to a demonstration of above figure, for a different product, case company will find a targeted distributor to take care of end customers with specific characteristics. For instance, for study tour travel product, the target end customers generally are children. In other words, the target distributor candidates must have relevant knowledge and resources to approach school, families and even parents. Therefore, the distributors for study tour are usually educational institutions, platforms as well as relevant organizations.

Then, for business travel, the targeted end customers are usually corporate senior managers, entrepreneurs, officers in government or social organizations. The content of the business travel is more related to the international meeting, business investigation, overseas investment, immigration and another purpose. Compared with pure traveling visitors, they pay more attention to their work, benefits as well as the potential opportunities.

Lastly, compared with end customers in previous two types of travel products, the targeted customers for the theme and tailor-made travel will be small customer groups. Everyone must have same interests or behaviors in that community. For instance, potential end customers could be memberships in an ultimate club, music team and lovers of a wedding tour. Therefore, from the perspective of the cost-saving and high-quality customer relationship follow-up, case company's local office can play a better role than other distributors. All customer demand will be collected and analyzed by the local office, then a specific report will be feededback to headquarters in Finland who will make a customer-satisfied travel plan in fixed time.

As B2B customers, the role and responsibility of local distributors is the most significant part of the case company. Compared with the new market entrant, local distributors already have good reputations in society and stabilized end customers resources. In addition, compared with entering Chinese market alone, local distributors are more familiar with customer behavior in China. Nevertheless, the selection of the qualified distributors is very complicated. Figure 43 shows a phenomenon in the tourism industry in China.

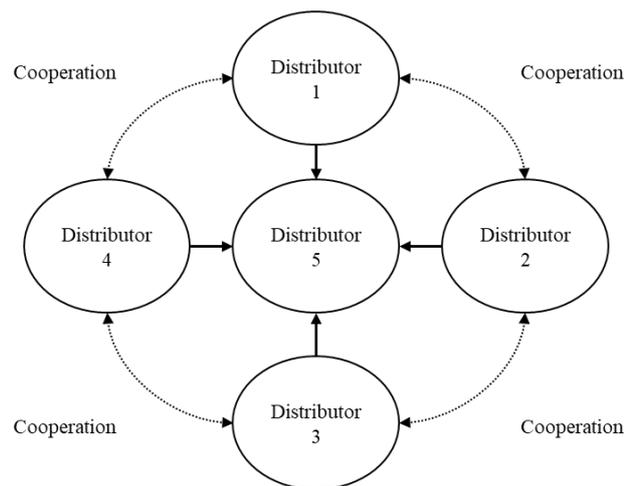


Figure 43. A phenomenon in the tourism industry in China.

According to Figure 43, in the tourism industry, the main costs for travel itinerary come from air tickets and hotels expenses. In other words, when the sales price does not change, tourism companies generally pursue lower costs in air tickets and hotels expenses. As a matter of fact, most travel companies are the long-term business partners for airline company who can be offered large discounts. On the other hand, in terms of hotels booking, powerful travel companies are the long-term partners for hotels who can promise to reserve enough rooms in a lower deposit. However, small travel companies have to book the hotel several months ago or in the promoting season at a relatively lower price.

If travel companies want to get more profit from air tickets or hotels, they have to have enough working capital to pay the deposit. If the deposit including air ticket and hotel

expenses is 2000 euros per person for a 10-day journey, and the minimum amount of travel group is 20, so the total deposit will be 40000 euros. For most distributors, the prepaid deposit is very risky because if the total amount of group is less than 20, they have to cancel the travel route, return the money, deal with complaints from customers and the deposit will be wasted.

Based on aforementioned reason, there are only a few big distributors can truly take care of the business. From the perspective of big distributors, other small distributors are not their competitors anymore. On the contrary, small distributors can be deemed as good sales channels in their specific territories. Big distributors will cooperate with a small one who can sell the products online or offline. When small distributors help big distributors to get signed-up end customers, they will be paid in money per person as profits. In the end, after such cooperation, the minimum amount of travel group can be satisfied.

Lastly, end customers are the bases for the rest of stakeholders. To some extent, anyone who is interested in Finland could be deemed as the business potential for both sides. Case company and local distributors will keep eyes on them all the time. From the perspective of end customers, they will be willing to pay for the travels if they can capture enough perceived customer value in travel itineraries.

In summary, according to aforementioned analysis, Case company can be deemed as a bridge who connects China and Finland to accomplish culture and resources replacement. On the one hand, end customers can experience Finnish culture, people, society and other what they want as well as business investigation. On the other hand, Finnish government, the case company, and distributors can get profits from the Chinese visitors and investors. In addition, according to specific characteristics of different products, case company has clear strategies and effective and efficient solutions to approach all potential end customers. The cooperation with the local distributors can help case company accomplish time and cost-saving. Meanwhile, reputation building will not be the most urgent operations in the Chinese market for case company. All contract-signed customers will be good product publicists for case company in China.

5.4 Business Samples

This section focuses on successful business samples of the company. The objective is all successful business cases can be shared with new partners which can improve the negotiation power of the case company. As a matter of fact, in terms of the business history of the case company, there are two impressive successful business cases. One business case demonstrated how strong the public relationship of the case company in Finland is. The other one was more like the business success with regards to competitive advantage.

The first case was completed with a business group coming from Zhuhai, China in June 2017. There were five high-end customers who are all managers in the field of tourism investment in China. According to their initial business travel plan, they would like to visit Russia, Finland, Estonia and other central European countries. During the period, they had a three-day itinerary in Finland to explore the local business opportunities. Figure 44 indicates how the case company to be a service provider for the business group.

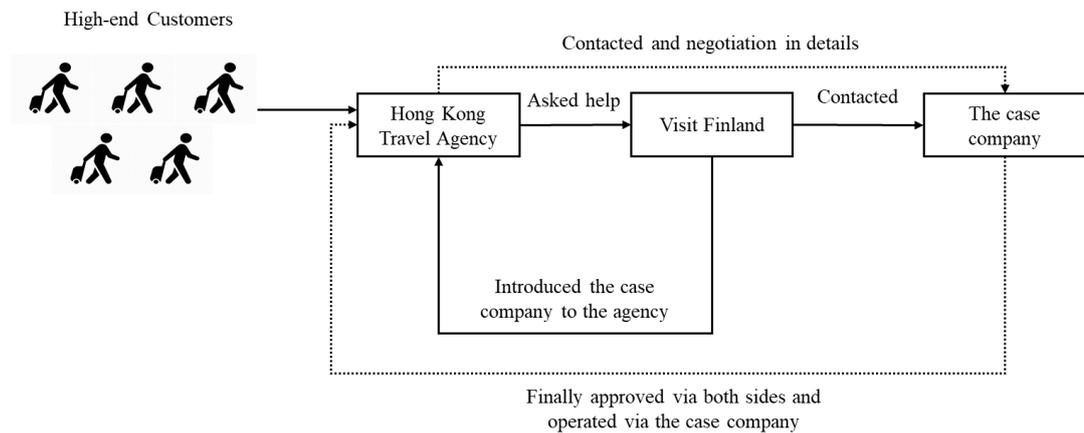


Figure 44. How the case company to be a service provider for the business group.

According to the demonstration in Figure 44, at the beginning of the case, the high-end business group found a local travel agency in Hong Kong to design and take care of the whole journey abroad. However, the travel agency had no business partner in Finland. As a matter of fact, it is common to see that local travel agencies start to contact tour operators in target countries until they have received customer requests. Then, after enquiring all tour operators, the travel agencies usually select the cheapest one.

However, in order to approach a qualified tour operator in Finland, the Hong Kong travel agency directly contacted the Visit Finland, a Finnish public organization, to ask help and follow-up services. The outcome was that the Visit Finland introduced the case company to take care of their travel activities in Finland. The next process became the negotiation between the case company and the travel agency in Hong Kong. Finally, the travel itinerary was designed and operated via the case company as well as approved via both sides.

When the high-end business groups arrived in Finland, the case company arranged a nearly perfect travel itinerary for them. From the perspective of the business investigation, with the help of Finnish public organizations, those customers had an impressive meeting with Finnish economic development council face to face in terms of tourism investment. What is more, in free time, the business group had another impressive experience in summer cottages designed by the case company. During the period, there were professional translator, guider and driver following-up all the time.

According to reaction and feedback from the high-end customers, they have very appreciated the experience in Finnish summer cottages. The differences between Finland and China in terms of culture, nature, environment, and society were very impressed as well as they thought they got truly relaxation. The Finnish travel experience was much better than their assumptions beforehand. To some extent, through the case, Hong Kong travel agency successfully solved the problems and get the benefit and customer loyalty, Finnish society got the opportunities to meet with Chinese investors as well as case company earned the reputation and trust of Visit Finland which was much more important than revenues.

Another successful case was at the end of 2017. At the moment, the case company received an offer from a Chinese local dealer. According to the offer's description, the target customers were from a Chinese institution who will have a meeting in Finland. The dealer would like to cooperate with the case company to take care of their scheduling in Rovaniemi. However, the difficulty was the offer was very urgent because there were only ten days left before target customers arriving. And the Chinese local dealer had no relevant resources to handle the travel plan and details in Rovaniemi. Figure 45 indicates how the case company solve the cases and earn reputations.

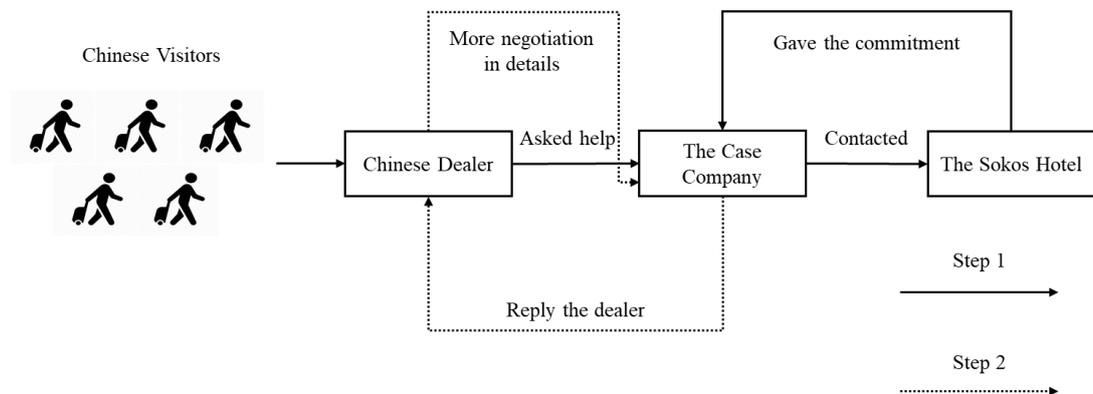


Figure 45. How the case company solve the cases and earn reputations.

After receiving the offer, the CEO of the case company directly contacted the manager of Sokos hotel in Rovaniemi. Through short time negotiation, the managers promised to reserve enough guest room that the room information cannot be found in the Sokos' website. Afterwards, the operator of the case company made a short-term travel plan which was approved by both sides quickly. The outcome was the Chinese end customers had a nice journey in Rovaniemi during the business trip.

According to the analysis of the case, it is obvious that the case company has enormous resources and relationships in Finland. It can solve urgent problems from Chinese dealer with high efficiency. However, study tour and business travel are the core businesses for

the case company. Compared with earning more profit via this way, the case company will be more willing to concentrate on making an integrated travel plan and provide expert services to end customers. The objective of the business strategy is to improve the company's reputation in the Chinese market.

6. UNDERSTANDING THE PROBLEM

6.1 The Problem of Getting Distributors

Based on the fact that target customers of the case company are in China, how to approach potential customers in China will be the top priority task. According to the introduction of roles and responsibilities of all stakeholders, local office of the case company does not actively approach end customers. The subsidiary only provides counseling services for customers with requirements as well as visa applications. All sales activities are operated via the headquarters in Finland. Figure 46 illustrates the process of getting distributors.

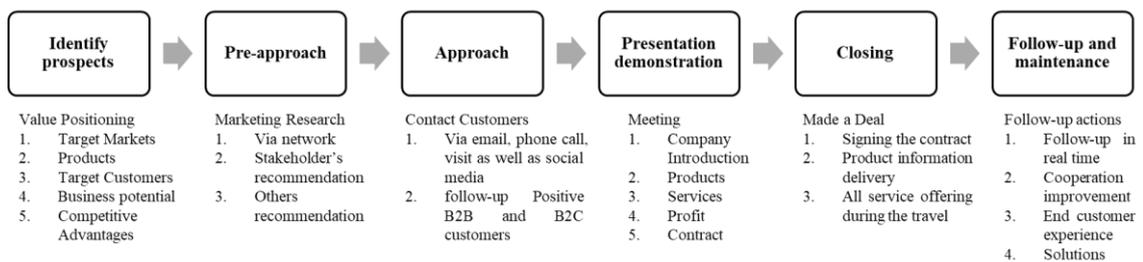


Figure 46. The process of getting distributors.

According to the demonstration in Figure 46, it is obvious that the international sale process starts from prospect identification and ends at follow-up and maintenance. The first three steps are mainly operated by the headquarters in Finland. Then, when it is time to negotiate with distributor candidates, the subsidiary can provide relevant support such as having a face to face meeting with representatives of distributor candidates.

In the whole sales process, the first step is to identify prospects. Depending on the distinctive features of designed travel itineraries, the case company has precise cognition and marketing strategy in terms of the identification of target customers, market segments and profits. For instance, when a new product is designed, the case company must know who will be target customers for this product and what the profit margin of the product is. Then, based on such identification, the case company will evaluate the business potential of target markets in order to figure out the most profitable markets. In addition, when considering the specific products, the case company must have a clear mind for its competitive advantages compared with existing and new competitors. For instance, the travel itineraries of the case company differentiate with competitors' products.

Secondly, based on decided marketing strategy in the previous stage, the case company will pre-approach potential customers in the target market. The way of pre-approaching

potential customers is primarily internet search. Meanwhile, the stakeholders' recommendations are also very important for a new company as well as the recommendations from other resources. To some extent, the outcome of pre-approach is to get a rough potential customer name list. All those potential customers could be real end customers but not all of them for case company.

The third step is filtering and approaching the all potential customers in the name list. Generally, case company can filter part of potential customers via their feedbacks. Case company will send greeting emails to seek cooperation. All positive-feedback customers can be left in the name list as well as deleting others who have no reply or have no intention to cooperate. Nevertheless, email is only one of the B2B contact. Case company can consider using a phone call or visiting the B2B customers in their companies. To some extent, face to face approach is the most efficient channel to get feedbacks from B2B customers in China. The objective of the approach is to build good cooperative relationships with right distributor candidates who have interested in the business cooperation.

Fourthly, after contacting right potential distributor candidates, it is time to move to the business communication and demonstrate perceived customer value for them. Salespeople of case company must be a knowledge-intensive representative who is responsible for transmitting the business potential to those distributors. During the demonstration, the representative needs to clarify details of the company and products. For instance, the demonstration usually starts from the company introduction, products and service details, profitability as well as some terms of the contract. The objective of the presentation is distributors are able to capture enough information in terms of benefits and profitability. To some extent, in the B2B market, the cooperation between both sides must be built the fact that they can accomplish benefit exchanging.

After the demonstration in terms of business potential, the next step is closing. During this process, the negotiation needs to be closed. In other words, potential customers have found what they are interested in and finally choosing to cooperate with the case company. Both sides have to sign the contract which can be deemed as the milestone of the cooperation. In fact, in the B2B market, the contract is usually provided by one side. The contract only can be signed under the situation that both sides agree to all terms of the contract.

After signing the contract, the case company has to deliver the travel products to distributors in the service package which including the core information. Until now, the responsibilities of the distributors are approaching potential customers as many as possible. When the total number of the signed-up customers reach the minimum requirement, the case company will be taken care of all following travel service in Finland. However, the negotiation of the contract details will be difficult for case company and distributors sometimes.

The last step is follow-up and maintenance of B2B customers. It means, after the cooperation in business, the case company will be responsible for improving the cooperative relationships and performance. By communicating with the distributors in terms of difficulties happened during the travel period, both parties will learn from each other and prevent the recurrence of same problems. The objective of the process is to ensure that end customers will have appreciated travel experience and improve work efficiency for both sides.

Based on the aforementioned analysis, the whole sales process is clarified. However, the case company usually meets problems when approaching local distributors in China. Through several-month contact between all distributors and the case company, the outcome was not very optimistic. The negative phenomenon can be summarized into following three types:

- No response via the email contact as well as social media such as WeChat.
- Some distributors show their interests and intentions to cooperate with the case company, but they have no action plan and always hesitating.
- The rest of distributors signed contracts with the case company and launched travel itineraries on their website, whereas, have no motivation in the sales process.

First of all, with respect to the first negative phenomenon, there is usually no feedback from the distributors via the email. As a matter of fact, the usage of email is not as frequent as in Finland. Most communications are based on the phone calls. On the other hand, due to the political network limitation, Facebook and Twitter are not allowed to use in China. Most Chinese used to use QQ and WeChat as their social media Apps to accomplish network communication. However, it is difficult to clarify product details via the Apps as well as they have to accept the friend request from the salesperson.

Then, the next negative situation is that some distributors show their interests and intentions to cooperate with case company, but the whole process will be time-consuming. To some extent, this kind of distributors usually has similar businesses service in their own companies. The cooperation with case company can increase their resources pool and capture more end customers in the Chinese market. Nevertheless, the fact is they usually run the relationship in a long-term such as it will last for a long time before a lady responds the marriage proposal from a gentleman. From the perspective of the case company, this kind of distributors is usually maintaining “good” relationships rather than sincere stakeholders.

The last negative situation is that some distributors who signed contracts with the case company and sold travel itineraries on their website are not motivated in the sales process. Based on the fact that there is no extra cost for both sides, the case company does not

need to pay for the sales activities of distributors. Similarly, local distributors also have no commitment with regards to they must get end customers for both sides. The consequence is both sides are business partners for each other, but no one will be blamed if there is no business. Nevertheless, from the perspective of the case company, no customers coming means there is no revenue. It is totally different from the local distributors who have uncountable business partners in China. To some extent, the business environment in China is hard for the case company. If the case company would like to fix the problem, it has to let distributors know what their customer value is if they make business successfully.

According to above analysis, building stabilized business relationships with local distributors is awfully time-consuming. Problems are always existed not only for potential business customers but also existed in contract-signed business partners. As a matter of fact, the main problem of contract-signed distributors is that they are not motivated in terms of products promotion. In order to figure out the truth behind the phenomenon, the case company tested the customer services and attitudes of distributors' support staff.

Salespeople of the case company played the role of an end customer who was interested in the product launched on distributors' websites. Through communicating with sales staff online, causes were identified that the performance of distributors can be deemed as the main cause which failed deals. The main causes can be summarized such as:

- Lack of knowledge with regarding sold products on the website
- Support staff provide incompetent service to end customers
- The insufficient emphasis for the cooperation

Firstly, when end customers find the travel products on the internet, they used to inquire more details with regarding the journey at the beginning. For instance, one of the most common questions asked by the end customers is why I should select to visit Finland other than UK or USA. If the end customers are parents, they will focus on the details concerning Finnish education. Why is the Finnish education so famous in the world? End customers usually need sufficient justification from the support staff to help them make the decision.

However, online staff only have a basic mindset with regarding where is Finland, the climatic feature and other relevant concepts in Finland. The incomplete knowledge impedes them to capture the end customers' interests in time. The consequence is that end customers will lose their interests gradually.

Then, the service process of the distributor is not efficient enough. As a matter of fact, there are many travel products on the website which belong to different suppliers. There are only several support staff who have to take care of all inquiries from end customers.

To some extent, their workloads always overload. In order to mitigate the negative effect, online staff usually start to kindly ask end customers to leave their phone number or email address firstly. Then they will transfer relevant contact information to a professional representative who will contact those end customers privately. In a sense, the operation process is exercisable but within low efficiency.

The last effect for the case company is the insufficient emphasis on the cooperation. From the perspective of the local distributors, they have cooperated with other suppliers for a certain time. In other words, the cooperation with the case company is only a tiny part of the business. Even if no one will inquiry the travel products, they have no damage to the whole business. On the contrary, if the distributors invest a lot into knowledge training and hire more salespersons beforehand and there is also no customer, who will be responsible for the damage.

6.2 Cost Structure of the Case Company's Products

In the process of prospects identification, evaluating business potential of target markets and pricing products are very significant for the case company. The outcome of the business potential evaluation is to measure how much business value is in the target market. The most fundamental requirement is that target market must have considerable market potential in long-term period. Once the case company successfully enters into the new market, it will be difficult and costly to say give it up.

Meanwhile, the pricing of products as another fundamental requirement should be based on the actual situation in the target market. Generally, the sales price of the product is equal to the sum of total cost and profit. According to the market situation, the case company will consider a suitable profit margin which will be confirmed as value added to the total cost. In other words, the sales price should be at the rational level which can be accepted by local competitors and end customers. Otherwise, irrational sales prices could destroy the balance of the new market which could be interfered via local government. What is more, the outcome of pricing can be indicated via numbers which is much more straightforward and visualized comparing with the analysis in strategic planning.

From the perspective of the case company, as a focal firm, its total customer cost consists of direct cost and indirect cost as well as profit. However, compared with traditional industry, there is no regular labour cost which is usually the salary of manual work transforming raw material into final products. In other words, the purchasing costs are equal to its direct cost. Then, the rest of total customer cost is indirect cost and profit. Figure 47 shows a comparison of customer value model between the case company and its suppliers.

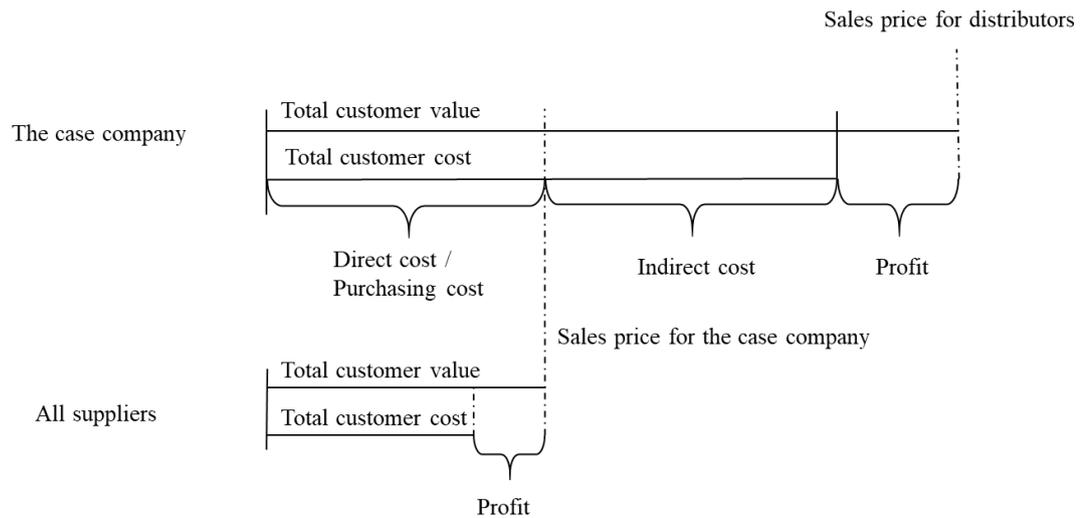


Figure 47. A comparison of customer value model between the case company and its suppliers.

According to the demonstration in Figure 47, it is obvious that the building of the case company's value model is based on the construction of all suppliers' value model. For the case company, its total customer cost is equal to the sum of purchasing cost, indirect cost and profit. Nevertheless, for all suppliers, their sales prices for the case company are totally equal to suppliers' total customer costs. As a matter of fact, the purchasing cost from all suppliers is one of the biggest parts of the cost in the case company's customer value model.

Therefore, when the sale price of products is constant, decreasing direct cost and indirect cost can create more space for profit. For the case company, its purchasing cost is usually less than normal price in the local market. Meanwhile, suppliers are willing to provide some discount for the case company in order to obtain more end customers from China. However, for governmental suppliers who are able to provide unique public resources, it will be difficult to acquire discount. Indeed, the negotiation with governmental suppliers is usually serious and tough for purchasing specialist.

Then, in terms of indirect cost, it can be understood via selling general and administrative expenses. Most indirect costs are related to create and maintain business customer relationships. For instance, service charge and the cost of the business trip can be deemed as the indirect costs. The purchasing specialist will be paid hundreds of euros per day to handle relevant expenses in other courtiers.

Similarly, from the perspective of all suppliers, they also have fixed total costs and relevant profits. Compared with the case company, most suppliers usually have regular labour cost. They need to pay for their employee to make sure normal business operation. For instance, Sokos hotels have to pay for salaries of employee monthly. In order to cover the labour cost and other significant costs, their sales prices must cover all relevant expenses.

Then, the customer value model of distributors is the same as the case company. Compared with the case company, there is no regular labor cost for distributors. The main tasks for distributors are purchasing finished travel itineraries from overseas tour operators, then reselling those products to end customers. In other words, purchasing costs can be deemed as the only direct costs for distributors. Therefore, Figure 48 is the demonstration of detailed customer value model for distributors.

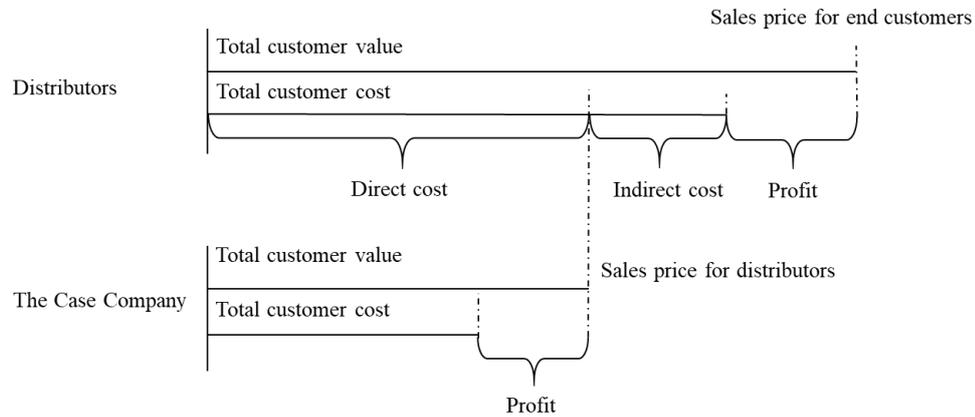


Figure 48. Detailed customer value model for distributors.

According to the illustration in above figure, the direct cost is equal to purchasing cost for distributors. Then, the costs of selling general and administrative expenses can be deemed as the indirect cost. For instance, the promotion costs are also regarded as the indirect cost in distributors' total customer costs. Afterwards, the next section in total customer cost is profit. Generally, distributor's profit has no related to the profit for the case company. In a word, the sum of direct cost, indirect cost and profit will be sales prices for end customers.

In B2B markets, from the perspective of distributors, they usually have strong negotiation power in sales prices for their suppliers. One of the possible reasons is they are going to invest more resources than suppliers in products promotions. The expenses in terms of products promotion should be considered and covered via sales prices for end customers. However, higher end prices will make distributors lose their customer loyalty and market share. The easiest way to solve the problem is to cut sales prices of suppliers. In addition, based on the competitive situation in B2B markets, when the sale prices for end customer are at the same level, lower cost of purchasing means higher profit for distributors.

Lastly, for end customers, their customer value model is simple to clarify. As the last actor in the sales process, who will pay for their interested travel itineraries as revenues for all suppliers in the value chain network. Figure 49 shows the comparison of customer value model between distributors and end customers.

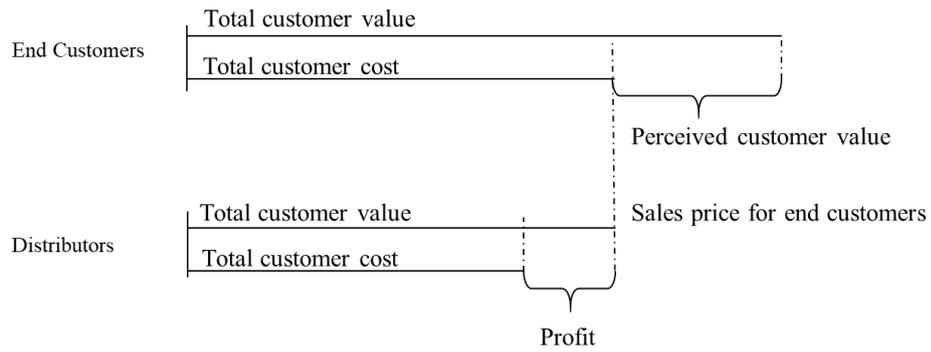


Figure 49. The comparison of customer value model between distributors and end customers.

In Figure 49, for end customers, total customer costs are equal to purchasing costs that they buy from distributors. The rest of total customer value is perceived customer value. At this moment, the business activities can be considered as B2C business. Distributors can approach end customers via promoting activities in local markets. For instance, it is common to see that end customers can get discount if they sign up before the end of the first month in the promotion. To some extent, the advertisement sometimes is more helpful in terms of capture eyes of end customers.

From the perspective of customer value propitiation, the case company and its stakeholders have similar customer value models. All customer value models connect each other which contain their own total customer value, total customer cost and profit. Figure 50 is the demonstration of all stakeholders' value models for products of the case company.

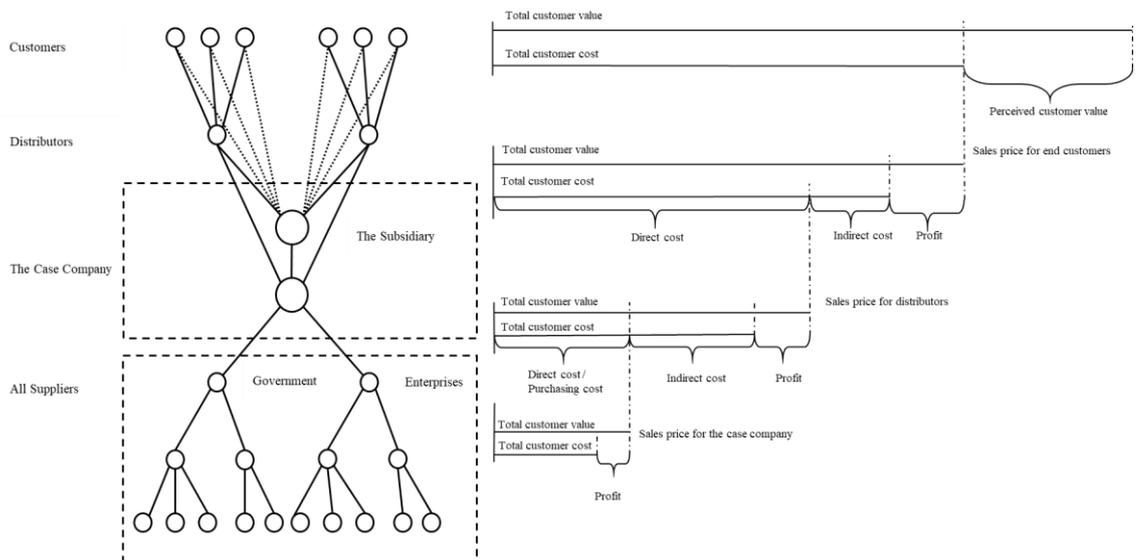


Figure 50. All stakeholders' value models for products of the case company.

According to the demonstration in Figure 50, all stakeholders have their own customer value model. They are all existed in the value network and tightly related to each other. From the perspective of business activities, end customers are resources whose payments

are significant revenues for other stakeholders. Meanwhile, the payment of end customers covers all costs and profits from suppliers to distributors. In other words, if there is no end customer, the so-called business relationships are no sense for each actor.

Therefore, in order to attract end customers, the designed travel itineraries must be unique and easy to be captured via end customers. Then, in terms of sales prices, all stakeholders can negotiate with each other and use the discount to exchange more eyes of end customers. Generally, if customers visit Finland by themselves, they have no discount and the whole expenses are much more than team prices.

In a word, the customer value model can be indicated via figures and numbers which is much more straightforward and visualized comparing with complicated documentation. The objective of analyzing the customer value model is to understand how those stakeholders make money from each other in international markets. To some extent, high-quality products and customer services sometimes are more important than higher revenue, especially for newly established companies.

6.3 Demonstrating Value Proposition to Qualified Distributors

After customer value models of all stakeholders are clarified, the next step is approaching qualified distributor candidates via the perceived customer value. The objective of the section is to use visualized customer value models of all stakeholders as weapons to negotiate with qualified distributors. One of the significant outcomes is that the case company finally convince qualified distributors to sign contracts and start cooperation as soon as possible. The other one is those qualified distributors can be motivated in future sales activities.

According to Dooly's (2012) 100 ways to convince customers from advertising psychology to neuromarketing, the formalization of customer value models mainly involves sections of price and product brainfluence, picture brainfluence and brainfluence for a cause. All those brainfluences can be deemed as tangible influence especially for the price and product brainfluence. The customer value models make cost structure of each stakeholder very clear. Qualified distributors can approach ideas via tools which are more visualized than an oral statement. As a matter of fact, in B2B markets, it is common to see that most foreign companies use both tangible operations and intangible influence to convince business customers to cooperate.

Nevertheless, before official meeting and negotiation with qualified distributors, salespeople of the case company should have the big picture in mind with regards market situation and threats. Generally, the ideal outcome of a negotiation is both sides' needs and interests can be satisfied, but it is difficult to accomplish absolute equality in the negotiation. Distributors are usually powerful than new market entrants because they are

the actual controller in local markets. However, it does not mean the salespeople have to be passive to accept any requirement from distributors. The negotiation should be based on the cooperation rather than compromise. The salespeople's should understand where distributors' negotiation powerful comes from.

By contrast, if the case company enters Chinese market alone, the entrance of the case company will strike a balance of existing market share who will face counterattacks of local companies even government, high fixed cost, high exit barriers, low differentiation, low switch cost, buyer competition threat and other inevitable threats. For instance, in the tourism industry, Chinese market can be regarded as a big cake, and there is already a large number of companies not only travel agencies but also relevant distributors. The entrance of the case company will take away a piece of cake from others. The counterattack will be ruthless. As a matter of fact, there are many limitations ruled via Chinese government such as foreign travel agencies and tour operators are not allowed to start business activities by themselves unless obtaining the permission. However, the permission is not easy to apply as well as costly.

Therefore, how to attract and convince distributors will be very important for the case company. The problem is it is not easy to convince a distributor without enough temptation. Nevertheless, the visualized customer value model of distributors can be used as a temptation. Figure 51 is the illustration of the distributor's value mode.

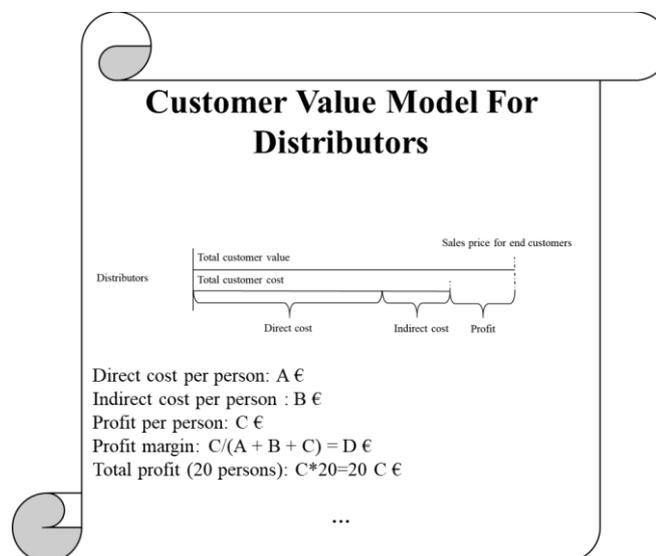


Figure 51. The distributor's value mode.

According to the demonstration in Figure 51, the customer value model for distributors is very visualized not only via picture but also in numbers. It calculated how much direct cost per person, indirect cost and profit per person respectively. Then, based on the fact that the minimum number of a group is 20 people, the total profit can be got and provide to distributors to evaluate the business potential.

At the moment, the case company can consider approaching qualified distributors with the powerful weapon. The salespeople of the case company will take the temptation to start negotiation with qualified distributors. Figure 52 illustrates that how the salespeople use distributor's value model as a temptation to approach the qualified distributor.

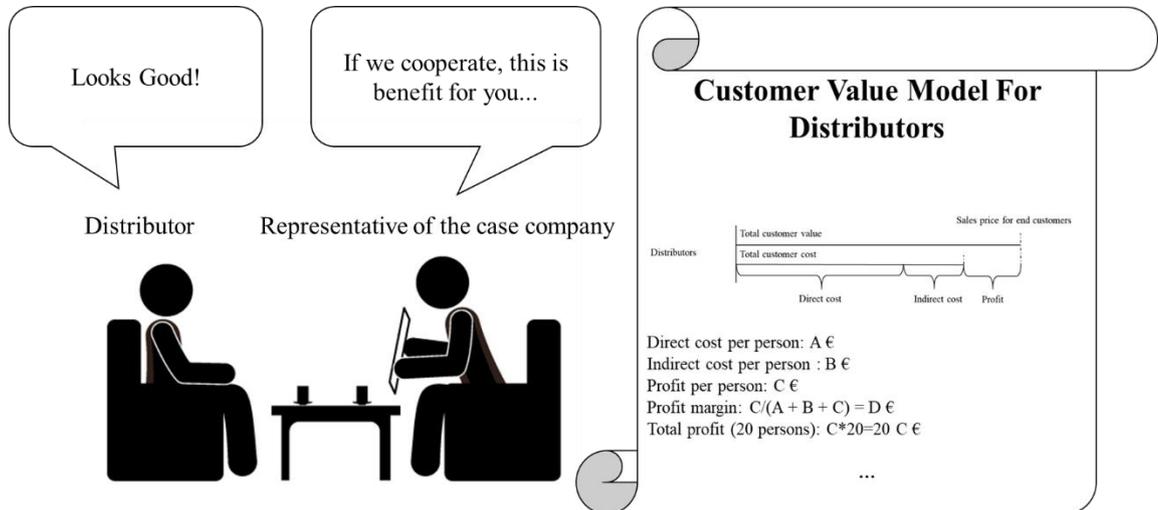


Figure 52. How the salespeople use distributor's value model as a temptation to approach the qualified distributor.

According to the illustration in Figure 52, distributor's perceived value is not only visualized but also formalized in the paper. From the perspective of customer value proposition, the distributor's direct cost, indirect cost and profit are clarified in numbers. Compared with only communication in verbal, the distributor can perceive their benefit in cooperation as soon as possible. The outcome is the negotiation will be easy to get started.

However, it is not enough to say that distributors will say yes for the cooperation. All information visualized in the paper is based on theoretical analysis and prediction. The consequence of actual operations is not certain enough for distributors. In other words, those distributors will show up much more interests but no action. In order to push the negotiation going forward, the case company can investigate the business potential of Chinese markets beforehand. The objective of market research in the Chinese market is measure business potential from a long-term perspective, studying customer behavior, visualizing the outcome of research, and reporting in the documentation. In a word, more accurate business information can be defined, more powerful weapons can be used in the negotiation. Figure 53 is the business potential in Chinese markets.

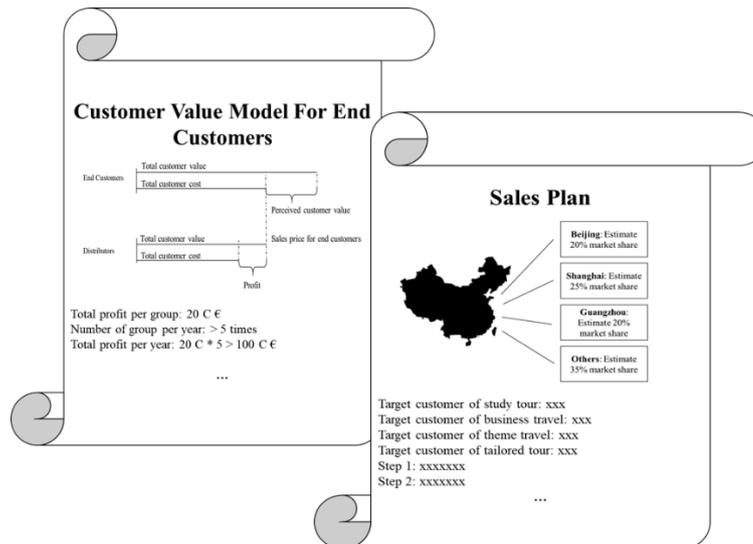


Figure 53. Business potential in Chinese markets.

In Figure 53, there are two documents which have different impact respectively. The first documentation is a visualization of customer value model for end customers which has valuable information in terms of total profit per year. Qualified distributors can capture benefit information from the paper. What is more, the first documentation can be used to communicate with end customers with regarding what perceived value is for end customers. Secondly, the other documentation is a sales plan designed via the case company. Qualified distributors can follow steps in the sales plan to approach right end customers as cost-efficient as possible.

Then, the upcoming step is to show aforementioned two documents to the distributor. The objective of the process is to help the distributor figure out a solution with regarding their sales activities in China. Figure 54 shows that the salespeople use those two documentations as the second weapon to increase his negotiation power.

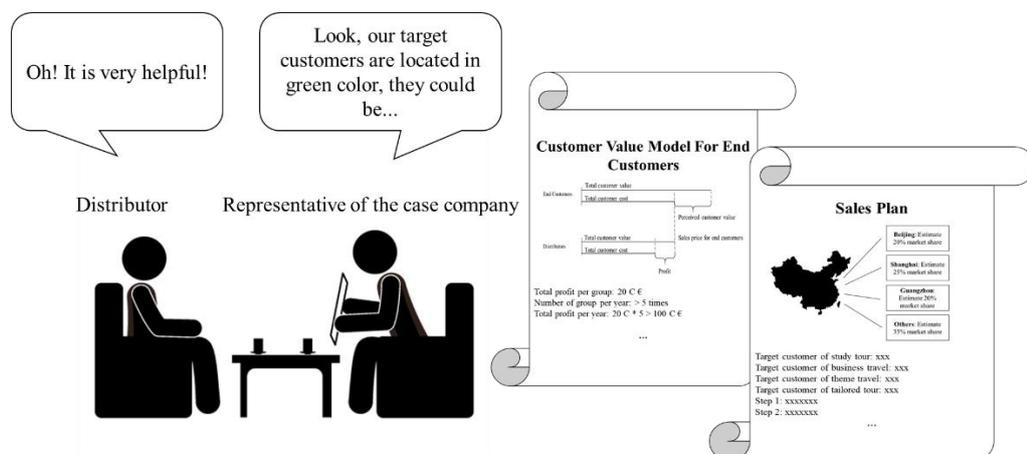


Figure 54. The salespeople use those two documentations as the second weapon to increase his negotiation power.

In Figure 54, the case company makes a specific market research with regards to who could be right end customers in the Chinese market. Through market research, the case company can identify customer segments for their products beforehand. Then, the summarized information can be provided to the distributor when they are selling. From the perspective of local distributors, they can save a large number of resources in terms of identifying proper end customer in the Chinese market. Meanwhile, distributors salespeople can provide modified end customer value proposition to end customers.

In a word, with the help of formalized customer value models, the case company can demonstrate perceived value to distributors in numbers, which can capture distributors interests. Meanwhile, the perceived value for end customers can be provided to distributors in their sales activities. At the moment, the focuses of qualified distributors will be moved from how to decrease purchasing prices from the case company to how to verify the information in the paper can be accomplished.

6.4 Using Distributor's Value Assessment as Another Weapon

According to the analysis in the previous section, the focuses of qualified distributors would be moved from how to decrease purchasing prices from the case company to how to verify the information in the paper can be accomplished. At this moment, the negotiation is drawing to a close. As a matter of fact, Chinese distributors have shown their interests and would like to know more information about travel itineraries from the case company. The next step will be communicating details in contracts such as roles and responsibilities of both sides and payment terms. To some extent, the process will consume several days until both sides are able to agree on each term in the contract.

Nevertheless, there could be some managers of qualified distributors who are still hesitant in terms of business success. They agree with valuable information and logic in the paper demonstrated via the salespeople of the case company, but they would like to see successful history from other peers beforehand. As a young company, the case company does not have too many impressive samples of business success can be provided.

Nevertheless, it is time to take out the third weapon to convince those distributors which are the customer value assessment. In other words, the case company can make value assessments from the perspective of distributors beforehand. Then, in the formal negotiation, the result of value assessment could be taken out if distributors are still hesitant at the end. Figure 55 shows a sample of the distributor' value assessment.

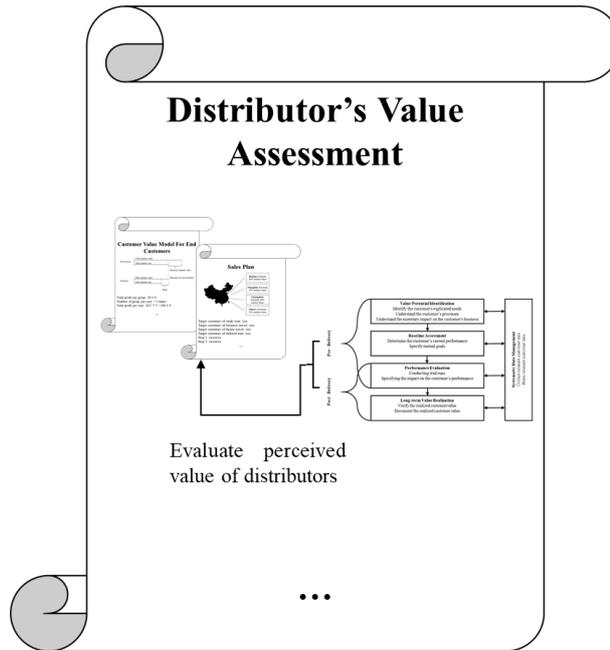


Figure 55. A sample of the distributor' value assessment.

In Figure 55, the framework will evaluate perceived value of distributors step by step. Distributors will realize the business potential of the cooperation from the perspective of the value potential identification, baseline assessment, performance evaluation, long-term value realization and system data management. What is more, the framework also clarifies the link between the value of offerings and customer satisfaction.

Therefore, the next step is to show the value assessment report for distributors. The objective of the step is to convince distributors from the perspective of business assessment. Figure 56 shows the salespeople use value assessment as a weapon to convince the distributor.

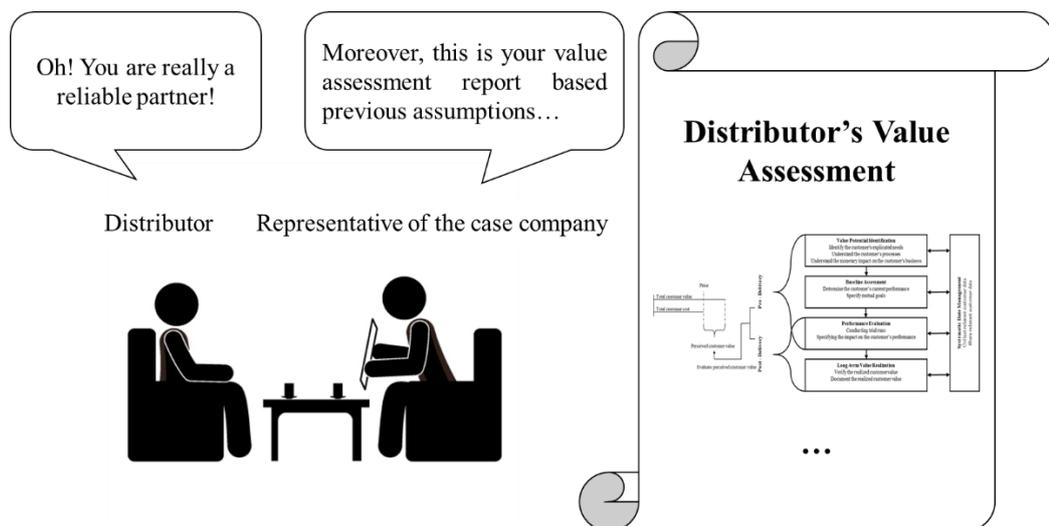


Figure 56. The salespeople use value assessment as a weapon to convince distributors.

In Figure 56, the case company can use the framework as a tool to provide perceived value to customers and let them know the benefit of the cooperation. Until now, the distributor has had a big picture with regards to what the cooperation is, how profitable it is, how to approach right distributors in China as well as what performance of the cooperation will be.

Nevertheless, if distributors still hesitate, the last weapon is the value of end customers. The case company can calculate the income of end customers for distributors. The result is based on the previous assumption and shown in numbers. Figure 57 shows a sample of the value of end customers for distributors.

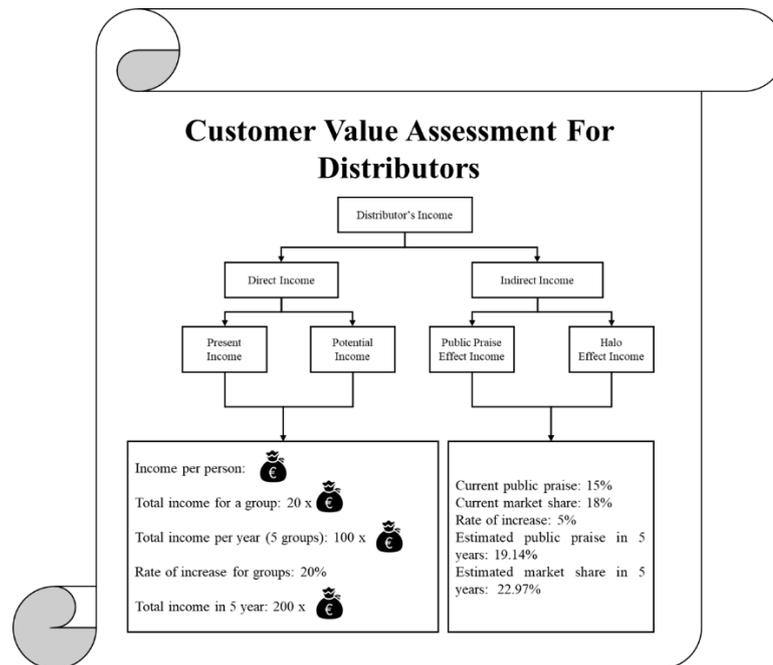


Figure 57. A sample of the value of end customers for distributors.

According to the illustration of the sample in Figure 57, there are many measurements in the paper. It is mainly separated into direct income and indirect for distributors. First of all, in terms of direct cost, when income per person is known, the total income per year and total income in five years can be calculated. Indeed, the case company can calculate cumulative income in five years which will be very considerable. The result can be provided to distributors in numbers which is very convincing.

On the other hand, in terms of indirect income, public praise effect income and halo effect income can be indicated via market share and awareness. For instance, if a distributor's current public praise in market awareness is 15% and current market share is 18%, according to aforementioned estimation and rate of increase, these two indicators will increase to 19.14% and 22.97% respectively in next five years. To some extent, market share and market awareness can play significant roles when distributors make decisions.

Compared with long-term verbal communication with regarding how the business potential of the cooperation, the data in the paper can allow negotiated distributors to perceive how much business value in the Chinese market. For salespeople of the case company, the formalization of distributors' value assessment is not only the third weapon but also a hidden weapon which contains valuable market information. Figure 58 shows how the salespeople use distributor's value assessment to convince hesitated distributors.

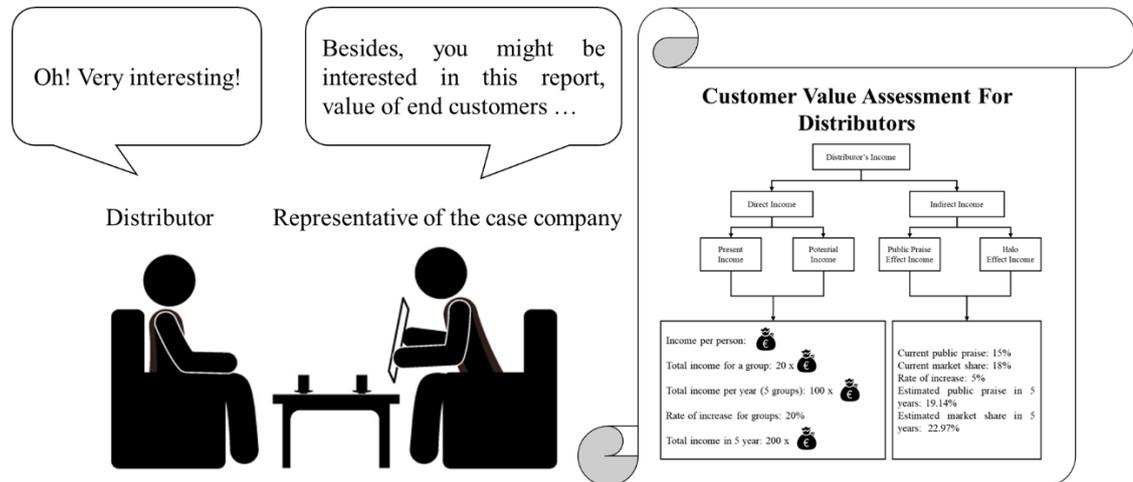


Figure 58. How the salespeople use distributor's value assessment to convince hesitated distributors.

According to the Figure 58, the case company can use the value of end customers as a tool to provide perceived value to distributors and let them know the benefits of the cooperation. Meanwhile, the framework also clarifies the link between the value of offerings and customer satisfaction. In this report, the case company will provide the analysis of the business potential for cooperation from the perspective of theory and monetary value. In other words, distributors can realize the outcome of business cooperation and it is time to make decisions to cooperate or not. To some extent, if distributors show negative attitude and still hesitated, it is also a useful information for the case company with regarding should it continuously invest time and money for this kind of distributors or not.

In conclusion, based on all aforementioned analysis, the systematic business process has been successfully clarified in terms of problem-solving. For the case company, it can follow steps in the negotiation process to tempt qualified distributors step by step. The outcome of the systematic process is that the case company can convince qualified distributors to start cooperation as well as be motivated in future sales activities.

7. CONVINCING THE DEALER

7.1 Overview of the Problem and Framework

Recently, the development of world export trade has risen significantly (World Bank, 1996, adapted from Morgan and Katsikeas, 1998). One of the most common reasons is that export activities in global markets can bring more benefits for most companies. Therefore, more and more industrial manufacturers are inclined to enter international markets to obtain more revenues and profits (Morgan and Katsikeas, 1998). However, the consequence of the internationalization is that competitive awareness of companies has a significant change in the domestic market where they will deem local competitors as foreign competitors. In other words, there is no sensibility with competitors in the front of local market shares for the companies.

When companies consider entering new markets, distribution process as a requisite process will be a significant task in decision-making. The objective of the distribution is to accomplish the products and information transmission mutually between new market entrants and target markets. However, there are different distributing options in international business. From the perspective of companies, they have to identify the most cost-efficient and effective business strategy in terms of how to enter new markets in cheaper and safer.

As a matter of fact, recently, distributors are often discussed and have become almost like arbiters or intercedes who are responsible for managing products or services to enter the local marketplace, and to some extent, they dominate that marketplace (Dickson, 1983). Candler (1993) mentioned that new market entrants sometimes are willing to cooperate with middle-tier distributors who acquire products or services from manufacturers and in turn takes orders with that brand then delivers products or services to local retailers. Compared with directly installing sales offices in a new marketplace, the existence of distributors can help new market entrant start their businesses easily with lower costs.

However, it is not easy to implement the business strategy for export companies in B2B markets. Cavusgil (1983) proposed five common problems for companies with regard to selecting right distributors in target markets:

- The problem of distributors who are loaf and make little effort to sell products and services of exporter's products
- The problem of differences in motivational factors between countries
- The problem of excessive markups by distributors
- The problem of distributors who derive power from the ruling government
- The problem of turnover within the distributor's organizations

According to aforementioned problems, the difficulties can be perceived that, on the one hand, distributors in target markets are difficult to be convinced via new market entrants if distributors cannot perceive enough business potential for the cooperation. On the other hand, for export companies, even if distributors agree to sign contracts finally, they could be not motivated in future sales activities. The consequence is that the return for target markets cannot offset initial investment of export companies based on previous market forecasting. Finally, the international business will be failed.

In order to mitigate the negative effects in terms of supplier-distributor problems mentioned in the previous section, managers of foreign companies are always careful when they select distributor's candidates. Perceived customer value and customer value models can be considered as tools to increase companies' negotiation power. The objective of application of customer value models for export companies is to not only define cooperative relationships with local distributors as soon as possible but also make sure that distributors can be motivated in future sales activities. In other words, the cooperations between companies and local distributors are sincere and effective. Therefore, a systematic framework is created which is related to how to negotiate with qualified local distributors and how to convince them to cooperate as well as ensure they will be motivated in future sales in target markets. Figure 59 is the demonstration of the systematic framework built on literature review.

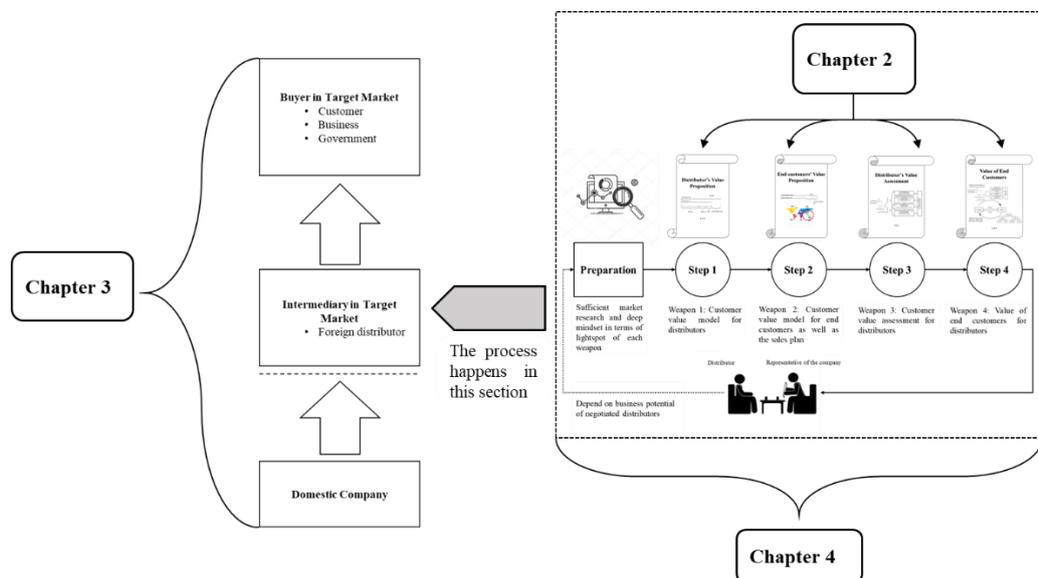


Figure 59. The systematic framework built on literature review.

According to above figure, the distribution process was analyzed in Chapter 3, which defined several ways of internationalization. Meanwhile, customer value model and value assessment framework were analyzed in Chapter 2. Then, the outcome of Chapter 2 and 3 was combined and a new framework was created in Chapter 4. To some extent, companies can follow steps in the systematic negotiation process to attract qualified distributors. The objective of the systematic process is that companies are able to

convince qualified distributors to cooperate with them as well as being motivated in future sales. All mentioned documents can be regarded as weapons for negotiation that move the focus of distributors from how to win more benefits in the cooperation with export companies to desire more detailed information and accelerate the business cooperations as soon as possible.

7.2 Reflection of the Case in Framework

Currently, the most important problem for the case company is how to enter the Chinese market and open it from a long-term perspective. According to the introduction of roles and responsibilities of all stakeholders, the local office of the case company does not actively approach end customers. The subsidiary only provides counseling services for customers with requirements as well as visa applications. In other words, finding and cooperating with local distributors are top priority tasks for the case company.

To some extent, cooperating with distributors can help the case company to reduce the risks in terms of counterattacks, high fixed cost, high exit barriers, low differentiation, low switch cost and other inevitable threats. Figure 60 shows how the case company cooperating with local distributors to approach end customers in China.

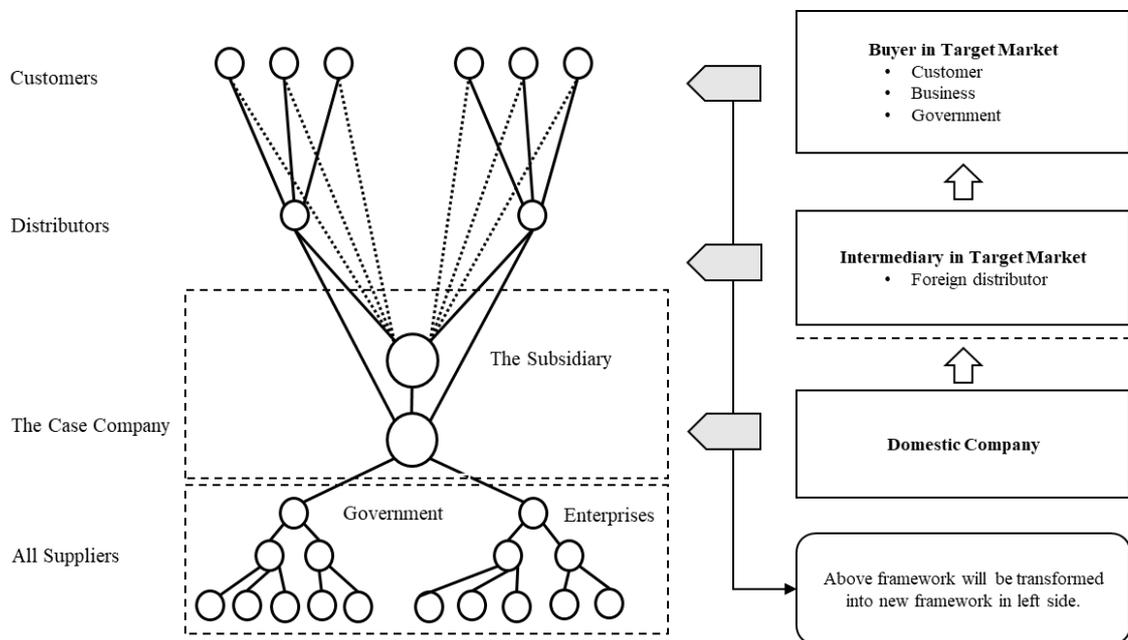


Figure 60. How the case company cooperating with local distributors to approach end customers in China.

However, when approaching distributor candidates in China, the case company met a large number of problems. Similar to the proposal of Cavusgil (1983), through several-

month contact with qualified distributors in China, the outcome for the case company was not very optimistic. The negative phenomenon can be summarized into following three types:

- No response via the email contact as well as social media such as WeChat.
- Some distributors show their interests and intentions to cooperate with the case company, but they have no action plan and always being hesitating.
- The rest of distributors signed contracts with the case company and launched travel itineraries on their website. Whereas, the question is they are not motivated in the sales process.

According to above analysis, building stabilized business relationships with local distributors is not easy to accomplish. Problems are always existed not only for potential business customers but also existed in contract-signed business partners. For instance, the main problems of contract-signed distributors are that they usually are hesitated when considering signing contracts and have no motivation in terms of products promotion. In order to overcome those problems, the case company can use customer value models as weapons in negotiation with distributors. Figure 61 shows the integration of customer value models from suppliers to end customers.

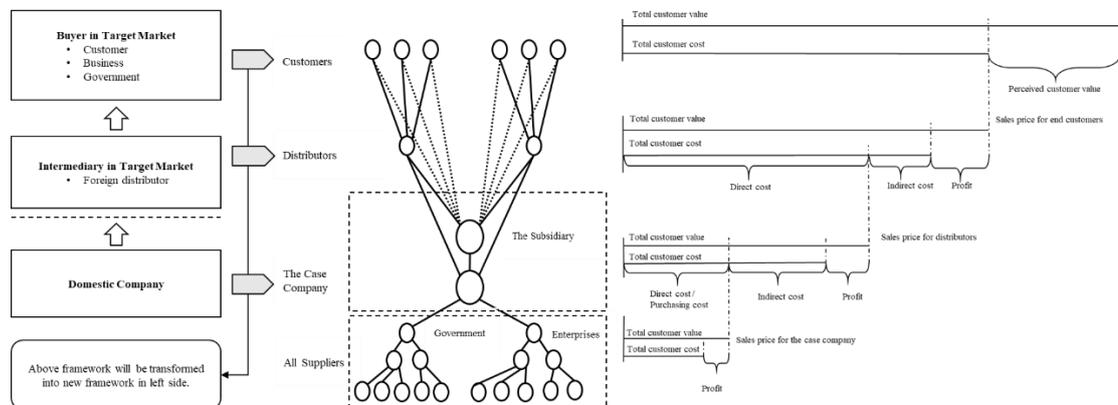


Figure 61. The integration of customer value models from suppliers to end customers.

Based on the aforementioned illustration of all stakeholders' customer value models, the case company can demonstrate customer value model to distributor candidates. The objective of the distributor's value model is to refer to what distributors can obtain from the cooperation. Then, end customer value models, as well as a specific sales plan, can be provided to distributors in their sales activities.

The objective of the application of the end customers value model and sales plan is to show distributors how to operate the business in China as well as help them to save more resources in terms of investment of market research. What is more, for some distributors who are still hesitated after previous two-step identifications, the case company can take

out the customer value assessment to show how much business potential of the cooperation is in the fixed period. Figure 62 shows four types of weapons in negotiations for the case company.

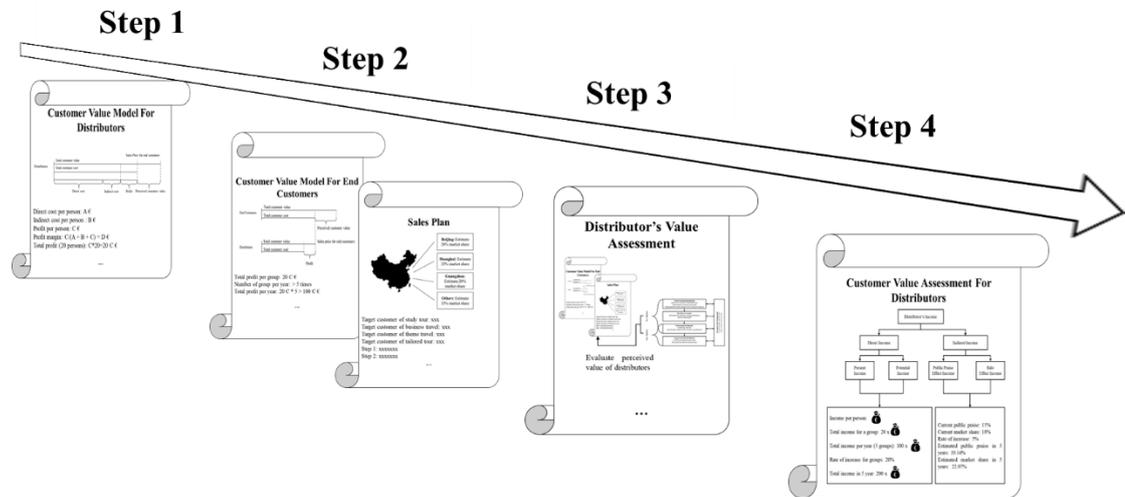


Figure 62. Four types of weapons in negotiations for the case company.

According to above identifications, the most significant problems for the case company is how to enter the Chinese market as well as open it from a long-term perspective. Correspondently, the objective of papers is to help the case company accomplish the international business strategy in China that entering the Chinese market with distributors. The whole process can be regarded as that a quite shy youngster follows steps of an experienced and powerful heartthrob attending a party with numerous unacquainted young ladies. The consequence is that it will be easier for the youngster to be integrated into the party and surrounded by the ladies with the warm introduction of the heartthrob.

7.3 Analysis of the Case based on Framework

According to aforementioned reflection, there are four-step weapons can be used in negotiation which can increase the negotiation power of the case company. The objective of weapons application is to make sure the international business strategy can be operated successfully in China. When the salespeople of the case company officially approach the representatives of distributors, the salespeople have to have a deep understanding with regards what the most significant light spot is in each step. Figure 63 shows how the salespeople negotiate and convince distributors via the four-step weapons.

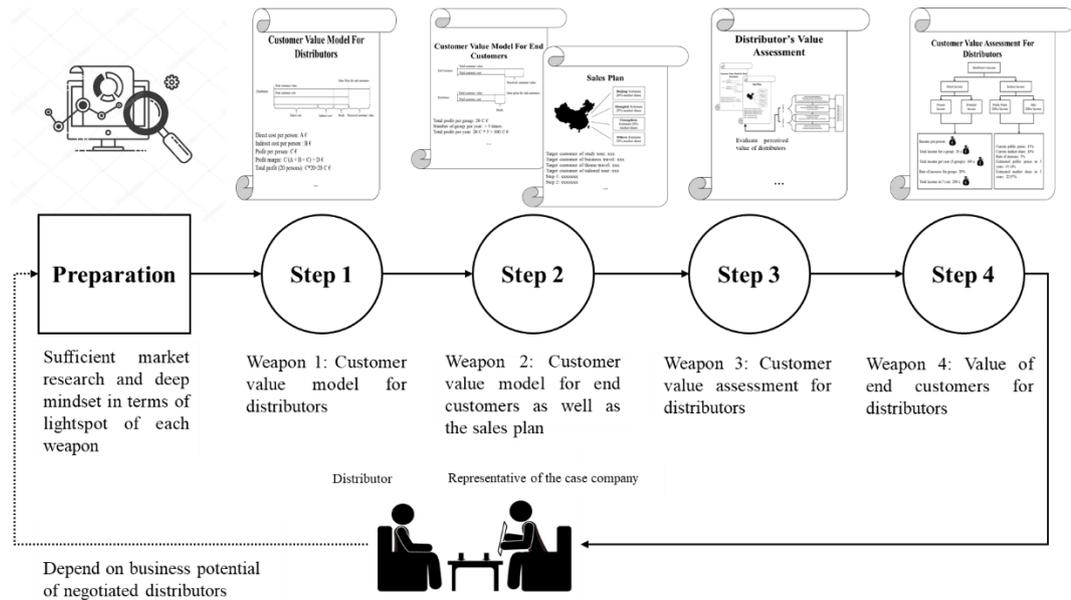


Figure 63. How the salespeople negotiate and convince distributors via the four-step weapons.

According to the demonstration in Figure 63, before the official meeting with representatives of distributors, the salespeople of the case company has to prepare a large amount of knowledge with regarding the light spot of four-step weapons. For instance, specific and sufficient market research is necessary for the process. As a matter of fact, the outcome of market research is aforementioned four negotiating weapons. The process can be regarded as that the salespeople will enter an eerie forest with a gun in the pocket. He should know how to use the gun when he meets the dangerous such as how to use the thumb to pull back the safety lever, how to aim at the target, how to squeeze the trigger and shoot.

Then, the first step of the weapons application is to demonstrate customer value model for distributors. The objective of the step is to let distributors perceive what their revenues, costs, and profits are respectively from the cooperation. Once distributors show their interests for the proposal, the negotiation will be easy to carry on.

The second step of the weapon application is to use customer value model for end customers and a sales plan for distributors. The customer value model is the visualization of perceived customer value for end customers. There will be valuable information in terms of total profit per year in cooperation. The objective is that qualified distributors can capture a higher-level benefit information from the paper.

What is more, the end customer value model can be used in sales activities of distributors that their salespeople can use the value model to attract end customers' eyes and convince

them. Then, the sales plan can be deemed as guide plan which contains sensitive information such as who will be target customers for specific products and where they could be in. The objective of the whole second step is to move the focus of distributors from how to decrease purchasing prices to how to verify the information in the paper can be accomplished.

The third step of the weapon application is to use the report of customer value assessment to convince hesitated distributors. In this report, the case company will provide the analysis of the business potential for cooperation from the perspective of theory. Distributors will be able to assess the performance of the cooperation.

Finally, the value of end customers as the fourth weapon can show the benefits of the cooperation in the monetary value. Distributors can realize the outcome of business cooperation, Meanwhile, it is also time to make decisions to cooperate or not.

To some extent, if distributors always show negative attitude and still hesitated, it also can be regarded useful information for the case company with regards to should it continuously invest time and money for the distributors or not. Therefore, after Step 4, if distributors still hesitate, the next step will depend on the evaluation of the business potential of the distributors. Figure 64 shows the analysis of case based on the framework.

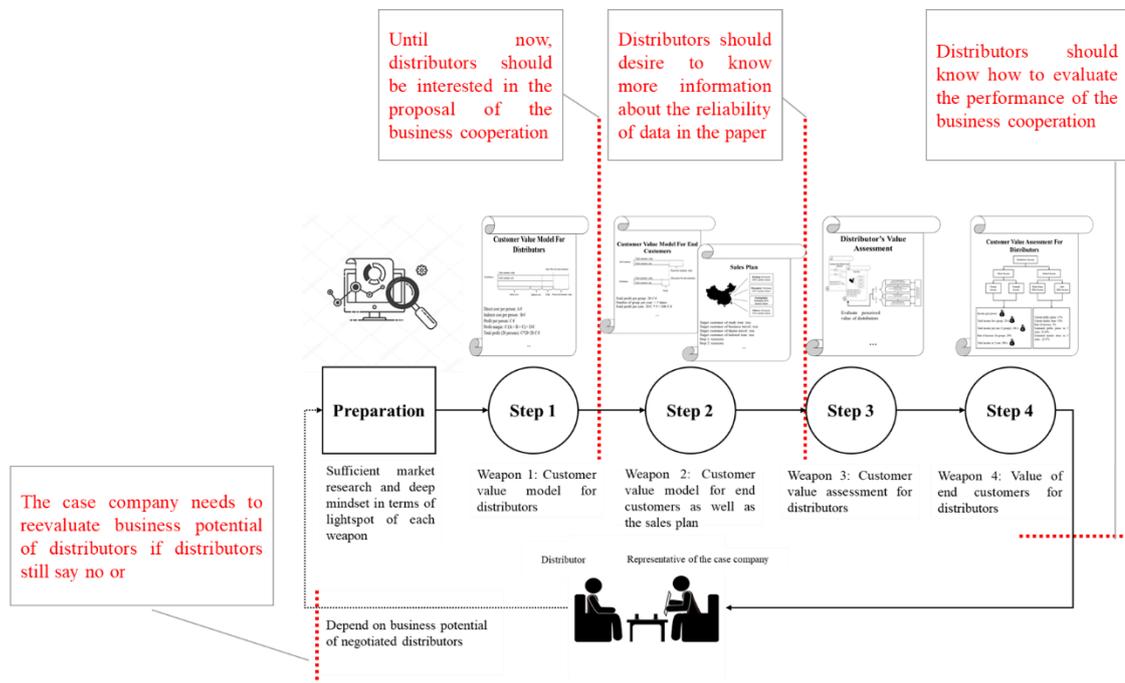


Figure 64. The analysis of case based on the framework.

According to all aforementioned analysis and Figure 64, distributors should have different reactions in different periods. When Step 1 completes, distributors should be interested in the proposal of the business cooperation. If distributors firmly say no at the beginning

of the negotiation, it will be difficult to carry on the following negotiation. At this moment, the case company can maintain good relationships with those distributors in case they have relevant demand in future.

Then, once the end of Step 2, distributors should indicate that they are very interested in the proposal but they want more relevant information to help them evaluate the business reliability. The tasks of the salespeople are to provide what distributors want such as sales plan and end customer value proposition. What is more, before signing contracts, the salespeople should notice that do not share sensitive business information with distributors. For instance, the cost structure of the case company should not be shared with others, because distributors are able to calculate the prices from suppliers of the case company. The consequence is that distributors could reverse the business process and directly contact those suppliers in Finland.

Lastly, after Step 3 and 4, if distributors make decisions to work together, there is no need to rebuild the negotiation process. However, if distributors still hesitate even if the salespeople show the report of customer value assessment, the case company needs to reevaluate business potential of the distributors as well as move focus to other candidates. As a matter of fact, there are hundreds of distributors in China. In other words, the case company has hundreds of options in terms of business partners selection.

In conclusion, for the case company, it can follow steps in the created framework to tempt qualified distributors in China step by step. The objective of the systematic framework is that the case company can convince qualified distributors to start cooperation. Meanwhile, the sales plan from the case company can provide more practical information for distributors to make success in future sales activities.

7.4 Analysis of Results

This thesis analyzed the application of customer value proposition for companies entering new markets. It referred to that how to use customer value proposition as weapons to increase negotiation power of multinational companies. From the perspective of distributors, they are more familiar with end customers in target markets than those new market entrants. It means they are more powerful and able to steer the development of negotiations. Therefore, compared with investing time and resources to convince them constrainedly, it is better to move their eyes from protecting their benefits to earn more benefits from the cooperation.

Nevertheless, the framework was created based on a theoretical study. It means the reliability of the thesis needs to be verified. Therefore, the next step is using the outcome of

the thesis into the case company to solve its problems. After demonstrating the four-steps weapons in negotiations to the founder of the case company, she mentioned that:

“It looks credible and valuable for the company. From my personal viewpoint, I think Step 1 is much more important than other steps. What is more, culture factor should be considered before implementing the process. In a word, let us verify the framework in real cases”.

According to the feedback of the founder, one of the most significant limitations of the framework is culture factor. As a matter of fact, the business culture between China and Finland is pretty difficult. Finnish people are much more straightforward than Chinese. Customer value proposition could be helpful in Finland, but the feasibility of the strategy in China should be verified. For instance, compared with Finnish people who define questions in black and white, Chinese people usually reply gray answers.

Another limitation of the framework is how to make sure the qualification of distributor candidates. The thesis discussed how to choose right distributors in target markets from the perspective of literature. However, different industries could have different standards to define qualified distributor candidates. For instance, according to Porter’s five forces, substitutes as one of the threats in markets which can significantly impact the sustainability of business development.

In the tourism industry, the products are usually visualized via travel itineraries in the paper. If distributors in target markets want to imitate the content of products, they can ask travel itineraries beforehand. Then, those distributors will make similar travel plan by themselves so that they can eliminate the intermediary cost and earn more profit from end customers.

In a word, the empirical study was the combination of the literature review and working experience of the author in the case company. The establishment of the framework is rational and methodical. Salespeople of multinational companies can easy to understand and follow the process step by step. Compared with traditional long-term verbal negotiations, salespeople should be able to quickly identify the business potential of distributor candidates. They can filter distributor candidate name list effectively and efficiently through the approach.

8. CONCLUSION

Currently, with the emergence of internationalization, growing liberalization of the trading system and expansion of regional economic integrations has unexpected benefits (Leonidou 2004). As a matter of fact, it is very common to see in B2B markets that companies try to expand existing businesses outside of their original territories in order to acquire more benefits. However, as a countermeasure in market development, business expanding process has a large amount of challenges (Johnson et al. 2015).

In order to decrease risks from the target market, it is very common that new entrants would like to find local distributors to take care of their businesses in target markets. To some extent, it will be much more difficult and costly for the new entrant to clarify everything in target market by itself. However, the existence of distributors is very helpful that they are able to evade potential risks for the entrants. Then, the next challenge is how to win in negotiation with distributors. In other words, when a company has decided to cooperate with a local distributor, how the company convinces the distributor to start cooperation is a big challenge.

The objective of the thesis was to help companies entering new markets to figure out a solution with regards to how to convince distributors in target markets to start cooperation and be motivated in future sales. In order to accomplish the objective, the thesis focused on the concepts of customer value proposition. The creation of the framework was based on customer value model and customer value assessment. What is more, the value of end customers was used as a new weapon. The framework aimed to demonstrate the negotiation process for salespeople of companies. Through following steps in the framework, salespeople can negotiate with distributors in target markets with strong negotiation power. Finally, they were supposed to convince most distributors in that markets.

The main finding of the thesis is the scenario building with regards how the salespeople approach, negotiate, convince and reevaluate distributors step by step. There are four steps discussed in the thesis in which has corresponding solutions according to feedbacks from distributors. However, before the whole negotiation process, there is a preparatory phase in which salespeople have to prepare a large amount of knowledge and information. The outcome is that salespeople of companies have a deep understanding in terms of light spots in each step.

Nevertheless, the limitation of the thesis is that multinational corporations have to identify how to approach qualified distributors beforehand. In other words, multinational companies are supposed to define whether the distributor is a right candidate or not. As matter of fact, in the same industry, it is common to see that same industrial company have no

intersection. For instance, in the chemical industry, it is no sense that an oil tank manufacturer looks for cooperation with the distributor whose target customers are plastic manufacturers. What is more, culture element in target market also needs to be considered when making decisions.

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