Volvo Trucks’
Customer Value Proposition

Bachelor Thesis within Business Administration

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Jönköping  May 2009
Acknowledgements

The authors of this thesis would like to thank their tutor, Erik Hunter, for his valuable input and guidance along the way. Thank you also to our fellow hard-working bachelor students, whose feedback during the seminars was crucial for our progress.

This thesis would not have been possible without the support of the Volvo Truck Corporation and its employees. The authors would especially like to thank Christian Johansson, Senior Vice President and Chief Financial Officer, who hosted this thesis, provided initial input and established first contacts within the company.

Last, but not least, the authors want to thank all research participants, who managed to fit the meetings into their tight schedules and contributed so much valuable information.

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Jönköping International Business School, May 2009
Abstract
Title: Volvo Trucks’ Customer Value Proposition
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Date: May 2009
Keywords: Volvo Truck Corporation, truck industry, customer value, value drivers, retail strategy, communication, relationship marketing
Purpose: The purpose of this thesis is to evaluate the general composition of Volvo Trucks’ customer value proposition in Europe and to examine possible ways of enhancing it using Volvo’s retailing strategy as a tool.
Background: The concept of customer value gains more and more importance in modern companies. Firms have to truly understand what their customers expect in order to provide the right products for them.

Truck manufacturing is a very cyclical industry, which is why in times of crisis, when trade volumes go down, they need to excel even more in order to maintain good business relations with their customers. Volvo Trucks, one of the world’s leading truck producers, has adopted a special retailing strategy, in which it owns strategically important dealerships, in order to improve customer understanding and consequently customer value. This paper discusses in how far they succeed at this.

Method: The authors followed a triangular approach, combining quantitative and qualitative research. The quantitative part was covered by a communication chain study and a value driver study, both developed by the authors. In the qualitative part, each participant answered ten open questions, which were then used for internal consistency checks and contributed additional thoughts.

Conclusion: The Volvo Truck Corporation (VTC), by adapting its retail strategy, realized the importance of establishing long-term customer relationships and generating adequate intelligence about customer needs. The company not only incorporated influential elements of relationship marketing but also strives for sustainable improvements in customer-perceived value. However, some conflicts between the stakeholder groups involved have been discovered. The corporation’s core values were found to be in line with customer preferences.

In essence, it is crucial for Volvo Trucks to implement the ideas of relationship marketing, establish superior communication channels, and to promote a common understanding of customer value.
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1 Introduction

Within this thesis, the authors will discuss Volvo Trucks’ customer value proposition. Before problematizing the area and stating the purpose of this work, the truck industry as well as the Volvo Truck Corporation shall be briefly introduced to provide the reader with a basic contextual understanding.

1.1 Industry Background

In consideration of the historical role it has played during the development of the continent and its social and economic importance, the European Automobile Manufacturers’ Association (ACEA) refers to the automotive industry as “the engine of Europe” (ACEA, 2009). ACEA is an economic interest grouping consisting of 15 major car, truck and bus manufacturers operating in the EU, including Volvo. The information provided within this section was mainly taken from the association’s website.

An important segment of the automotive industry is the commercial vehicle manufacturing, which forms a 70 billion euro sector and therefore is a significant generator of revenue and employment in Europe. This industry supplies the freight transport and distribution business, a sector worth 250 billion euros, with its products. While the statistics for buses and coaches, annually carrying around 8.5% of all European passengers, are already meaningful, they are outperformed by the importance of commercial vehicles in the European freight transport. In 2005, according to ACEA, trucks carried around 72% of all goods transported within the EU25 area. Compared to only 16.5% carried by trains, 5.5% carried in pipelines and 5.4% on inland waterways, road haulage is the preferred mode of transport in Europe. This is motivated by the trucks’ adaptability to the customer’s exact production rhythm and the resulting cargo requirements and delivery schedules. Moreover, trucks are independent of rail tracks or inland waterways, making them a very flexible option. Thus, “on the freight side, road transport is the backbone of trade and commerce in Europe” (ACEA, 2009) and consequently a vital asset to Europe’s competitive position.

Almost every member state of the EU has a stake in the commercial vehicle industry. ACEA estimates the number of commercial vehicles manufactured in the EU in 2006 to be around 2.4 million. While 250,000 jobs are directly connected to it, due to industry interconnectedness, a total of around one million jobs in the EU depend on this production. One reason for the importance of the industry is its quality, since “European trucks lead the industry globally in terms of active and passive safety innovations, as well as engine technologies to meet and even surpass the strictest emission standards in the world” (ACEA, 2009). One of the important European truck manufacturers is the Volvo Truck Corporation, which is subject to this work.

1.2 Company Background

Within this section, the authors will briefly present the Volvo Truck Corporation. Most information was derived from Volvo Trucks’ corporate website and other published documents. The remaining information stems from the corporate business plan for the upcoming years, and was referenced accordingly. Data relating to the entire Volvo Group was taken from the Volvo Group’s corporate website and the group’s financial statements, respectively.
Volvo Trucks is one of the world’s leading producers of commercial transport solutions. The company’s headquarters are based in Gothenburg, Sweden, and the corporation’s CEO is Staffan Jufors. Currently being the second-largest heavy-duty truck manufacturer in the world, Volvo Trucks sells and services its products in more than 140 countries, operating on a global scale. The company’s production structure is similarly based on global presence. Utilizing a retailing network of more than 2,300 dealerships and workshops, the company has approximately 21,000 employees. With its eight wholly-owned assembly plants and further nine factories owned by local partners, Volvo Trucks has located about 95% of its overall production capacity in Sweden, Belgium, Brazil and the USA (2008). The main sales markets are Europe and North America.

The Volvo Truck Corporation (VTC) is integrated in the Volvo Group, founded in 1927. As one of the world’s leading manufacturers of heavy commercial vehicles and diesel engines, Volvo also offers customized solutions in financing, leasing, insurance and service. Furthermore, the group offers total transport solutions for urban traffic. Providing 67% of the group’s net sales and 77% of its operating income, the truck segment, including Renault, Mack, Nissan and Volvo Trucks, represents the most important segment. Further products provided by Volvo comprise buses, construction equipment, marine and industrial engines and aircraft engine components, all representing separate business areas in the corporation.

The group has identified three core values for their operations, quality, safety and environment, which are also used in Volvo Trucks’ philosophy. The quality focus has traditionally been in the center of the firm’s interest and was already applied to the company’s first truck, produced in 1928. Additionally, the VTC has a long history of providing superior safety features for its products, starting with the development of the three-point seat belt in 1959. The environment focus is younger, it became a core value in the early 1990s and has been cherished ever since.

Volvo Trucks’ core values consequently also form the cornerstones of the corporation’s mission statement, which is specified as follows:

“By creating value for our customers, we create value for our shareholders. We use our expertise to create transport-related hard and soft products of superior quality, safety and environmental care for demanding customers in selected segments.”

( Volvo Truck Corporation, 2009b, p. 1)

In their vision statement, Volvo Trucks further identifies its overall ambition in being valued “as the world’s leading provider of commercial transport solutions” (Volvo Truck Corporation, 2009b, p. 1). With this vision conditioning the corporate strategy, Volvo Trucks gain their competitive advantages from offering complete transport solutions rather than being limited to the provision of trucks as their core competence. The firm aims for generating superior customer value throughout the entire value chain of its products. In this approach the company clearly differentiates itself from its competition (C. Johansson, personal communication, 2008-03-11).
Following their vision, Volvo Trucks tries to become a provider of total transport solutions (E. Lundgren, personal communication, 2008-03-11). In order to do so, the company aims at achieving a revenue generation from truck maintenance and service that is equal to revenues from truck sales (E. Lundgren, personal communication, 2008-03-11). For this purpose, a new retailing strategy has been adopted in 2002, when the corporate strategy was altered. The company, next to supplying its external truck dealers, nowadays operates own dealerships, so-called Volvo Truck Centers. These centers are located in places of significant strategic importance throughout the company’s markets in the world. By 2008, a network of 211 wholly-owned dealerships existed (Volvo Truck Corporation, 2008).

Resulting from the global economic crisis, dramatic sales drops occurred in 2008. 90% of Volvo Trucks’ sales are taking place in regions currently in recession (Volvo Truck Corporation, 2008). Since the general performance of an economy, often represented by the growth in GDP of a country or business area, is closely related to the freight volume, the demand for Volvo Trucks’ products has remarkably decreased. However, due to their shift towards higher revenues from the aftermarket, i.e. maintenance and other services as well as sale of spare parts, the firm can be expected to suffer less, on a relative scale. Even if no new trucks are bought, the existing ones still have to be serviced on a regular basis.

1.3 Problem

Volvo Trucks’ new retailing strategy provides the company with two major advantages. The first one is the previously discussed revenue generation throughout the product’s entire lifecycle, instead of only from the initial sale. The second advantage is the possibility to gain an improved customer understanding, as the firm now operates a direct customer interface. It is worth asking whether Volvo Trucks will be able to translate this potential advantage into above-average performance in terms of customer value generation. Not least for Volvo Trucks itself is it important to know whether, after a sufficiently large adjustment period, the invested efforts are justified by the results. Knowing whether the strategy chosen allows for strengthening the corporation’s competitive position would ultimately enable overall quality judgments and potential future adaptations of Volvo Trucks’ retailing system.

Participating in a competitive market, it is essential for Volvo Trucks to deliver superior customer value. All departments involved in the development and sales process of the company’s products have to take responsibility for customer value, from the engineers to the dealership engaged in selling and maintenance. Having the end-customers eventually evaluating the offering’s value, they also represent an important factor in the equation.

The precondition for providing competitive customer value is to have an understanding of the customers’ wants and needs, as a point of departure. This under-
standing heavily relies on the customers communicating their requirements to Volvo Trucks. In a second step, the company has to channel the information through its network, since “any individual in any function in a seller firm can potentially contribute to value creation” (Slater & Narver, 1994, p. 23). A smooth value creation process thus calls for all departments in the chain to have the same understanding of the ultimate goal, the output of the value chain. To achieve such, the information flow throughout all departments has to be of good quality. Kakalik and Wright refer to this flow of information as “downstream communication” (1996, p. 16).

A successful market participation of Volvo Trucks therefore requires the company to have both a high-quality upstream (opposite of downstream communication, from customers to company) and downstream communication throughout its entire business network. Such high standards allow for a better understanding of customer needs and the translation of those needs into a superior customer value throughout the entire value chain. Whether the company fulfills these needs of communication is another question worth an in-depth analysis.

1.4 Purpose
The purpose of this thesis is to evaluate the general composition of Volvo Trucks’ customer value proposition in Europe and to examine possible ways of enhancing it using Volvo’s retailing strategy as a tool.

1.5 Research Questions
Resulting from the provided problematization and this paper’s purpose, the authors have derived four research questions. These questions, which are presented below, each focus on one of the work’s key segments. They shall provide a red thread for the analysis and enable the achievement of the purpose.

1. Is Volvo Trucks’ retailing strategy an adequate approach to the concept of relationship marketing and which advantages does it offer?
2. What are influential elements of European customer value at Volvo Trucks?
3. Is high-quality communication a prerequisite for customer value generation?
4. What conflicts exist between different stakeholder groups within the customer value chain?

1.6 Delimitations
The authors, in writing this paper, faced several delimitations they want to point out. First of all, data collection was geographically restricted to Sweden and a limited amount of participants, only partly covering the company-internal value chain. One example of such limitation are the market companies, which have been neglected for simplicity reasons. This process shall be described further within the method and analysis sections. These participants, however, are representatives of one important stakeholder group each, and can therewith be expected to contribute a well-grounded foundation for the analysis. In interviewing customers, the authors were limited to one customer segment, long-haul cargo transport, thus restraining the generalizability of the findings.
1.7 Structural Overview

This paper consists of six parts. After the introductory section, the theoretical framework follows, in which relevant theories and concepts will be presented and linked. The next section contains the method, describing the data collection process in detail. Then, the collected data will be presented in the research results. In section five, data and theory will be connected and interpreted in an in-depth analysis. Finally, the authors present their main findings and conclusion in the last section. The exact structure can be found in figure 3.

![Figure 3: Structural Overview](image-url)
2 Theoretical Framework

As the purpose suggests, the theoretical basis of this paper are findings about the complex concept of customer value. Another contribution is the concept of relationship marketing in the framework of the value concept. Because of a shift from mere product selling towards a transport solution delivery strategy, relationship theory becomes an integral part of the discussion of the Volvo Truck Corporation.

2.1 Approaching Customer Value

2.1.1 The Basic Concept of Customer Value

The major economic ideology between the 1980s and 2000s has been the concept of maximizing shareholder value (Lazonick & O'Sullivan, 2000). When applied correctly, some “financial economists argue, the performance of the economy as a whole, not just the interest of shareholders, can be enhanced” (Lazonick & O'Sullivan, 2000, p. 27). Furthermore, the last two decades of the 20th century have been dominated by efforts to “improve the quality of both their organization’s products and internal operations processes” (Woodruff, 1997, p. 139). Total quality management (TQM), lean production and business process reengineering are just some key terms. According to Woodruff (1997), however, a new source for competitive advantage is needed to remain successful: customer value. Duchessi confirms this finding by stating that the key to success in today’s business world is customer value (2002, p. 1), and even more clearly “it’s the very essence of doing business” (2002, p. 1).

Since value is a very imprecise term that can have many different connotations, there is a large number of definitions for customer value. A selection made by the authors is presented within table 1. One definition is given by Slater and Narver, who claim that customer value “is created when the benefits to the customer associated with a product or a service exceed the offering’s life-cycle costs to the customer” (2000, p. 120), thus simplifying it to the equation benefit minus sacrifice equals value (cf. Value Drivers, 2.1.2). Sacrifice, in this respect, means “the overall monetary and non-monetary costs the customer invests or gives to the supplier in order to complete a transaction or to maintain a relationship with a supplier” (Lapierre, 2000, p. 123). Slater and Narver’s definition is straightforward and provides a first indicator of the concept.

In a more complex definition of customer value, Woodruff states it to be “a customer’s perceived preference for and 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” (1997, p. 142). When striving for delivering superior customer value, Woodruff proposes four essential questions to be answered by the company in concern. After questioning itself, what exactly their customers value, a company should focus on aspects, which would allow for achieving advantages better than others. In a next step, it is crucial to determine the customer’s opinion on how well this value is delivered. Ultimately, the firm will have to consider potential changes in customer value expectations in the future. It is, however, not sufficient to be able to answer these questions, one also has to “translate customer learning into superior performance with customers” (Woodruff, 1997, p. 140), i.e. the findings have to be used to develop appropriate action plans.
Table 1: Definitions of Customer Value

<table>
<thead>
<tr>
<th>Author(s):</th>
<th>Definition:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Woodruff (1997, p. 140)</td>
<td>Customer value is a customer’s perceived preference for and 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.</td>
</tr>
<tr>
<td>Slater &amp; Narver (2000, p. 120)</td>
<td>Customer value is created when the benefits to the customer associated with a product or a service exceed the offering’s lifecycle costs to the customer.</td>
</tr>
<tr>
<td>Ulaga &amp; Chacour (2001, p. 528)</td>
<td>Customer-perceived value [is] a trade-off between benefits and sacrifices perceived by the customer in a supplier’s offering.</td>
</tr>
<tr>
<td>Lapierre (2000, p. 124)</td>
<td>[W]e […] define customer value in terms of get (benefit) and give (sacrifice) components.</td>
</tr>
<tr>
<td>De Rose (1991, p. 88)</td>
<td>Value, as perceived by the customer, is the satisfaction of purchase requirements at the lowest total cost in use.</td>
</tr>
<tr>
<td>Butz &amp; Goodstein (1996, p. 63)</td>
<td>By customer value, we mean the emotional bond established between a customer and a producer after the customer has used a salient product or service produced by that supplier and found the product to provide an added value.</td>
</tr>
</tbody>
</table>

Further definitions were provided by Ulaga and Chacour, Lapierre, De Rose, and Butz and Goodstein (cf. table 1). The main notion in most of these definitions is that value is a trade-off, it is what a customer receives after the deduction of all sacrifices, which is a concept that is needed in the upcoming value driver discussion. The emotional factor, brought in by Butz and Goodstein, will be discussed in more detail in section 2.1.3.

2.1.2 Value Drivers

The simple value equation set up by Slater and Narver (2000) is also supported by Lapierre (2000), who claims that each value driver is either a benefit or a sacrifice. For her study, Lapierre interviewed several employees from a Canadian IT company and B2B customers of this IT firm. From these interviews and an extensive literature review, she derived 13 key drivers for customer value (cf. table 2). Of these 13, ten bring benefits and three are sacrifices, which implies that any value driver can be positive or negative. The validity of these dimensions was then tested by Lapierre using other models that literature proposes (e.g. Zeithaml, 1988). Each driver belongs to one of three categories, it is either product-related, service-related or relationship-related, giving a clear insight on what customers value in a firm. The first two categories were chosen by Lapierre, because “[m]uch of the current theory focuses on attributes related to product and service offerings” (2000, p. 124). The third category was inspired by Ravald and Grönroos (1996), which will be referred to during section 2.2, Value Concept and Relationship Marketing. They suggest the connection of value and relationship that Lapierre took over.
Table 2: Lapierre’s 13 Value Drivers (2000)

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Sacrifices</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) alternative solutions</td>
<td>(1) price</td>
</tr>
<tr>
<td>- product related</td>
<td>- product and service related</td>
</tr>
<tr>
<td>(2) product quality</td>
<td>(2) time/effort/energy</td>
</tr>
<tr>
<td>- product related</td>
<td>- relationship related</td>
</tr>
<tr>
<td>(3) product customization</td>
<td>(3) conflict</td>
</tr>
<tr>
<td>- product related</td>
<td>- relationship related</td>
</tr>
<tr>
<td>(4) responsiveness</td>
<td></td>
</tr>
<tr>
<td>- service related</td>
<td></td>
</tr>
<tr>
<td>(5) flexibility</td>
<td></td>
</tr>
<tr>
<td>- service related</td>
<td></td>
</tr>
<tr>
<td>(6) reliability</td>
<td></td>
</tr>
<tr>
<td>- service related</td>
<td></td>
</tr>
<tr>
<td>(7) technical competence</td>
<td></td>
</tr>
<tr>
<td>- service related</td>
<td></td>
</tr>
<tr>
<td>(8) supplier's image</td>
<td></td>
</tr>
<tr>
<td>- relationship related</td>
<td></td>
</tr>
<tr>
<td>(9) trust</td>
<td></td>
</tr>
<tr>
<td>- relationship related</td>
<td></td>
</tr>
<tr>
<td>(10) supplier solidarity</td>
<td></td>
</tr>
<tr>
<td>- with customers</td>
<td></td>
</tr>
<tr>
<td>- relationship related</td>
<td></td>
</tr>
</tbody>
</table>

Lapierre empirically verifies her value driver construct using a mailed questionnaire. Her statistical results indicate that “the operational measures are reliable and valid” (Lapierre, 2000, p. 127). Because of this validation, she then also used the model in the finance sector, eventually reporting results of the combined samples of both industries.

2.1.3 Customer Value, Satisfaction and Loyalty

The concept of customer value is closely connected to the notions of customer satisfaction and customer loyalty. Their interrelation thus has to be investigated to enable a clear distinction between the terms.

Eggert and Ulaga (2002) have investigated the connection between customer value and customer satisfaction, two terms that are sometimes used interchangeably. They get to the result that both are “complementary, yet distinct constructs” (Eggert & Ulaga, 2002, p. 110), or in more detail that “customer perceived value leads to satisfaction which, in turn, leads to positive behavioral intentions” (Eggert & Ulaga, 2002, p. 116). According to their statistical results, both models should be taken into account, although the latter performs significantly better.

These findings can be related to Butz and Goodstein, who define customer value as “the emotional bond established between a customer and a producer after the customer has used a salient product or service produced by that supplier and found the product to provide an added value” (1996, p. 63). This implies that customer value is the basis for loyalty, which not only leads customers to repeatedly buy the company’s products, but also to recommend them to others, incurring even further sales. Even more so, most experts agree that it costs up to five times more to sell to a new customer than to an existing one (Slater & Narver, 1994), giving the notion of customer loyalty yet more impact.

Three levels of customer value are distinguished by Butz and Goodstein. The first is the expected value. A firm that delivers at this level provides the customer just with what he or she expects and what any competitor is also able to provide. No extra customer value occurs here; if a company tries to provide extra features, it will be quickly
copied by its competitors and thus the company will not gain a competitive advantage. The second level is desired value. Here, features add value because the customers desire them, although they are not industry standard. Whenever a company manages to consistently provide what a customer desires better than its competitors do, this customer will bond with the respective company and become more and more loyal. The third and according to Butz and Goodstein “ultimate” (1996, p. 69) level is the unanticipated value. If firms find ways to fulfill customer wants and needs, which they have not even been consciously aware of, high customer value and a valuable competitive advantage are the consequence. As one example, Butz and Goodstein offer the invention of disposable diapers. Although no customer need for them has been stated in the 1950s, Procter & Gamble noticed that the current situation was not satisfying the customers. From this finding, an annual business of four billion dollars resulted (Butz & Goodstein, 1996).

2.1.4 Intelligence Generation

Looking at Butz and Goodstein’s findings, one might assume a connection between customer value and market research or intelligence gathering. This topic has been discussed by Slater and Narver (2000), who have proposed four distinctive types of intelligence generation. One possibility is collaboration with other organizations and combining forces to find opportunities for providing better customer value. Another one is experimentation, basically out-of-the-box thinking, a concept often used by innovative firms. The third intelligence generation type is probably the oldest one, since it “has been discussed for more than 50 years” (Slater & Narver, 2000, p. 122); it refers to repetitive experience, or learning curves. By continuously carrying out business, conscious and observing companies will discover opportunities for additional benefits. The fourth type is market-focused intelligence creation. It comprises gathering information about market requirements and ways to meet or exceed them (Slater & Narver, 2000). Companies employing this kind of intelligence generation use both traditional marketing tools, e.g. focus groups and surveys, and “high-touch techniques such as [...] visiting customers to thoroughly understand a customer’s environment and needs” (Slater & Narver, 2000, p. 121, citing McQuarrie & McIntyre, 1992).

Slater and Narver tried to confirm their hypotheses by conducting an exploratory study within the electronics industry. Although having a low response rate, they defend the validity of their findings, since the sample was very diverse and no significant differences existed between early and late respondents. The statistical results suggest “that a well-developed intelligence generation is positively associated with superior customer value” (Slater & Narver, 2000, p. 124), thus confirming that market research is a precondition for customer value and a resulting customer satisfaction. Furthermore, most of their hypotheses regarding the different types of intelligence generation were confirmed. The only exception, for which Slater and Narver do not find an explanation, was the weakly-negative relation between product quality and market-focused research. According to this, techniques such as regular customer visits would not improve the quality of the products that a company develops.

Nevertheless, Slater and Narver’s study shows that, in order to minimize potential wrong impressions about customer value, intelligence generation is essential. However, it has to be noted that firms have to continuously update their findings, since customer value attributes change over time and with different product use situations. Or as Slater and Narver put it: “like other assets, the value of a given stock of intelligence depreciates over time” (2000, p. 126). Since the market and customer needs and wants are
dynamic, constant research is necessary to keep up a market focus, providing customer value and thus competitive advantage.

Nijssen and Frambach (2001) state that intelligence generation, which they define as “[a]cquiring market information and dissemination of such information within the company”, is the key to market orientation. They define the concept by citing Slater and Narver (1990), who state it to be “the organization culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and, thus, continuous superior performance for the business” (Nijssen & Frambach, 2001, p. 139). Market orientation thus is an essential ingredient for superior customer value. Slater and Narver (1994) have built a framework for transforming a company accordingly. In this framework, market orientation, which is profit-driven and has a long-term perspective, has three major components. The first one is customer orientation, which includes several key points. The company has to understand the direct buyers, but also people or companies beyond the obvious customers. It has to spend considerable time with its customers, continuously monitor the customer commitment and pay close attention to service, before and after the actual sale. Beyond the mere customer focus, the competitors have to be monitored as well, since they are potential “alternate satisfiers” (Slater & Narver, 1994, p. 23). The competitors’ strategies, strengths and weaknesses should be known to enable the company to beat them or at least prevent them from gaining a competitive advantage. The third ingredient for market orientation is cross-functional coordination. Basically, it implies that “any individual in any function in a seller firm can potentially contribute to value creation” (Slater & Narver, 1994, p. 23). Market orientation is not the same as marketing orientation, it consequently has to be accepted and carried out by all business units – not only the marketing department – equally to become effective. If this approach is followed, according to Slater and Narver, the acquired information can be assessed interfunctionally and then be translated into coordinated action, resulting in superior customer value. In the long term, this concept will provide a competitive advantage and hence stable growth and profitability.

### 2.1.5 Types of Customer Value

As suggested before, customer value is a complex concept, which is hard to grasp. First of all, different types exist. Rintamäki, Kuusela and Mitronen (2007), for example, distinguish four different key values based on the retailing sector, which they developed from existing literature. The first one is economic value, relating to simple price- or value-for-money-based decisions. According to the authors, companies trying to attract customers based on this value proposition need “resources and competencies based on economies of scale” (Rintamäki et al., 2007, p. 627). The second value proposition that companies can pursue is functional value, which attracts customers “who are motivated primarily by convenient solutions” (Rintamäki et al., 2007, p. 627), thus minimizing sacrifice in terms of time and effort. Thirdly, customers may seek emotional value, which can be provided by the atmosphere and environment of the store. In this case, the shopping experience itself is in the focus, rather than the products bought. To achieve a high emotional value, Rintamäki et al. suggest means such as “visual, auditory, olfactory, sensory, and even gustatory clues” (2007, p. 165). Finally, retailers can base their strategy on symbolic customer value propositions. Customers may value symbolic meanings of a certain brand, store or product. They may buy something for what it represents, rather than for what it can be used for. It shows lifestyle, specialty, prestige. Moral reasons may also play a role for this type of customers (Rintamäki et al., 2007).
These findings can be compared to another proposition by Burns (1993), who also suggested four types of value, which are quoted by Woodruff (1997): product value, value in use, possession value and overall value, which all are considered by a consumer in the evaluation process. Woodruff (1997), building on this, developed a customer value hierarchy model based on these value categories (cf. figure 4). The lowest level concerns product attributes and attribute performances, i.e. product value, which ideally lead to attribute-based satisfaction and to purchase. On the next level, customers want to experience desired consequences in use situations, i.e. after the purchase, and thus gain satisfaction here. This notion closely relates to value in use and possession value. Finally, the product should allow the customers to reach their goals and purposes, which leads to goal-based satisfaction. Putting it differently, “customers use goals and purposes to attach importance to consequences” (Woodruff, 1997, p. 142) and “important consequences guide customers when attaching importance to attributes and attribute performances” (Woodruff, 1997, p. 142) All this being provided, customer loyalty should be created. The customers’ use situation in any case plays a decisive role in the linkages and purposes of the hierarchy model. This implies that when the use situation changes, the customers’ desires and linkages between the different levels also change. Woodruff (1997) provides the example of different product needs when using internet services at work and at home.

Another model fitting the theoretical frame of this paper was provided by Ulaga and Chacour (2001). First performing a literature review, they found that customer perceptions differ to a large extent, depending on the type of business they are related to. Also, they found that each value driver is either a benefit or a sacrifice, which corresponds to Lapierre’s (2000) findings, as described earlier. Consequently, in their final model, Ulaga and Chacour distinguish quality- and price-related aspects, representing the two types. Using, among others, questionnaires and face-to-face interviews, they then performed a customer value audit (CVA) among suppliers and customers in a business con-
text, aiming at the identification of similarities and differences between them. Focusing on one of their analyzed industries, the hydrocolloid business in Germany, Ulaga and Chacour then created their final model (cf. figure 5). Next to including the factors price and quality, quality is further subdivided into product-related, service-related and promotion-related components, a division that was based on the answers of the hydrocolloid managers during the CVA.

Figure 5: Ulaga & Chacour’s Components of Customer-perceived Product Value (2001)

2.1.6 Customer Value Management

More practical advice on how to perform customer value management was provided by Shirley Daniels (2000). She not only acknowledges the fact that intelligence about customer wants is needed, but also provides a practical roadmap on how to achieve it. According to her, the customer-value approach “focuses on how people choose among competing suppliers (seeking to make gains in both attractiveness and retention, and hence in customer and market share)” (Daniels, 2000, p. 68). This is the message that has to be fully understood by every single employee. To find out more about the choosing process, Daniels provides three key questions, which the company (and anyone dealing with customer value) has to answer:

1. What are the key buying factors that customers value when choosing between the firm and its toughest competitors?
2. How do customers rate the performance of the firm and its competitors on each of these factors?
3. What is the relative importance of each of these components?

This approach enables the company to identify shortcomings, which can then be worked on (cf. Value Driver Study, 3.2.3). A weighted index of existing customer value components, including benchmarking values of the firm’s competitors, is the result. This type of customer value management, according to Daniels, provides the advantage of being based “on facts and figures, rather than on intuition and hunches” (2000, p. 70). She is convinced that if connections between better customer value and improvements in output performance can be found, the success of the concept of customer value management is assured (Daniels, 2000).
Butz and Goodstein (1996) call the process of measuring and improving customer value customer understanding. For the process, they have formulated five major steps. Firstly, customers must be identified, including “anyone who can exert influence – positive or negative – on the decision to buy” (Butz & Goodstein, 1996, p. 71). Secondly, the data collection must be planned. However, one has to keep in mind that when asked about their experiences, customers often express their needs and then expect the company to react to them, thus improve their offering. If the company does not comply, the relationship to the customer suffers. The actual data collection forms the third step. When collecting, not only current but also past customers must be taken into account, as well as competitors’ customers, both groups being able to reveal own shortcomings. It has to be clear that the gathered information will not be perfectly clear and motivated and leave the product designers and innovation teams without work. It can, however, provide valuable ideas and show the firm a direction for future product development. The fourth step is measurement of the increase in customer value. Butz and Goodstein use a five-level scale of bonding, from first-time customers to exclusive supplier status. After finding the current stage with a distinct customer, an action plan has to be developed on how to further increase or at least maintain the level. This plan is then implemented in the fifth stage, since understanding the customer is not sufficient, the company also has to act accordingly. Summarizing, one can say that this segmenting process will show that different customers have significantly different needs, be it different products, product uses, product delivery or other attributes (Butz & Goodstein, 1996).

2.1.7 Key Findings about Customer Value

The complex concept of customer value has been defined in several ways, mostly relating to a trade-off idea between benefits and sacrifices, as for example stated by Ulaga and Chacour (2001). In order to measure the composition of the customer value proposition, Lapierre’s value driver study (2000) has then been discussed. The authors’ quantitative method section will be based upon her findings. It is also important to distinguish the terms customer value and satisfaction, since they are “complementary, yet distinct constructs” (Eggert & Ulaga, 2002, p. 110), a distinction Volvo also has to make. Intelligence generation can be one means to consistently improve customer understanding, which is a main precondition for the improvement of customer value. Finally, different types and levels of customer value have been discussed, which enables a more appropriate measurement of the respective factors in the case of Volvo Trucks.

Concluding one can once again quote Woodruff, who believes that “[c]ustomer value-based competition represents the next major shift in managerial practice, complementing but, at the same time, moving beyond the quality management focus of the past two decades” (Woodruff, 1997, 151). Slater takes it a step further by saying “that the creation of customer value must be the reason for the firm’s existence and certainly for its success” (Slater, 1997, p. 166).

2.2 Value Concept and Relationship Marketing

One aspect that is needed for answering the research questions is the one of the relationship between a company and its customers, especially since Volvo Trucks’ retailing system, in its role as link between the two, forms an integral part of the purpose. Taking the general idea of customer value as a basis for their work, Ravald and Grönroos (1996) introduced the concept of relationship marketing as further layer of the total customer value, which has not been covered by the previous discussion of customer value.
The core of relationship marketing is defined as “relations, a maintenance of relations between the company and the actors in its micro-environment, i.e. suppliers, market intermediaries, the public and of course the customers as the most important actor” (Ravald & Grönroos, 1996, p. 19). For these relationships, the value, as ultimately offered to the customer, is stated to be an important constituent, as the provision of superior value to its customers is identified as a successful competitive strategy. Following this strategy and adding value to their core product, “companies try to improve customer satisfaction so that the bonds are strengthened and customer loyalty thereby achieved” (Ravald & Grönroos, 1996, p. 19, cf. Butz & Goodstein). The concept of customer satisfaction, identified as a superior predictor of a customer’s repurchase intention by Liljander and Strandvik (1995), is stated to be preceded by quality when referring to traditional quality models. However, as these traditional quality models do not include the notions of customers’ perceived prices or costs, they were subject to a growing amount of criticism. Instead of exclusively focusing on the perceived quality as a driver to customer satisfaction, “the discussion has to be widened so that the customer’s need of this quality and his willingness to pay for it are also included” (Ravald & Grönroos, 1996, p. 20). This customer value approach evokes a focus on what customers have to sacrifice, thus rendering a pure adding-more-value approach to be a questionable one.

Following this logic, the introduction of extras not driven by customer needs will not be more than a short-term solution, attracting new market shares but not capable of enforcing long-lasting bonds. When offering such extras, the company will ultimately incur significant cost which has to be covered by charging higher prices. Thus, for the customer nothing changes, as he “gets more but also has to give more – and the perceived value remains about the same” (Ravald & Grönroos, 1996, p. 21). It is instead considered to be more promising for a company to provide value through a reduction of the customer’s perceived sacrifice, therewith minimizing the relationship costs and ultimately improving customer performance.

Similar to the hierarchy model (cf. Woodruff, 1997), Ravald and Grönroos also suggest that “the customer-perceived value of an offering, seen through the eyes of the customer and related to his own value chain, must also be highly situation specific” (Ravald & Grönroos, 1996, p. 22). A company thus has to develop a clear understanding of the customers needs and activities, its value chain, in striving to provide competitive value. When introducing the term “value carrier” (p. 23) for the firm’s offering, Ravald and Grönroos identify the goal of a company in providing an offering with superior net value to the customer, therewith outperforming its competitors. According to the authors’ line of argument, the value of having a relationship, e.g. represented in both parties’ commitment, shall be taken into account when evaluating the company’s offering. Morgan and Hunt (1994), referring to such relationship commitment, define the concept as “an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it” (Morgan & Hunt, 1994, p. 23). The relationship between the parties is thus perceived worth investing efforts in, in order to ensure its endurance.

Further qualifying the customer value definition proposed by Slater and Narver (2000, p. 120), Ravald and Grönroos introduce the term “total episode value” (1996, p. 23) in a customer-supplier relationship which is described as a function of episode value and relationship value:
According to the given equation, a poor value perceived in the episode can be balanced by the customer’s positive perception of the relationship as a whole. Since both of the given values are mutually dependent, the authors further derive “the necessity for the firm being able to maintain a good relationship with the customers, since this apparently makes the customer more tolerant towards occasional inferior performances” (Ravald & Grönroos, 1996, p. 24). While on an episode basis customer-perceived value may be enhanced by factors like a superior product quality or the respective brand image, these factors are not perceived the most valuable aspects to the customer in the long run. When referring to the long-term relationship, Ravald and Grönroos identify factors like safety, credibility, security and continuity to be most decisive. Having the company offering these contributions to value, “[a]fter a few successful transactions (the customer is satisfied) the customer starts to feel safe with the supplier – a trust is developing” (Ravald & Grönroos, 1996, p. 24). According to Moorman, Deshpandé and Zaltman, such “[t]rust is defined as a willingness to rely on an exchange partner in whom one has confidence” (Morgan & Hunt, 1994, p. 23, citing Moorman, Deshpandé & Zaltman, 1993, p. 82). Morgan and Hunt (1994), paralleling this definition, further define the confidence earlier referred to as one in an exchange partner’s integrity and reliability.

After having described ways of contributing value, it is worth asking for an approach that will provide superior value and that simultaneously improves the performance of the company and maximizes the benefits for the customers in the long run. Ravald and Grönroos, in this respect, examine how a company, by reducing the customer-perceived sacrifice, can add value to the offering. This approach naturally requires the company to take a customer perspective, a central aspect of relationship marketing. In taking this perspective, the company “has to get close to the customer to be able to understand his needs, preferences and all the activities which constitute his value chain” (Ravald & Grönroos, 1996, p. 26). In general, when making a purchase there are several incidents that increase the customer’s total costs. The authors claim “these supplier relationship costs are the sacrifice the company should try to minimize for the customer and thereby increase the perceived value” (Ravald & Grönroos, 1996, p. 26). In striving to achieve this goal, the company shall improve the customer-affecting routines. The resulting improvements in internal and external service quality will allow for an augmented cost efficiency which will ultimately lead to increased profitability.

Although the topics customer value and value chain have already been covered extensively, as this theoretical framework suggests, these findings only provide very general definitions and action proposals. It is thus the intent of this paper to adopt the theory provided to the specific case of the Volvo Truck Corporation. By applying the customer value concept to the company and its retailing strategy, the authors will provide new theoretical insights to the company. Furthermore, since less generalization is necessary, a much more detailed analysis of the ideas becomes possible.
3 Method

The purpose of this paper is to evaluate the general composition of customer value at Volvo Trucks. In order to answer all research questions, the authors decided to conduct both quantitative and qualitative research and shall accordingly subdivide the method section of this paper into these two approaches. While answering the research question on Volvo Trucks’ retailing strategy mainly requires qualitative input, influential elements of European customer value shall be derived from quantitative findings. Both types of research are needed to answer research questions three and four, referring to high-quality communication and conflicts between different stakeholder groups.

In mixing two streams of research, the authors thus intend to improve the quality of the analysis as, according to Jick, "most textbooks underscore the desirability of mixing methods given the strengths and weaknesses found in single method designs" (1979, p. 602). This methodological point of departure, also referred to as "triangulation" (Jick, 1979, p. 602, citing Webb et al., 1966) implies that qualitative and quantitative research methods shall no longer be perceived as rival camps but rather as complementary. Jick (1979), in explaining the metaphor of triangulation, relates to Smith (1975), who derives it from military navigation and strategy where multiple reference points are used to locate the exact position of an object.

Further motivating a multi-stream approach, Jick refers to Campbell and Fiske (1959), arguing that in the validation process more than one method should be used in order to have the variance reflecting that of the trait and not being caused by the choice of method. In order to avoid such adverse effects on their research results, the authors follow the given proposition within their methodology. Relating to Denzin’s research (1978), Jick refers to a subcategory of the triangular approach as the "within-method" (1979, 602), which is using multiple techniques for data collection and interpretation within a given method. Accordingly, the within-method triangulation "involves cross-checking for internal consistency or reliability" (Jick, 1979, p. 603) and thus, as applied to this work, can be expected to improve the generalizability of the research findings.

3.1 Participants

3.1.1 Choice of Participants

Striving for achievement of this paper’s purpose, the authors needed to have a well-founded understanding of the customer value a Volvo truck provides. In this respect, having identified their goal in analyzing the influence of Volvo Trucks’ retailing system on that value, the authors were to conduct research with the main departments involved in customer value creation. This includes Volvo Trucks itself, but also truck dealers and customers, the latter being the ones evaluating the value provided in the ultimate step of the process. As multiple branches of the corporation are involved in the delivery of customer value as the output of their chain, the authors, following initial interviews with company executives and strategy representatives, chose three general departments that are essential in value creation, according to the Volvo representatives.

These three departments are engineering, strategy and marketing, representing the earlier stages of the overall value chain. It has to be pointed out that they have been simplified and do not exist in this form within Volvo Trucks. The simplification was necessary to form a basis for the research that all participants could follow, even if not
familiar with Volvo-internal terms, and in order to ease the analysis of data. The authors have, for example, interviewed representatives from the Commercial Aftermarket department and the Commercial Truck Sales division. They then merged the two with the Dealer Development department and the Marketing Communication division, forming the fictive marketing department. These two departments were chosen, because they are creating revenue directly. According to Volvo Trucks’ business plan, in the future they are to make up 50% of the total sales each (cf. Company Background, 1.2) An employee of the Product Strategy and Planning department took the role of the engineering department for research purposes, which is reasonable, since he, working as link between strategy and engineering, has excellent insights into internal communication structures. The last interview was conducted with a representative from the European Business Planning division, or strategy department, in terms of the study.

In addition, in line with this paper’s purpose, the authors conducted research with both an external and an internal Volvo dealer, the latter being a Volvo Truck Center. For the external dealer, a representative of Finnvedens Lastvagnar in Jönköping participated, while an employee from the Volvo Truck Center in Gothenburg provided the internal dealer point of view. Further, in order to get their view on customer value into the analysis, the authors had to collect input from customers. Due to the limited time frame, only two customers, both being international cargo logistics companies buying new trucks from the fleet sales department and servicing their trucks at an external dealer, were chosen. The authors are aware of the small sample size, which does of course not cover all customer segments Volvo serves, but are confident of having chosen an important stake, since long-haul cargo logistics are an important part of the business, according to several Volvo-internal participants.

As stated before, the cornerstones of participant choice were agreed upon during the authors’ first internal contact to the company. Following the concepts of key informants, discussed by Michael Quinn Patton (2002), one participant from each group in discussion was chosen, with the exception of customers and marketing, where too much diversity existed within the segment to allow for only one person interviewed. According to Patton, key informants are “people whose insights can prove particularly useful in helping an observer understand what is happening and why” (2002, p. 321). The authors consequently assume their participants to represent their entire group, rather than interviewing several persons within each department. The participants have not been trained or prepared by the authors, as Patton suggests, since they only talked about their daily work contents, and were supposed to do so in a most natural way. When discussing the approach to research with a top-level representative of the corporation, ensuring a mutual value creation, both parties developed a general outline of the company-internal research. Even though having been subject to minor adaptations, the general direction was always followed, thus covering both the authors’ and Volvo’s interest. It was the company that decided which representative of each department the authors would talk to, simply by checking who had time to spare. This is, however, not considered problematic, since all representatives in the respective departments are supposed to have the necessary knowledge to take part in the research process.

All of the given employee interviews were conducted in Volvo Trucks’ headquarters, located in Gothenburg, except for the two dealers who were interviewed in their respective dealerships. The customers were interviewed on their company sites. These locations were logical choices, since the participants did not have to travel for the research
and since in their familiar working environment they were expected to give the most natural and accurate replies. Most of the authors’ data collection took place in April and May 2009. Within this period, the authors conducted research with eight different stakeholders and spent about one hour in private with each, with the exception of the Commercial Aftermarket Department, which took 90 minutes, since three participants were present. It was necessary to have as many as eight different participants to cover all aspects discussed in the purpose.

3.1.2 Information on Participants

During the course of data collection, several representatives handling internal information have been interviewed. Since only the departments and companies they work for – and not their identities – are important for this thesis, the authors anonymized all interviewees. Consequently, all names in the following sections have been changed, while the departments the people represent are correct. This is essential for the identification of potential communication gaps (cf. Quantitative Research, 3.2). For reasons of comparability and ease of analysis, all participants were asked for their agreement to tape the entire interview to enable direct quoting. Everyone agreed to this approach. In the following paragraphs, all participants will be introduced, stating their position, connection to Volvo Trucks and relevance for this paper.

Emma Lundgren works at the European Business Planning division and consequently is the authors’ representative of the strategy department. Already having contributed to the initial setup of the studies with valuable input, Lundgren accompanied the authors’ research from its earliest stages. Next to providing the authors with valuable insights into Volvo Trucks’ strategic way of thinking, the interviewee also invested significant efforts into arranging further interview meetings with the marketing department.

Lucas Andersson from the Product Strategy and Product Planning department at Volvo Trucks, in the course of this paper takes the role of the engineering department, although really working in between engineering and strategy. This adaptation was communicated to the interviewee at the beginning of the meeting. Thus, when participating in the interview, Andersson was aware of adjusted role in the company and took part in both the quantitative and the qualitative research accordingly. Having been involved in the introduction phase of the current FH and FM series trucks and having a long experience in managing these trucks, Lucas Andersson is a very knowledgable and thus suitable engineering representative.

In the course of this paper’s research, the Commercial Aftermarket department was represented by three interviewees. Namely, the authors talked to Linnea Olsson, Eva Lindström and Viktor Berg. With Volvo’s retailing strategy covering the entire value chain, thus including the aftermarket with the respective services, the interviewees contributed important insights into Volvo Trucks’ business strategy in this area, completing the authors’ marketing department sample.

Axel Pettersson from the Commercial Truck Sales division is also representing the marketing department of Volvo Trucks. Pettersson contributed essential insights into business practices of selling trucks to commercial customers within the short-haul sector and extended the authors’ general understanding of the regional truck market.

Gernot Hunter, sales representative of Gothenburg’s Volvo Truck Center, explained the views of the internal dealers. With the dealership being the largest Volvo Truck
Center and its location in the same city as the corporation’s headquarters, the authors identified it to be a very suitable example of an internal dealership, as sophisticated communications were to be expected. Hunter consequently contributed information that are of significant value in evaluating potential differences in performance of the Volvo Truck Centers and the external dealerships.

Linus Holmgren, sales manager from Finnvedens Lastvagnar AB in Jönköping contributed valuable input from the side of external Volvo dealers. Being the largest and one of the most influential private Volvo dealerships in Sweden, Finnvedens was identified to be very suitable for the authors’ research work. The company belongs to the Liljedahl Group, which is an international industrial and commercial group, not only active in the truck business but also in other sectors like real estate, cars and machine tools.

Filip Axelsson works at Schenker Åkeri Jönköping and was one of the interviewed Volvo customers. Schenker AB, the Swedish subsidiary of the German Schenker AG, one of the largest logistics companies in the world, operates on three different levels. The headquarters are situated in Gothenburg, regional offices exist for Northern, Central and Southern Sweden and operational offices in many cities complete the list of bases. Schenker Åkeri Jönköping is the regional office for Central Sweden. Although Schenker is a fleet-sales customer, a regular contact to Finnvedens Lastvagnar, the local external Volvo dealer, enabled Axelsson to provide valuable insights in this field.

Rasmus Nordin is a representative of DHL Express Jönköping and as such is an indirect Volvo Trucks customer. His company, belonging to the logistics provider Deutsche Post AG, has the policy of outsourcing all non-core activities, which includes truck fleets. Accordingly, Nordin’s branch does not own their trucks. The office nevertheless depends on having trucks at their disposal, which is why the participant created further awareness of the extent to which customer value has been delivered downstream.

### 3.2 Quantitative Research

#### 3.2.1 Motivation of Quantitative Research

The objective of quantitative research is to “quantify the data and generalise the results from the sample to the population of interest” (Hollensen, 2004, p. 144). The authors, in order to achieve this objective, conducted two separate quantitative studies with their respondents, which can be analyzed and then generalized to the whole VTC. According to Hollensen, quantitative research implies that “[d]ata retrieval and analysis of quantitative respondent data are based on a comparison of data between all respondents” (2004, p. 143), which is given in this paper’s framework. Another requirement of quantitative studies is a homogeneous group of respondents, which shall prevent different interpretations of the questions (Hollensen, 2004). Since all participants are stakeholders of Volvo Trucks, sufficient homogeneity can be claimed.

One of the studies is aiming at the identification of gaps, while the other one is trying to locate their origin. Both serve the purpose, since they were set up to find out more about Volvo Trucks’ general customer value composition. In a first step, the participants were asked to, based on their individual perceptions, develop a communication structure that is assigned different levels of quality. The general point of departure to the second element of quantitative research was to use an adapted version of a trade-off analysis. Developing a value driver study, the authors also incorporated the findings of
Lapierre (cf. Value Drivers, 2.1.2) into the design of value driver categories and, to a limited extent, for specific key factors (cf. Value Driver Study, 3.2.3). As concerns the trade-off analysis, the authors’ focus was on the general idea of having participants ranking items by importance and therewith being forced to accept trade-offs among the variables. This is particularly important in the given framework of the truck industry in this paper. Concerning the choice of value drivers, the authors further derived basic assumptions from the trade-off method in discussion. According to Johnson (1974), there are two basic aspects that are crucial to incorporate into the design of attributes. In a first step, the factors, in this paper represented by the key value drivers, shall be non-redundant in order to allow for adequate empirical findings. Secondly, the attributes shall be independent regarding their interaction. Johnson states that “this model assumes, for instance, that the extent to which a respondent prefers a red car to a black one will be independent of size, price, and model type” (Johnson, 1974, p. 124), thereby clarifying the second assumption.

According to Johnson, “no manufacturer can afford to sell an infinitely convenient and high performing product for a price of zero, it becomes relevant to determine how consumers value various levels of each attribute” (Johnson, 1974, p. 121). The trade-off idea is reflected in the consumer ultimately having to measure the extent to which he or she accepts to give up a high level of one attribute in order to achieve a high level of another (Johnson, 1974). While the trade-off technique then analyzes attributed pairs of aspects with the help of matrices, the authors of this paper shall not apply such approach to the key value driver study in their research (cf. Analytical Techniques, 3.2.4).

Both of the quantitative research methods are crucial to achieve the authors’ purpose as they, together with the qualitative research findings, provide the basis for analysis. In particular, the communication chain study shall primarily enable answering the authors’ third research question, relating to communication quality, but also contribute valuable information to the fourth research question, dealing with conflicts between stakeholder groups. The key value driver study, on the other hand, primarily supports the answering of research question two, the elements of customer value at Volvo Trucks. Additionally, it shall again help at answering research question four. Using Microsoft Excel as an analytical tool (cf. Analytical Techniques, 3.2.4) for their value driver study, the authors are enabled to graphically support their findings by referring to diagrams resulting from this analytical approach. Representing one of the parts in the authors’ triangulative methodological research approach (cf. Method, 3), the quantitative studies are perceived as necessary and value-adding.

Value drivers have often been discussed in general terms and they have also been used in case studies of different industries. For the truck industry, however, this model has not existed before, which is why the authors decided to develop their own method in pursuing their purpose.

### 3.2.2 Communication Chain Study

First, the interviewees were asked to arrange a communication map in a way that would best represent their subjective impression of the communication between the different parties involved in Volvo Trucks’ value chain. The authors, in this respect, provided their conversation partners with a total of six cards, each representing one of the most influential parties involved in the creation of overall customer value, which have been described earlier (cf. Choice of Participants, 3.1.1). The reader should be reminded once
again that for reasons of simplicity and understanding the existing regional market companies, which form the connection of dealers and headquarters, were included in the marketing department in the generalized communication chain. The interviewees, each one belonging to one of the groups, then had to show who, in their view, had communication links to whom and at which quality. The quality level had to be marked by colored lines, green indicating a good level of communication, yellow indicating a satisfying level and red indicating shortcomings. In the final version of this paper, the quality levels are presented as double line (former green), single line (former yellow) and broken line (former red) instead (cf. figure 7). This adjustment was taken for reasons of compatibility with black and white printouts. All participants’ answers can be found as an appendix at the end of this paper.

After having collected the proposals of all respondents, the authors analyzed their eight versions of the communication chain, looking for the most common connections. All participants believe that both internal and external dealers have satisfying or good communication with their customers. Two participants did not show this connection in their chain, but argued orally that they only leave it out since they cannot know for sure, although believing that communication is good. Most of the participants also agreed that the marketing department, i.e. Volvo Trucks’ regional market companies or the marketing divisions at the headquarters, have relatively good communication with the dealers, and at least satisfying communication with the customers. The strategy department representative saw her own department in good communication with the internal dealers and regular communication with the marketing department, which is not always agreed on, but accepted by several other groups. Engineering was the most controversial group in terms of communication. The engineering representative himself sees his department in good communication with strategy, others also see a good communication with marketing. However, there are also answers showing engineering isolated, not or insufficiently communicating with its colleagues.

From these findings, the authors themselves created a map of the communication chain, reflecting all participants’ opinions (cf. figure 8). This generalized communication chain consists of the communication links supported by the majority of participants, or an average, if completely different opinions existed. The engineering department, for example, is stated as having weak communication links with strategy and marketing, rather than strong or no links, as some of the provided chains suggested. Having developed the generalized communication chain, the draft was sent to a top-level executive at Volvo Trucks for confirmation. This representative was not involved in the authors’ data collection and had the expertise needed for evaluation. He stated communication chains to be a complex matter, saying that “the model will look different depending on [the] situation” (C. Johansson, personal communication, 2009-05-24). The authors are
aware of this, and adapted the generalizability of their findings accordingly. Regarding the logic provided in the previous paragraphs, the authors argue their model to be valid in their frame of analysis. Further research, however, will be needed to derive a more complex, i.e. situation-independent version of the communication chain study.

According to the authors’ model, which forms the basis of the later analysis of the communication channels, the strategy department has good communication with the internal dealers, whose individual strategy it influences significantly. Further, regular communication with the marketing department and insufficient contact with the engineers was observed. The engineers themselves are integrated too little in the communication process, also only having a below needs communication level with the marketing representatives. Both dealer types have excellent communication with their customers, on a regular and long-term basis. The same holds for their communication to the marketing department, i.e. their regional market company or the marketing divisions at the headquarters. A regular communication level furthermore exists between marketing and customers, mainly in the form of advertising and surveys, which are also conducted in cooperation with strategy and engineering representatives.

If different customer value expectations exist, the communication map can help to identify the origin of this misinterpretation. If, for example, the customers and dealers believe a certain feature to be most important and the marketing department does not, there may be communication problems between dealers and marketers. The findings in this respect will be presented in the Analysis section (5).

To sum up, the Communication Chain Study identifies in what directions Volvo Trucks, its dealers and its customers communicate with each other and the quality of their communication, reflected by different lines between them.

3.2.3 Value Driver Study

Following the purpose of this paper, in order to evaluate the composition of customer value at Volvo Trucks, a value driver study has been created. Shirley Daniels (2000) has derived three questions that help to achieve this aim (cf. Value Drivers, 2.1.2). However, her proposal pursued a very general approach. In this thesis, competitors will not be analyzed. The authors consequently have adapted the first two questions, adjusting them to Volvo Trucks. The third question was left unchanged, since it fits the authors’ needs.
(1) What are the key buying factors that customers value when acquiring a truck?
(2) How do customers rate the performance of the firm on each of these factors?
(3) What is the relative importance of each of these components?

Figure 9: Three Categories and 18 Key Value Drivers
Taking these questions as a basis, the authors developed their second stage of quantitative research, which each participant performed right after the communication chain study. First of all, the respondent was provided with three colored cards, each color representing one category of value drivers. Those categories, product, service and relationship, were taken from Lapierre’s study of a Canadian IT company (cf. Value Drivers, 2.1.2). They match the needs of this thesis, since Volvo is engaged in the business of selling transport solutions, which comprises trucks, servicing and long-term relationships. The participant was then asked to order those three cards by what he or she believes to be most and least important for the customer (cf. Appendices). This way, the authors get a first general insight in what parts of customer value Volvo believes to be most important and consequently focuses on. If a mismatch with the customers’ point of view exists, a corporate strategy change might become necessary.

In a next step, the interviewees receive a total of 18 cards, six from each category. These 18 cards each represent one value driver that the authors have developed for the truck industry. Using Lapierre’s findings (2000) as a basis, the concept was adapted to include truck-specific features as well as factors that are important in the retailing part of Volvo’s business. The final concept was then sent to Volvo Trucks for approval. Only after a Volvo representative had agreed that the 18 factors cover the whole range of Volvo-specific value drivers and are not contradicting one another (C. Koitrand, personal communication, 2009-04-06), they were used within the course of the authors’ interviews. The product-related value drivers are interior, including safety and quality aspects, fuel consumption and mileage, exterior including safety and quality, engine power, the price of a new truck and product customization. The latter hereby means the company’s flexibility and willingness to adapt the product to the customer’s needs. Especially in the truck industry, those needs can vary extensively. A customer transporting goods, for example, needs a completely different product solution than a customer who is transporting construction equipment. Although Volvo Trucks does only provide chassis and the customization of the body is done by contractors, it is a vital part of the product for the customer and must consequently be taken care of.

Concerning the service-related aspects, the authors have chosen service responsiveness, warranty and customer support, maintenance (spare parts quality), sales service, availability and clearness of technical information and price of maintenance (spare parts) to be the key value drivers. Service responsiveness (S. Responsiveness in diagrams) refers to speed and convenience of service for the customer in case of a technical problem. Spare parts are an important factor both in price and quality, because internal dealers only use original Volvo parts, while external dealers may use cheaper alternatives in some situations. While for example everything related to the engine has to be repaired using original Volvo spare parts, wiper blades and other non-critical components may come from a different brand. The authors want to find out, whether customers rather value the expected high quality of Volvo or the lower price of other suppliers.

When it comes to relationship-related value drivers, image, trust, solidarity, relationship costs, product lifecycle management and relationship conflict have been chosen. Image in this sense includes the customers’ brand awareness and the acceptance of or expectations connected to the company’s core values, safety, quality and environment. Trust and solidarity are both connected to successful long-term relationships. Trust is a concept for which “there is no universally accepted scholarly definition” (Chen & Dhillon, 2003, p. 304). Chen and Dillon believe that the overall consumer trust is formed and
influenced by three factors: competence, integrity and benevolence of a firm. This definition will be used in the course of this paper, too. Solidarity is defined by the Merriam-Webster Online Dictionary as “unity (as of a group or class) that produces or is based on community of interests, objectives, and standards” (Merriam-Webster Online Dictionary, 2009). It is this unity that customers value and that ideally makes them feel willing to buy Volvo’s products again. Relationship costs, as the name suggests, are costs incurred for the sake of the relationship. Like the price, they are a negative value driver, a sacrifice (Grönroos, 2007). Examples of such costs are personnel, office space or equipment that are required for the collaboration with the supplier. The lower Volvo keeps these costs for its customers, the higher the retention will be, as the customer will encounter lower sacrifices. Product lifecycle management means that Volvo Trucks accompanies its products throughout their life, buys used trucks back and sells them again. This means security for the customers, the confidence that they are not being left alone with their product after they have bought it, which strengthens the relationship to the company. Finally, relationship conflict, yet another sacrifice, means that problems exist in any relationship, also between two business partners. They may or may not play an important role in customer value, but in any case they are a negative value driver that is to be considered.

The interviewees were asked to rank the 18 cards in a way that they believe a customer would rank them, from the feature influencing customer value most significantly to the least important one. The groups could hereby be mixed, i.e. a product card could be followed by a service card and then another product card, for example. By letting all six groups develop such a ranking, the authors can eventually analyze, how good Volvo’s understanding of customer needs and value is. Ideally, every department would have the same ranking as the customers themselves, meaning that there is perfect intelligence generation as well as internal communication. However, smaller changes will always occur, possibly because of different moods people are in, which is why they are not to be overvalued. Large differences, i.e. features that are ranked very high by one group and very low by another, may have their origin in communication shortcomings or misperceptions of customer value. Furthermore, many interviewees motivated their rankings while building them, providing additional input which the participants would not have come up with in a normal interview situation. By taping the decision process, the authors captured these findings and were able to analyze them in addition to the interview questions. All rankings can be found as an appendix in the end of this paper.

3.2.4 Analytical Techniques

In striving to find answers to their research questions, in particular the one referring to the communication chain study, and thus ultimately contributing to the achievement of this paper’s purpose, the authors shall critically analyze the stakeholder communication. As mentioned within the Communication Chain Study section (3.2.2), the authors derived a generalized communication chain from the different structures, as arranged by the participants. In order to validate the authors’ model, a draft was sent back to Volvo for confirmation. The generalization shall be used to locate the origin of potential gaps discovered in the value driver study. As explained within section 3.2.2, significant differences in perception of value drivers are therewith traceable to specific communication problems between two stakeholders.

Concerning the second part of the quantitative research, the analytical techniques used within the trade-off research approach proved not to be entirely applicable to the
given framework. The analytical methodology used in the trade-off analysis is not suitable, as it processes the data in matrix comparisons. According to Johnson, “even with as few as seven or eight attributes it becomes impractical to have a respondent fill out trade-off matrices for all attribute pairs” (Johnson, 1974, p. 125). As the authors asked the participants to order a total of 18 key value drivers, the trade-off approach, in analytical terms, is of limited use.

In the first step, preparing the grounds for the analytical discussion, the key value drivers, as ranked by the participants, were assigned a score, ranging from 1 to 18. The score was directly proportional to the assigned importance. Thus, the most important value driver received a score of 18 while the least important was assigned the score one. In case two value drivers were perceived equally important, the authors assigned the average of the two neighboring scores to both features. Thus, if e.g. the value drivers engine power and price were both ranked equally important on position three, both aspects would be assigned 15.5 as their score. Having the resulting scores for each respondent, the authors aggregated the Commercial Truck Sales and Commercial Aftermarket departments into an average scorecard for the fictional marketing department (cf. Aggregation of Quantitative Research Findings, 5.1.1.1). This aggregation approach, though lacking the Market Companies, the Marketing Communications and the Dealer Development department, enables the authors to analytically represent this major stakeholder group in the research work. Similar as with the fictional marketing department, the customers’ scorecards were incorporated into one overall average, also representing these stakeholders as a union (cf. Aggregation of Quantitative Research Findings, 5.1.1.1). In total, the authors derived scores for six groups, namely the customers, the departments for marketing, strategy and engineering, as well as for the external and internal dealer.

In a next step, using Microsoft Excel as their analytical tool, the authors plotted the scores against each other in a two-dimensional scatter graph (cf. 18 Value Drivers, 5.1.1.3). This overview allows for reading off significant gaps in the valuing of the key aspects between the different stakeholder groups. Next to providing a general picture and basis for the analysis, this prepares ground for a more detailed and stakeholder group specific comparisons. If, for example, significant variation is observed between the lines representing the scorecard of the strategy department and the one of the engineering, it might be valuable to compare both more detailed and on a direct basis. Such direct comparisons were conducted for all stakeholder groups in discussion. In that, the authors not only intend to provide a complete picture on the value chain, but also minimize the risk of incorporating additional bias through the methodological approach.

Next to the direct comparisons, in certain cases, the authors perceived it valuable to plot three of the stakeholder groups within one diagram. Such approach, as done for the internal dealers, external dealers and customers (cf. Inter-Stakeholder Relationships, 5.1) then offers two basic advantages against the general aggregate. Next to allowing for the comparison of multiple groups within one framework, it also offers the advantage of a clear arrangement, facilitating the understanding of the analytical discussion. Both, the direct and multi-group comparisons were graphed as two-dimensional clustered column diagrams. In the authors perception, while not necessarily providing a superior overview for all factors, these diagrams alleviate the factor-wise comparison. Having the columns for each factor right next to each other, the reader’s understanding is enhanced.
3.3 Qualitative Research

3.3.1 Motivation of Qualitative Research

During the second part of every participant meeting, the authors added to the quantitative research by asking qualitative questions to each of the participants. There are several reasons for why the authors decided to follow this approach. First of all, qualitative research “invites rather than tries to control the possibility of a rich array of variables” (Holliday, 2007, p. 4), as quantitative approaches do. Although the authors believe they have covered wide areas of customer value within their quantitative research, they are aware of the fact that misunderstandings or misperceptions can exist. Or, as Holliday puts it: “There are well-known problems with questionnaires [...] how far people tell the ‘truth’; how far they understand the question anyway” (2007, p. 3).

After conducting the quantitative research with the respective interviewee, the authors had gained a general and comparable understanding on his or her perception of the customer value drivers. While this approach allows for analyzing similarities and differences in the understanding of customer value, as well as the identification of potential communication gaps, the authors needed further research to gain an in-depth understanding of the social backgrounds and perceptions of the participants to answer the research questions – input that quantitative research cannot deliver. Customer value is a subject that is hard to express in numbers or facts. As stated earlier, Slater and Narver believe that customer value means “the benefits to the customer associated with a product or a service exceed the offering’s life-cycle costs to the customer” (2000, p. 120). Costs are something that can be measured, but for benefits this is hard to do. Every customer may have a different opinion about values. Accordingly, the authors decided to conduct brief interviews, all about 40 minutes in length, with one exception (Commercial Aftermarket Department, 60 minutes). Each time, the authors gained a rather subjective understanding of customer value from the viewpoint of the respective participant. Having this enhancing conversation at hand, the authors shall be able to draw better conclusions during their analysis, enabling them to answer their research questions.

An additional important advantage is that including qualitative questions allows the participant to include aspects he or she did not feel to be appropriately represented by the quantitative analysis, or as Holliday puts it, the additional research leads “the researcher into unforeseen areas of discovery within the lives of the people she is investigating” (2007, p. 5). Whether intentionally or unconsciously, the respondent transfers his or her opinion on the aspects in discussion. Furthermore, potential misunderstandings that evolved in the quantitative part may be clarified within the same interview.

Finally, the authors want to point out that the combination of the two different research approach is no limitation, since “[q]ualitative research does not pretend to solve the problems of quantitative research, but does not see them as constraints” (Holliday, 2007, p. 5) either. The research methods are perceived to form a synergy rather than to be mutually exclusive. One allows for clearly identifying problems and gaps, while the other helps to actually understand the reasons for the shortcomings.

3.3.2 Interview Design

“[E]very qualitative research design will be different” (Holliday, 2007, p. 8). In order to nevertheless have a common base when analyzing the answers, the authors strived at
asking all participants the same questions. However, in order to get an in-depth understanding of all Volvo departments involved, it was necessary to include certain group-specific questions into the qualitative interviews. These group-adjusted questions allowed for shaping a more sophisticated picture of the participants’ beliefs connected to the topic of customer value, as they were rather free to direct the conversation into areas which are of particular importance or where they identified potential shortcomings. Furthermore, three different versions of the questionnaire had to be developed, since Volvo representatives, dealers and customer have different positions towards the retail system.

Each interviewee was asked a total of ten open questions, dealers and customers having their own question set and all Volvo representatives sharing the same question base. In addition, each Volvo internal group had two questions directly referring to their position within the company and their professional sphere of competence. All questions were designed in a way that they resemble each other as much as possible, minimizing the scope of different interpretation from one target group to another in an attempt to minimize the risk of misunderstanding. Furthermore, this approach facilitates the process of comparison between the different respondents’ answers as far as possible. Nevertheless, the interviewees were supposed to have a lot of freedom in answering, because this is a way of learning about aspects not previously thought of.

Striving to cover the purpose of this paper and to answer the research questions, the authors created several question subcategories, which were then dealt with by one or two questions each. The categories for Volvo representatives were retailing strategy, internal dealers, pricing strategy and core values. In addition to that, the marketing and strategy representatives were asked about their relationships to customers and dealers, while the engineer was asked about the role of the engineers in the customer value creation process. The retailing strategy topic was necessary to gain input for answering research question one, which advantages the retailing strategy offers in creating customer value. This category was consequently also covered by dealers and customers, although adjusted where necessary. One question from the “retailing strategy” section, for example, was “Please explain your role in the retailing system!” when talking to a dealer, while the same question for Volvo representatives read “Please explain your retailing system!” Since customers cannot be expected to be informed about the details of Volvo’s internal structure, their version is “Are you aware of Volvo’s retailing system?”.

Internal dealers are what makes the Volvo retailing system special, and the company has spent large efforts on introducing them. Consequently, it was important to know how the different groups judge them. Striving to answer the second research question, dealing with influential elements of Volvo Trucks’ European customer value, Volvo’s pricing strategy clearly matters, since price is a sacrifice that decreases customer value. Accordingly, all interviewees dealt with this subsection. The same holds true for Volvo’s core values, which are supposed to maximize customer value.

Relationship, as one of the three value driver categories (cf. Value Driver Study, 3.2.3) had to be covered by the interviews as well, since it is demanded by the fourth research question, dealing with inter-stakeholder conflicts. As a consequence, marketing and strategy representatives were asked about their relationships to dealers and customers, dealers talked about relationships to customers and Volvo Trucks and customers talked about their relationship to dealers and the company. This appears to be valuable for understanding the final step in the value chain. The engineers instead talked about their own role in the process, since it is them who design the products the customers are
supposed to value. Furthermore, every participant answered a question related to the FH16 700 hp, Volvo’s latest product, the “strongest truck in the world” (Volvo Truck Corporation, 2009c, p. 1), as the company calls it in its advertisements. This question was included, since it provides the authors with an example of how much (the perception of) customer value can differ for people in different positions. This product was chosen, since it is strongly connected to image and strength, two features that may be of high or low importance, depending on who is asked.

All questions were derived from the quantitative research framework. Questions either relate to some part of the communication chain study, referring for example to the relationship to another group, or to one or several key value drivers from the value driver study. An example here would be the questions dealing with Volvo’s core values, which are, as far as the study is concerned, a part of the company’s image. A full list of all interview questions can be found as an appendix in the end of this paper.

3.3.3 Analytical Techniques

Before describing the approach taken to analyze the interview findings, the general notion of qualitative analysis has to be defined. It can be described as “a process of reviewing, synthesizing and interpreting data to describe and explain the phenomena or social worlds being studied” (Fossey, Harvey, McDermott, & Davidson, 2002, p. 728). In order to do so, the authors chose a thematic analysis, which fits into the approach used for the interview design. This method “typically involves a constant comparative method, meaning a progressive process of classifying, comparing, grouping and refining” (Fossey et al., 2002, p. 728). The authors will structure their analysis based on subsections that are derived from the research questions and that fit well with the interview findings, which in turn were strongly influenced by the question design. These subsections form the basis for the thematic analysis approach. However, conforming to the triangulation method used within this paper (cf. Method, 3), each analysis section will comprise quantitative and qualitative elements.

In accordance with the research questions, the derived subsections are Volvo Trucks’ retail strategy, cornerstones of European customer value, challenges in the communication chain and inter-stakeholder relationship. The first category will consequently deal with relationships and conflicts between the different stakeholders covered by this paper. Section two will then deal with conflicts that have their origin in gaps in the communication chain, which were identified within the communication chain study (3.2.2). In the third section, Volvo’s core values and pricing strategy will be analyzed and interpreted. In addition, the section will contain the information gained from the FH16 question, thus provide input on the theme of current product development. Finally, section four deals with the participants’ opinions about the retail strategy, which will then be related back to the theoretical concepts of customer value and relationship marketing. This includes both conflicts and positive relations.

Concluding it can be said that the authors will conduct a thematic analysis of their qualitative data. This technique will be supported and enriched by quantitative findings, completing the triangular approach.
4 Research Results

4.1 Strategy Department, Emma Lundgren

Emma Lundgren has been the authors’ interviewee from the strategy division. When mapping out her view of the communication structure, she described a matrix structure, in which her department formed the center. There are official and unofficial links between the involved departments, enabling everybody to communicate with everyone, but also causing some inefficiencies due to the high bureaucracy level.

![Communication Chain Lundgren](image)

Lundgren believes the product to be slightly more important than relationship and service, costs being an integral part of all three. To her it seems that the customers’ top priority is product lifecycle management. This relationship feature is then followed by both fuel consumption/mileage and sales service. Most other product features are found in the lowest third of the list, only maintenance quality and availability of technical information are less important to her. Concluding one can say that for Lundgren there are some key features in each category that are important. Other than that there is a general tendency of valuing relationship higher than service and product, although the product as a category is called most important.

Lundgren is a strong supporter of Volvo’s retailing system. She believes that since the company has created its own dealerships, it receives more insights into the customer needs and can act accordingly to create higher customer value. Another advantage are higher aftermarket revenues, such as the trade with used trucks and of course maintenance and servicing. This is what is meant by product lifecycle management, Lundgren’s key value driver, as mentioned before. Using own dealerships enables Volvo to, instead of lowering prices for new trucks in times of crisis, sell complete transport solutions instead, which customers are willing to pay more for. This shift from mere factory-based seller to a full-scale service company is of utmost value to both the company and its customers, according to Lundgren.

From a strategy point of view, there are clear differences between internal and external dealers. While the Volvo business development division decides about the future of Volvo Truck Centers, external dealers make these decisions mostly by themselves, as
said before. There are factors, like the usage of Volvo’s corporate design that may not be altered, but in general external dealers enjoy a high level of freedom. Volvo furthermore provides education for all dealers. After developing courses, they are translated into a specific amount of languages, usually 16 or 17. However, there are considerably more markets and thus languages on which Volvo is present. Thus, some dealers can only be educated in English.

Potential criticism from external dealers in general is taken seriously, but may get lost due to a certain level of bureaucracy that is present in any large company. Internal dealers are closer to the decision-makers, which is why it is easier for them to get heard. Sometimes, external dealers make use of that by passing their problems on to the Volvo Truck Centers, from where it is further transmitted up the communication pipe. Lundgren acknowledges that it will be Volvo’s task to listen to all dealers equally and to act according to their input.

When asked about Volvo’s pricing strategy, Lundgren explained that traditionally prices have been increased with the introduction of new products or product features. However, in more recent times inflation-related price adjustments have also taken place. In any case, Volvo is known as premium producer and would rather accept a loss in market share than a lowering of prices, since such actions might dilute the brand.

Next, Lundgren was asked to talk about her opinion on Volvo’s core values, quality, safety and environment. To her, quality is a qualifier to be in the market race at all, which is why it has always been important. Safety also has a long tradition within the Volvo Group and the brand has always been associated with a forerunner position in this area. The focus on environment is younger, but has an equally important position today. A main reason is the connection between environment and fuel consumption, the latter being more and more important to the customers. Lundgren believes that the core values shape Volvo and provide value to the customers. Because of this, the company employs people only dealing with the realization of its core values in everyday business.

Lundgren hopes that the quality and quantity of long-term relationships with customers have improved over the last years. During a customer segmentation the best target segments were chosen, and she feels that Volvo now has superior relationships with those strategic groups. However, being in the strategy department and not dealing with customers in person on a regular basis, she does know this for sure. Lundgren pointed out that competitor Scania, for example, also follows the approach of building a company-owned dealership network, as do most truck manufacturers. She believes this to be a sign that there is in fact a positive impact on long-term relationships.

Lastly, Lundgren talked about the FH16 700 hp, the product example included in each interview. She states that the product is mainly built for image reasons, to compete with Scania’s popular V8 engine. Accordingly, many customers buy the truck because it means prestige to them. The model earns less money than expected, but due to high margins and the image bonus it is being supported by the strategy department. Nevertheless, the FH16 development should not consume too much of the R & D budget, since it is the FH13 and the FM series that generate the major part of the sales volume. Consequently, the FH16 does not have first priority, but is more important to Lundgren than for example the Volvo Ocean Race, which she is not a big supporter of.
4.2 Engineering Department, Lucas Andersson

Lucas Andersson, when being asked to arrange the communication chain, created a version that ranged closely to the authors’ generalized communication chain. The major difference is that the interviewee explicitly referred to the strategy department as “the bond between the inner world and the outer world” (L. Andersson, personal communication, 2009-04-07). Consequently, Andersson sees the strategy department as link between engineering and marketing, with the latter ultimately communicating with Volvo Trucks’ customers, using the dealers, both internal and external, as its intermediaries.

![Communication Chain Andersson](image)

In the second part of the quantitative research, Andersson perceives the product as being equally important to service and relationship aspects. Referring to Volvo’s relationship to the customer and stating that “you need to give him the right product, you need to supply the service on that product that makes it run and you need to have the confidence in your customer; he needs to have the confidence in you as a business partner” (L. Andersson, personal communication, 2009-04-07), Andersson underscores the interdependence of all factors. In the interviewee’s opinion, the important customer value drivers are the sales service and the availability and clearness of technical information. The image as well as the product lifecycle management are thereafter followed by the entire range of product-related aspects. Least important in Andersson’s view are factors such as trust, potential relationship conflict and the respective relationship cost.

Asked to evaluate whether the changes in Volvo Trucks’ retail strategy affected the corporation’s upstream and downstream communication of product values, Andersson abstained from a general judgment. Regarding the corporation’s core values, the interviewee pointed out their crucial importance. Andersson clearly stated that “quality comes first; nothing comes before quality – never a discussion about that” (L. Andersson, personal communication, 2009-04-07). The engineering department also strives to be aggressive and innovative in developing alternative engines and fuels and is, according to Andersson, the benchmark in passive and active safety offerings. Having this focus, the engineering representative perceives the core values as cornerstones to success.

Regarding the company’s product development, Andersson finds it important for engineers to have a general understanding of a customer’s business. Further, he underscores the importance of having external contacts, as “it must not be a technology-driven organization; it must really consider also the customer needs when you develop a vehicle” (L. Andersson, personal communication, 2009-04-07). Reacting to this need,
Volvo Trucks employs several experienced and knowledgable specialists, having a close connection to the sales engineering organization, who incorporate input on daily customer demands in the company. Using sophisticated pre-market-introduction product evaluation methods, complemented by professional after-sale investigations, the engineering department, represented by Lucas Andersson, is confident to say that the Volvo Truck Corporation has a well-founded understanding of its customers’ needs.

Concluding the interview, Andersson provided his opinion on the development of Volvo’s latest product, the FH16 with 700 hp. The main markets for this high performance truck are identified in the heavy haulage fields in Australia and South Africa. In Europe, however, the range of utilization is, due to legislative standards, limited to hauling heavy machines and equipment or transports on challenging routes. A further market is seen in customers buying a FH16 for prestige reasons and “need to have whatever it takes to be the biggest, most beautiful trucker in their area” (L. Andersson, personal communication, 2009-04-07). Andersson estimates the overall market share of high horse power vehicles to be around ten percent, equally shared between customers with purely operational and prestige reasons. For the company, the new truck has the important role of being the “eye-catcher of the market” (L. Andersson, personal communication, 2009-04-07) as Volvo’s leading-technology vehicle. Not only is the FH16 positively affecting Volvo Trucks’ image, but also does it offer the best margin within the truck family and allows for improvements in the corporation’s general pricing strategy. However, according to Andersson, only the possible utilization of the engine within the entire Volvo Group makes the retention of Volvo Trucks’ flagship a feasible project.

4.3 Commercial Aftermarket Department, Linnea Olsson, Eva Lindström and Viktor Berg

In the key value driver study, the aftermarket employees believed that image, trust and design, i.e. features from all three categories, are most important. They all build on a long-term relationship, which fits into a department that deals with what comes after the actual truck sale. The price of new trucks and spare parts and engine power were least important to them.

Figure 12: Communication Chain Commercial Aftermarket

When talking about the communication chain, the aftermarket representatives insisted on using the local market companies as separate entity, because they are, in their opinion, too important to integrate them into the fictive marketing department. These mar-
Market companies exist in each country that is served and form the link between headquarters and dealers, which is of special importance in more remote and smaller markets. In total, Volvo owns 24 market companies, another three are privately operated. Their main contact within the HQ is the merged marketing department in the communication chain study, which in turn communicates on a regular basis with the strategy department. The interviewees strongly support this system for two reasons. On the one hand, by owning most market companies and strategically important dealers, the HQ can influence the strategy in more regions of the world. On the other hand the customers only need to have contact to one dealer, who speaks their language and is culturally close to them and can consequently provide the highest possible value. With this, however, comes a high responsibility of providing adequate upstream and downstream communication. Sometimes, engineers complain about getting too little input, which is why it is then hard to tell for them what customers value. They blame the market companies to insufficiently communicate upstream. For customers, one potential downside of the high local responsiveness is that truck drivers, who have to service their truck far away from home might meet a dealer who does not speak English.

The aftermarket representatives admitted that during the last years most dealers cared too little about establishing and maintaining long-term relationships to customers, simply because their order books were always filled. Now in the crisis, however, long-term binding is the only way to stay profitable. According to the interviewees, private dealers are better at developing such relationships. Ideally, a so-called infinity loop is established, in which customers move from buying a new truck to servicing it and buying parts and then selling it again, before buying the next one – providing Volvo Trucks with revenues at each step. From this loop it becomes obvious why the aftermarket department depends on good customer relationships. How this can be achieved is explained by Viktor Berg: “If you know that a customer likes to play golf [...] you invite him to the golf tournament. You make sure that everything works as smoothly as possible” (personal communication, 2009-04-14).

Dealer education is another important topic one has to talk about when dealing with customer value, since only competent dealers can serve customers properly. According to Eva Lindström, Volvo Trucks has already invested 139,400 hours into education. In total there are six training areas, one general module and five for specialists. The company wants its dealers to take as many courses as possible, but many dealers cannot afford to be without their salesforce too often. The costs of about 2,800 SEK per training day are only a minor problem. The aftermarket staff complained that dealers cannot really be forced into education courses. Attendance is not always checked and available online post-examinations are not always taken, because dealers do not find the time for them or because they just do not see any benefit in it.

Finally, the interviewees were asked about their opinion towards the FH16 700 hp. They had no information about the incurred costs, but stated that it is “definitely not profitable” (V. Berg, personal communication, 2009-04-14). However, they believe that it is good to have a product like this, since it is an image driver. On the Italian market the truck sells very well, apparently mostly for prestige reasons. Berg stated that a premium brand needs to offer a 16 liter engine anyway, and once it is being developed, there is not much difference between building a 540 hp engine and one with 700 hp.
4.4 Commercial Truck Sales, Axel Pettersson

Axel Pettersson’s communication chain study showed that customers have a very good communication with both external and internal dealers and do not directly communicate with other divisions. In turn, dealers communicate with other Volvo departments, forming a network structure with many interrelated communication channels. They have stronger relations to the engineering and the marketing division than to strategy. Room for improvement is seen in the communication between marketing and engineering department. There is no communication between strategy and marketing department.

![Communication Chain Pettersson](image)

In the value driver study, Axel Pettersson pays most attention to relationships, then service and then the product, as it is on the same level for all competitors. The importance of the different value drivers, according to Pettersson, depends on distributional segments. City and regional distribution customers, for example, focus mainly on the cost of ownership, rather than the truck itself, whereas long-haul customers are more product-oriented and pay more attention to engine power, image, and product customization. Thus, for Pettersson the top five components that add major value to customers are relationship-related (relationship cost, trust), price of a new truck and service-related features (sales service, price of maintenance). Among the least important value drivers are product customization, engine power and availability of information.

City distribution is the most profitable segment in terms of lifecycle earnings, while long-haul trucks have higher margins when sold. Due to the crisis, sales in city distribution have gone down by 10-15 %, which leaves the segment in a considerably better situation than for example the construction division. This situation is caused by the fact that the long-haul and construction segments have much steeper business cycles, while the city distribution curve is flatter and follows the other two with some delay.

Today’s retailing strategy comprises a much larger number of own workshops and dealers at strategic points than some years ago, or as Pettersson puts it: “We are far closer to the customer than we were before” (A.Pettersson, personal communication,
The VTC has control of their truck and aftermarket sales in those places where most revenue is generated. Having internal dealers, according to Pettersson, eases the process of finding out about customer preferences. Moreover, customers put demands on Volvo Truck Centers, giving them a better understanding of customer needs and allowing to adjust offers according to customer preferences. “The more you understand his [the customer’s] business, […] you can give […] a much better offer” (A. Pettersson, personal communication, 2009-04-14), Pettersson states.

Volvo is premium-priced in most European markets, with a high product image, allowing them to keep the prices up. “We are number two”, Pettersson said when asked about the company image (A. Pettersson, personal communication, 2009-04-14). Referring back to the price, offering seasonal transports as in the case of ice-cream distribution more differentiated price-service strategy seems helpful for generating higher revenues and creating efficiency. Following this strategy, prices for truck services are to be set depending on seasonal cycles, increasing them during booms and lowering them in times of decreased demand, thus going alongside with customer seasonal income.

According to Pettersson, Volvo’s latest development, the FH16 700 hp, is a step into the right direction. The truck has both strong safety and image features. Furthermore, the truck is profitable, because of the high demand for spare parts – the product is popular in the timber transport business, where damages occur on a regular basis.

### 4.5 Internal Dealer, Gernot Hunter

When arranging the communication chain, the initial part of the quantitative research, Gernot Hunter’s proposed structure ranged closely to the authors’ aggregate solution. In his solution, he qualified the marketing functions to be represented by the region Nordic market company as the dealership is not allowed to have direct contact to the marketing divisions located at Volvo Trucks’ headquarters. Hunter further stated that Volvo Truck Centers are not allowed to derive any advantage from their ownership status. As concerns the key value driver dimensions, the second part of the authors’ experiment, Hunter identified the relationship to be most important, followed by the product and the service elements. In particular, the aspects trust, sales service and image ranged on the top edge of the preference list. Least important, according to Hunter, are factors like the price of a truck, the availability of technical information and the relationship conflict.

Within the qualitative interview, Hunter motivated the choice of Volvo Trucks’ retail strategy based on the relationship between the actors involved. Especially in Gothenburg, the hometown of Volvo, the Truck Center is “really proud to represent Volvo as a company and really pleased to have Volvo as a make to offer” (G. Hunter, personal communication, 2009-04-14). Next to offering a good truck and the advantage of a heavy brand name, Hunter especially values the family feeling, corporate policies and customer treatment within the Volvo Truck Corporation. In this respect, Hunter sees the key to success in understanding the customers and providing appropriate solutions to their problems. In order to achieve this goal, the interviewee identified room for improvement in the relationship to the VTC as “they do not really understand the business that we have on the dealership; the job that we are doing” (G. Hunter, personal communication, 2009-04-14). A weakness, underscoring the lack in hands-on experience, was identified in the centrally developed but premature IT and customer management systems. Being asked for further feedback, Hunter identified further room for improvement in the development phase of new truck models. According to his view, the engineering
could exploit the advantages of the established models to a larger extent by improving the products instead of radically rebuilding them from scratch. Such practice does not only cause a long development time, making the Truck Center suffer from its competition, but also incorporates similar technical flaws into many new truck models.

Figure 14: Communication Chain Hunter

Asked for his experience with long-term relationships to customers, Hunter indentifies them to be of essential importance for his business. The Truck Center thus is investing significant effort into the establishment of this mutual win-win situation. Not only is the Truck Center networking with its customers by signing them in service contracts and inviting them to activities and events, but also by being honest and listening attentively to the customers’ needs and potential problems. Having a constructive dialogue particularly with its large-scale reference customers but also with the ones operating on smaller scale, the dealership continuously strives for improving its performance. These improvements are, however, complicated by Volvo introducing innovative but complex product solutions like the information system Dynafleet. According to Hunter, “the product is not ready; it takes too much time and also we are lacking information and we do not have the knowledge or backup from Volvo for the rather complex systems” (G. Hunter, personal communication, 2009-04-14), which are thus difficult to sell. Development, according to Hunter, has progressed to a stage at which there is risk of losing focus on the basic products, thus potentially incorporating flaws to the business.

Concluding the interview, Gernot Hunter shared his opinion on the FH16 700 hp truck. With an annual sales volume of about ten trucks, the truck in discussion is not taking an important role for the Truck Center Gothenburg. In Hunter’s view, the majority of customers does not really have a need for such truck but instead “want to have the best, the heaviest or the most powerful truck” (G. Hunter, personal communication, 2009-04-14). Being built mainly for image purposes and lacking behind in terms of profitability, at least in the Gothenburg region, Hunter does not support the development of the product. Instead of investing into the development of the FH16 700 hp, the interviewee would prefer advancements concerning the distribution trucks segment or the further development of FM13 or FH13 trucks, which are most important in terms of sales volume. The Volvo Ocean Race as a marketing activity with positive image potential is perceived more effective.
4.6 External Dealer, Linus Holmgren

The communication chain study showed that the external dealers communicate with the company mostly through the marketing department. They have a very good communication with their customers. From the dealer’s point of view, the marketing department in turn communicates with the engineering department, which is monitored by the strategy department. Thus, the relations between the last two departments and the external dealers are weaker.

![Communication Chain Holmgren](image)

In the value driver study, concerning the product-service relationship, Linus Holmgren pays most attention to service and its improvement rather than to the product, as it is already of high quality. The top five components adding major value to customers, however, are product-related (product customization, fuel consumption, exterior) and service-related features (service responsiveness and product lifecycle management). Image is more important for truck drivers than for large companies. Among the least important value drivers are price of the truck, sales service and solidarity.

According to Linus Holmgren, the retailing process begins with the customers, who tell the dealer what they need. They in turn propose specifications, order the chassis from Volvo, organize the customization and finally sell the truck(s) directly to the customer. The special fact about the retailing strategy is the differentiation of internal and external dealers and the fleet-sales department in dealer-customer communication. Moreover, external and internal dealers do not compete with each other, since they have geographically different trade zones.

As Finnvedens Lastvagnar is the biggest Volvo Trucks retailer in Sweden, there is a strong mutual interdependence between the dealer and the VTC. “The better contact we get with Volvo, the more possibilities we have to get what the customers want”, said Holmgren (L. Holmgren, personal communication, 2009-04-07). Having a good communication with Volvo in general, the retailer sees room for improvement in delivery time, accommodation of spare parts and brand image. Moreover, small companies, where owner and driver is the same person, should gain more attention, as the need for different strategies arises: “All business is local and it is important for Volvo to understand who its customers are” (L. Holmgren, personal communication, 2009-04-07).
One example for the collaboration between dealer and company is that it was Finnvedens suggesting Volvo to install Dynafleet, a new tool to monitor driving styles and become more fuel-efficient. Talking about core values, safety is considered to be very important, but there is also support for the other factors. Holmgren summarizes like this: “If we could get the brand image up, it would be a very good thing for us – because the rest we got” (L. Holmgren, personal communication, 2009-04-07).

Another aspect in the relations is the education of dealers. In this case, the external dealer gets all necessary technical education at a very good quality from Volvo. An issue concerning the education program, however, is that the salesforce is taught in English, which is problematic, since the salespeople then have to translate what they have learned into Swedish, in order to apply their new knowledge to customer encounters.

The price of Volvo trucks, according to Holmgren, is similar to its competitors’ prices. The average price for a Volvo truck is around SEK 800,000-900,000. For Finnvedens, a major part of revenues comes from maintenance rather than sales. The dealer buys spare parts from Volvo and charges own prices when selling them to customers. Holmgren’s general opinion about Volvo’s pricing can be summarized by a quote: “I do not think customers should pay more to us, I think we should pay less to Volvo” (L. Holmgren, personal communication, 2009-04-07).

Volvo’s current high-end product, the FH16 700 hp, is highly demanded at Finnvedens and constitutes 20% of its total sales. The main distinctive features of the new model are good image, low fuel consumption, I-Shift and a higher level of comfort.

4.7 Schenker Åkeri Jönköping, Filip Axelsson

Within the first part of the authors’ quantitative research, Axelsson limited the communication structure to two factors other than Schenker itself. The most important linkage was placed between the customer and the external dealer, Finnvedens Lastvagnar Jönköping. While this relation was perceived to have a very good quality, the communication with the marketing department, the second linkage in discussion, was assigned average quality. As concerns the composition of customer value, Axelsson evaluates the service aspects to be most important. The product, however, was perceived to be almost equally essential and is followed by the relationship aspects. Ranking the identified key value drivers in the second part of the study, Axelsson ranked service responsiveness as most important, followed by the price of a new truck and its fuel consumption. Least important, according to the Schenker representative, are the truck exterior, the availability and clearness of technical information, and the sales service for a Volvo truck.

Schenker Åkeri Jönköping perceives itself as a production unit of Schenker Logistics and is not directly involved in the purchase of trucks. Axelsson thus primarily values good service allowing his trucks to function adequately. With all Volvo trucks of the company being exclusively serviced and repaired at Finnvedens, the local external dealership represents the most important Volvo partner. According to Axelsson, the cooperation of the two companies has recently improved significantly, after both parties had participated in several meetings, discussing the general service and repair agreements. In general, Axelsson is satisfied with the collaboration and particularly values that the dealership is concerned about Schenker’s efficiency by offering customized services to the company. One of these offers is having night-shift employees of Finnvedens independently picking up the trucks from the company site, washing them and ultimately
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bringing them back to the yard. With this service, established in direct reaction to the discussion with Finnedens, Schenker does not only improve its efficiency but simultaneously relieves its drivers from additional efforts. Similarly, Axelsson highly values the adjustment in service times, now enabling him to have trucks serviced in the evenings or during the weekend. According to Axelsson, Schenker Åkeri has to “have the truck in the distribution; they cannot take the car during the day, so they take it in the evening and also on the weekend” (F. Axelsson, personal communication, 2009-05-04).

Concerning the company’s influence on the product development at Volvo Trucks, the interviewee focused on the optimization of fuel consumption. Furthermore, Axelsson values the environmental friendliness and the safety of Volvo trucks. In that, his preferences range close to Volvo Trucks’ core values, matching the general orientation of Schenker Logistics. However, the share of Volvo trucks in the fleet of 92 trucks in operation decreased from almost 100% to a ratio of 50%. The interviewee explained this development by the Schenker headquarters recently having purchased a significant amount of Scania trucks, due to the superior pricing of their offering. Thus, the price component, together with the truck’s fuel efficiency, is identified as the primary driver of the purchasing decision at Schenker. Regarding the prices of after-sales services, Axelsson perceives the prices, regulated in service contracts, to be at a fair level. Operating the trucks for a long time, Schenker accepts paying a premium for original Volvo brand spare parts, expertly installed and enabling a reliable truck performance, although simple repair jobs that do not require specific Volvo tools are occasionally carried out by cheaper alternative garages in order to cut costs.

Talking about the FH16, Axelsson stated that “for our company it is not necessary; we use 420 hp engines because we don’t have that kind of traffic and we drive on the highways and only on the highways” (F. Axelsson, personal communication, 2009-05-04). According to Schenker’s internal operating standards, it is not allowed to utilize trucks crossing the 420 hp limit. In general, however, the interviewee was appreciative about the development, as the truck may be suitable for other transport segments. As its customers are said to have no special interest in Schenker’s image but only in the prices of its transport solutions, the FH16 is not to be expected to displace the FH12, which is currently the main product in use.
4.8 DHL Express Jönköping, Rasmus Nordin

Rasmus Nordin, not dealing with Volvo directly, could only provide the authors with an estimated version of the communication chain. Within this model, the owner of the Jönköping-based DHL trucks, Rosenlunds Åkeri, has direct contacts to the external dealer, who in turn talks to internal dealers and the marketing department. They communicate information further towards the strategy and engineering divisions. Nordin’s concluding statement showed his general opinion about the internal communication at Volvo Trucks: “I don’t think anyone these days is resting on their feet, everyone has to be on their toes.” (R. Nordin, personal communication, 2009-05-05)

![Communication Chain Nordin](image)

in the value driver game, he put product in the first place, followed by service and relationship. Price of a new truck and engine power, followed by the price of spare parts, are Nordin’s most important factors, while product customization, interior and product lifecycle management are least important to him.

It is DHL’s general policy, at least in Europe, to focus on the core competence and to outsource everything else, which includes the delivery process. This means that DHL Express does not employ truck drivers and does not own trucks, only a few vans for local needs. This situation on the one hand makes DHL vulnerable, since they have less control over their operations. On the other hand they carry less risk in times of economic crisis, since they do not have spare drivers and trucks that they need to deal with. Rosenlunds Åkeri is the local contractor that deals with Volvo and the other truck manufacturers. They, according to Nordin, carry out small repairs and the washing by themselves, while they consult Finnvedens Lastvagnar or other official Volvo dealers for more complex maintenance issues. For DHL, only the total cost is important, the subcontractors deal with prices for maintenance, trucks and drivers.

The subcontractors of DHL have formed a union, the DHL-T (T for transporters), which enables them to get better deals from the truck manufactures, since higher volumes are ordered. Rosenlunds Åkeri currently operates 130 trucks, mostly for DHL, and Nordin believes that among these are more Volvos than any other brand, together with Scania comprising the largest share. Although the subcontractors are relatively free in choosing their drivers and trucks, certain standards must be fulfilled to get contracts from DHL, since “we actually put our brand in the hands of the subcontractors” (R. Nordin, personal communication, 2009-05-05), and the physical evidence should accor-
dingly be satisfactory. Examples for these requirements are the DHL corporate design on truck and driver uniform, the official DHL ID card and a clean and intact truck.

When asked about his opinion concerning Volvo’s core values, Nordin stated that they fit DHL’s needs. Safety is an intrinsic need, quality is important because the trucks must be reliable and environment becomes more and more important to their customers, not only because of fuel consumption. Husqvarna, one of DHL Jönköping’s most important customers, for example, wants trucks that can run on biogas. Such customer needs can be more important for DHL than the price, so they have to adapt to these wishes by providing equipment that can fulfill these requirements – a difficult task, according to Nordin: “The customer needs sometimes [are] ahead of what the market can give us” (R. Nordin, personal communication, 2009-05-05).

In the FH16 example, Nordin stated right away that it is not needed and accordingly not used by his company, DHL Express, which focuses on the FH12 series. Driving mostly on highways, cost efficiency is the main factor for the company management, which makes the final decisions, and “a good working environment” (R. Nordin, personal communication, 2009-05-05) for the drivers. Nordin admits, however, that other industries, especially timber transportation, do need products like the FH16 700 hp. Even for other DHL divisions, those dealing with full cargo-loads, it might be an option.
5 Analysis

5.1 Inter-Stakeholder Relationships

In the first step of their analysis, the authors shall examine the relationships between the stakeholder groups involved in the customer value creation process. This shall enable the authors to answer their fourth research question, aiming at the identification of potential conflicts between the stakeholder groups involved in the value chain. The following sections shall also contribute significantly to the achievement of this paper’s purpose, aiming at understanding the customer value proposition of Volvo Trucks. As introduced within this paper’s theoretical framework, the concept of customer value is complex in nature. In striving for superior customer value, following the market orientation concept by Slater and Narver (1994), a company has to assess information inter-functionally in order to translate it into coordinated action. Cross-functional coordination hereby implies that “any individual in any function in a seller firm can potentially contribute to value creation” (Slater & Narver, 1994, p. 23). In order to safeguard coordinated action, the second aspect of the approach, the functional units must have a shared understanding of customer value.

5.1.1 Quantitative Relationship Analysis

5.1.1.1 Aggregation of Quantitative Research Findings

The authors, in their analytical methodology, assume the participants to reflect the customer value understanding of their respective functional groups. In that, the authors are consistent with the general approach taken by Slater and Narver (1994). However, two of the stakeholder groups were aggregated from multiple participants’ value perceptions, which is why this aspect shall be discussed in more detail in this section.

Figure 18: Aggregation of Marketing Scorecards

The first stakeholder group that was aggregated is the marketing department (cf. Analytical Techniques, 3.2.4). Composed of the equally weighted scorecards from both the Commercial Truck Sales and Commercial Aftermarket department, an average score-
card was derived and graphically represented (cf. figure 18). Concerning this aggregate, striving to minimize the methodological bias, several observations are worth noting. While some significant gaps are apparent, the authors detected a general trend. As concerns the product-related key value drivers, except for the score on the price of a new truck, both departments assigned fairly similar ratings to the different features, which leads to the assumption of a sufficient degree of internal harmonization in this respect. The rather extreme difference in price perception, in the authors’ opinion, implies a risk of underestimating this factor in Volvo’s Commercial Aftermarket department.

Regarding the six relationship aspects, the differences between the two departments in discussion are more severe. On average, not regarding the scores assigned to trust and image, the Aftermarket participants assigned higher values to the relationship factors. In particular, they assigned significant importance to the relationship conflicts and the respective costs. This finding is not surprising, as this group of stakeholders can be expected to have most customer contacts regarding their role in the lifecycle of a truck. Summing up, the aggregated trend is fairly reflecting the separate ones.

This is not necessarily true for the service-related aspects, the last six factors to be analyzed. On average, the Commercial Truck Sales department ranked the service aspects on higher levels of importance. This is rather surprising, as the only obvious functional connection is seen in the sales service element, while the other five aspects influence the sales process more indirectly. Significant room for improvement is to be seen in the communication and harmonization of the service responsiveness, the availability of technical information and the price of maintenance. In the given three factors, both divisions assigned strongly contradicting scores, thus rendering the trend of the aggregate to be a questionable representation of the marketing department.

Figure 19: Aggregation of Customer Scorecards

An aggregation similar to the one of the marketing department was conducted with the customers. In this respect, referring back to Butz and Goodstein (cf. Customer Value Management, 2.1.6), a customer is defined as “anyone who can exert influence – positive or negative – on the decision to buy” (Butz & Goodstein, 1996, p. 71). In general, the customers’ aggregate, derived from the scorecards of Schenker Logistics and DHL
Express, evokes less potential bias to this paper. Both customers, throughout all 18 value drivers in discussion, show rather similar patterns in their evaluation of customer value. The authors’ aggregate thus follows the same trends as the separate graphs, while simultaneously smoothing out the assigned scores of both customers. While both customers agree on ranking the price of a new truck as very important, the authors identified one integrated pattern in the data. According to this research work, Rasmus Nordin, the DHL representative, ranks the value drivers from the view of a rather indirect customer. Schenker, on the other hand, presents a picture ranging closer to what the authors’ perceive as the truck operator’s preferences. This evokes the essential implication that Volvo has to be aware of the customer needs varying with functional positions.

Concluding, next to further improving the communication of customer value among its marketing divisions, Volvo Trucks has to recall the fact that the evaluation of customer value is rather diverse in nature. According to the authors’ impression, product-related drivers tend to increase in value, the closer one gets to the ultimate operator of the truck. While the relationship aspects shall not be assigned to either group, the top-level representatives of a firm, on the other hand, seem to value the service-related elements to a higher extent. This, together with the crucial importance of the pricing strategy, should be considered for the corporation’s future strategic marketing orientation.

5.1.1.2 Value Driver Categories

As concerns the categories of value drivers (cf. figure 20), the authors introduced product, relationship and service (cf. Value Driver Study, 3.2.3), which are based on Lapierre’s findings (2000). Product, as the first category in analysis, is highly ranked by the strategy and engineering departments. Interestingly, the given two departments constructed the very same ranking of the three categories, thus being equal in result. Customers, as a further stakeholder group, share the two departments’ perceptions of the product and assign a relatively high score to it. The internal dealer, concerning the product, represents the middle position. The marketing department and the external dealer, as the last two groups in discussion, refer to the product on a low importance level, potentially evoking conflict in value creation.

Regarding the service dimension, the authors’ empirical results also show a high variance. While the external dealer assigns the highest possible score to services, the internal dealer takes the exact opposite position, valuing it the least important. The engineering and strategy department also assign the lowest possible score to the service, while the marketing department takes a middle position in the value discussion. The distribution of value perceptions evokes potential conflict regarding the overall value proposition of a Volvo truck. Especially having its strategy department not explicitly valuing the service of the corporation might cause the value to the final customer to decrease in quality.

The last category in discussion is labeled relationship, consisting of multiple elements relating to the business relationships between the stakeholder groups. Similar to the other categories, the variance in perception is significant. Both the marketing department and the internal dealer assign the highest possible value to the relationship. This strongly relates to the retail strategy used by the Volvo Truck Corporation and shall be addressed within section 5.4 of this paper. The external dealer as well as the engineering and strategy departments value the relationship to be of medium importance. This implies that, strategically speaking, it is not in the focus of the company. As this
may seem suboptimal when relating to Volvo’s overall intention of establishing long-term relationships to its customers, the picture is changing with the customer input. Interestingly, the customers did not highly value the relationship aspect of customer value and assigned the lowest possible score to it. This now evokes the question of whether Volvo Trucks’ ambition of having a strong relationship fits its general market needs.

![Value Driver Importance – Category Overview](image)

5.1.1.3 18 Value Drivers

Preparing the ground for an in-depth analysis of the potential gaps between the value perceptions of the respondents in the authors’ research, the collected data was edited. Allowing for the derivation of conclusions (cf. Analytical Techniques, 3.2.4), the authors represented the resulting scorecards in the form of a two-dimensional scatter graph (cf. figure 21). Such overview shall now enable the factor-wise comparison of different stakeholders’ perceptions concerning the key value drivers, disclosing overall gaps in their evaluation. As mentioned before, the customers and marketing-related participants are aggregated for analytical purposes. First, general observations concerning the 18 key value drivers are briefly discussed, starting with the product-related features. These are followed by the relationship variables and the service-related aspects of the authors’ value driver study (cf. Value Driver Study, 3.2.3). It has to be noted that factors have been ordered arbitrarily, the authors do not suggest any importance-related ranking.

The safety and quality of the interior, as the first product-related aspect, indicates a misperception in valuation. While the engineers and both types of dealers believe it to be rather important, the customers do not have a clear focus on it. Interestingly, both the marketing and strategy departments seem to be aware of the customers’ preferences, but do not communicate this accordingly throughout the firm. The fuel consumption is causing significantly less dispute among the stakeholders. All parties perceive this truck feature to be of crucial importance for the customer value. In particular it is the engineering department that ranges closest to the expectations of the customers, while strategy overemphasized this aspect. However, as marketing ranks it at rather low levels, the communication of this value primarily depends on the dealers. Similarly to the quality and safety of the interior, the interviewed customers do not assign a high value to the
exterior of the truck. While the engineers and especially the external dealer assigned higher scores to the trucks’ chassis, the strategy department ranges very close to the customer. This implies room for improvement through strategy interference, but also shows ambiguity concerning two of Volvo’s core values, safety and quality.

Figure 21: Value Driver Importance – Overview
The engine power of a truck, the fourth product-related feature, is also implying room for improvement of customer value. Being highly ranked by the customers, no other stakeholder group lives up to their engine-related expectations. The engineers and external dealers, according to the authors’ study, are best in recognizing this demand, while both strategy and especially marketing underestimate this market development and thus cannot be expected to communicate this value appropriately. As concerns the price of a new truck, marketing and engineering both assigned low scores. The two dealers, relying on Volvo’s total product offering, are even more confident that the price does not play an important role. However, as strategy accurately realized, the price of a new truck is yet, on average, the most important value driver to customers. Regarding the truck’s customization, the last product feature in discussion, strategy and marketing seem to have an accurate picture of what customers value. However, both of the dealers, based on their experience, assigned higher importance to this value driver. This is motivated by the different types of transport the trucks are used for. As the authors exclusively have customer input from the cargo logistics segment, there is a risk of laying too strong a focus on this type of transport in strategy and marketing.

Regarding the relationship aspects, the first value driver is represented by the conflict that is related to maintaining a business relationship. Ranked by importance, customers and the external dealer assigned it a medium score. Interestingly, this aspect of having a relationship is stressed more by the marketing and engineering departments, evoking the potential of too strong a focus on it. This concern is underscored by the fact that the engineering and the internal dealer did not perceive relationship conflicts to be that important. The product lifecycle management aspect within the study was seen to be significantly more crucial for the provision of customer value. As the customers, however, did only rank it in medium scores, there is a risk of all other stakeholders overstressing that element, or at least not sufficiently communicating its potential to customers. Especially the strategy department, in identifying a sophisticated lifecycle approach as its most important value driver, might run the risk of striving for a goal that is not adequately rewarded in the market place. Nevertheless, their choice is understandable, since it relates closely to the corporate strategy of achieving 50% of revenues through the aftermarket, i.e. lifecycle management (cf. Company Background, 1.2). Regarding the element of trust, Volvo’s strategy, perfectly meeting the customer expectations, shows a stronger performance. While the marketing department ranges close to strategy and customers, the dealers show variance, with the internal dealer having a stronger focus on trust.

Image, the fourth relationship aspect in discussion, is assigned a medium score by the customers, only undercut by the one of the strategy department. The dealers as well as the engineering and marketing departments perceive this factor to be more crucial for customer value. In that, one could identify the risk of Volvo Trucks having too limited strategic ambitions when it comes to the image of their products. However, Volvo is aware of the crucial importance of this factor. Both the interview findings (cf. Research Results, 4) and the corporate business plan, identifying the number one position in image as one of the company’s goals (Volvo Truck Corporation, 2008), indicate the firm’s strive to excellence in this value driver. The solidarity aspect is assigned a rather low score by the customers. The marketing department and especially the internal dealership showed a stronger focus on this element. Interestingly, the external dealer in Jönköping ranked solidarity very low, therewith clearly contradicting the choice of the Volvo Truck Center in Gothenburg. As a further sacrifice, the relationship costs received a rather low score from the customers. While the engineering department disclaims the im-
portance of this element, the dealers, by ranging it close to the customers’ expectations, show a better market understanding. Strategy and marketing, in this respect, might run the risk of overstressing the influence of relationship costs on the customer value as both rank it on significantly higher levels.

In the last group in discussion, the service-related key value drivers, warranty represents the first element. According to its high ranking, this factor is of crucial importance to the customers. All other stakeholders, however, range at a medium level when referring to this service element. While such ranking shows internal consistency between these stakeholder groups, is also implies the risk of further disregarding this factor, only adversely influencing a single party. Since the customers represent this party, the company runs the risk of not achieving customer expectations related to service of its products. The maintenance element of the overall truck service also shows significant variance. In ranking it rather high, the customers are only accompanied by the external dealer. The functional departments at Volvo Trucks, in particular the strategy department, do not perceive it as important. Such difference in perception, especially as regards the strategic orientation of the company, risks the customers’ satisfaction levels concerning truck maintenance to deteriorate over time. Interestingly, sales service, the next aspect in discussion, is not important for external dealers. In that, they range closest to the customer’s point of view. The strategy department, as well as the engineering and the internal dealer, shows a tendency of overvaluing sales service.

Service responsiveness, the fourth service-related value driver, shows a comparably small variance in stakeholder perceptions. However, both marketing and engineering assign only medium scores to this element. Customers, well accompanied by both types of dealers, assign greater value to the responsiveness of their service provider. With the strategy department taking a position on neutral ground, Volvo seems to be strategically aware of this element’s influence on the creation of customer value. The availability of technical information also shows a significant gap. Regarding this factor, it is particularly the engineering that deviates in opinion. While the strategy department, the customers and the dealers assigned low scores to the technical information, engineers ranked it very high. While the engineering seems to be interested in all stakeholder groups having a well-founded knowledge on the products, the other groups do not feel a need for this. The last value driver in discussion, the price of maintenance, is disclosing further conflict potential. The customers are naturally interested in low cost for truck maintenance, a tendency that the strategy department is aware of. The dealers, on the other hand, rank this service element at rather low levels. A stronger alignment of the dealers with both the customer expectations and the strategic ambitions of the corporation, can be expected to improve Volvo’s overall customer value proposition.

5.1.2 Qualitative Relationship Analysis

Having discussed inter-stakeholder relationships from a quantitative point of departure, the authors shall now review this aspect based on what the participants stated within the qualitative part of the data collection. In that, the authors shall contribute further value to the achievement of their fourth research question, aiming at identifying potential conflicts between the stakeholder groups of Volvo Trucks’ value chain.

As concerns the relationship between the engineering department and Volvo’s internal dealers, several apparent conflicts between the two parties were identified. The internal dealer, according to the authors’ research, has identified room for improvement in
the development of new truck models. The Truck Center suggests an improvement of the existing products instead of completely rebuilding them from scratch within the early phases of the product development (G. Hunter, personal communication, 2009-04-14). Such approach, however, still has not got the support of Volvo’s engineers. The introduction of completely new models prolongs the development cycles, which results in higher pressure on the internal dealers, since some of their competitors derive a competitive advantage from shorter development times. Therefore, it might be worth reconsidering these issues by discussing them on corporate level, trying to achieve a compromise that satisfies the demands and preferences of both stakeholder groups.

Another conflict identified within the qualitative interviews refers to the introduction of the Dynafleet tool. The internal dealer claimed that its development had not advanced far enough and it should consequently not yet be in use: “the product is not ready” (G. Hunter, personal communication, 2009-04-14). Dynafleet, a tool enabling the monitoring of trucks and their fuel efficiency, is perceived rather complex and lacking educational support from the company about how to present the innovation to the customer. The introduction of Dynafleet, however, was strongly expedited by the external dealer. Since Linus Holmgren strongly supports the product, there is obvious conflict between both dealers about the usefulness and profitability of this innovation. In this case, headquarters have taken the side of the external dealers, since they did develop and introduce Dynafleet. It is evident that if two parties show opposite views on a matter, only one will be supported, leaving the other party unsatisfied. If happening repeatedly, such situation can lead to a feeling of frustration and discouragement. More general, a deterioration of the relationship, resulting in lower efficiency and motivation, is the likely outcome. Although at this stage the internal dealer still is “really proud to represent Volvo as a company” (G. Hunter, personal communication, 2009-04-14), the VTC should make sure to always discuss conflicts with both groups of dealers. In the short-term perspective, the firm should also provide dealers with sufficient information about innovations and the opportunities they provide. They might be presented in trainings or manuals, ideally covering all issues raised according to first-hand dealer input.

Another conflict was observed regarding the perception of establishing effective long-term relationships with customers. In the strategy department’s view building a company-owned dealer network positively contributed to such long-term relationships (E. Lundgren, personal communication, 2009-04-07). The Commercial Aftermarket department, however, considers external dealers to outperform the Truck Centers in establishing long-term relationships with their customers (V. Berg, personal communication, 2009-04-14). While these perceptions are, of course, based on rather subjective impressions, it is interesting to note that even within the headquarters different opinions about the effectiveness of Volvo’s new retailing strategy exist. In any case, both types of dealers should be capable of establishing long-term relationships with their customers, since this is a precondition for the increase in revenues from aftermarket sales, a key objective when changing the retailing strategy.

Introducing a further dimension to this conflict, different opinions about the motivation to establish long-term relationships were observed. The Commercial Aftermarket department claims that all dealers have paid too little attention to this key principle of relationship marketing (Ravald & Grönroos, 1996) before the current economic crisis. Opposing this, both dealers state to know not only about the importance of establishing long-term relationships with their customers, but also assert to have improved their ca-
pabilities over many years. The given divergence cannot be easily explained by the information collected within the authors’ research. What the authors can say, however, is that both kinds of dealerships implement regular customer visits as a means of improving the relationships to their customers. Such “high-touch techniques” (Slater & Narver, 2000, p. 121, citing McQuarrie & McIntyre, 1992) of intelligence generation help understand a customer’s business environment and particular needs resulting from it. It has to be noted, however, that Slater and Narver lack statistical prove for their hypothesis. Nevertheless, by providing after-sales support, paying regular visits and inviting customers to different activities and events, the dealers are likely to improve the quality of the long-term relationships with their customers. Such continuity, an element referred to by Ravald and Grönroos (1996, cf. Value Concept and Relationship Marketing, 2.2), in this case is reflected in the permanent general support in financing and servicing. Such elements can be expected to contribute to the process of long-term relationships’ establishment (Ravald & Grönroos, 1996).

In summary, it can be noted that long-term relationships and intelligence generation are perceived to be mutually dependent. Thus, only if both aspects are combined, improved customer value delivery becomes feasible. This holds not only for dealers and their customers, but for all stakeholder groups this paper has conducted research on. A crucial precondition for both features is a high-quality communication between the stakeholders, the subject of the next section.

5.2 Challenges in the Communication Chain

As described within the method section of this paper, the authors have created a generalized communication chain based on the proposals of all participants (figure 22). In analyzing their findings, the authors start by discussing the quality of communication between the different parties and will thereafter not only point out how better communication can enhance the general value proposition to end-customers but also propose ways of its improvement. This approach shall, to a large extent, answer the third research question, asking whether good communication is a prerequisite for customer value creation.

The quality of communication within a corporation affects the value that is delivered to customers, since “any individual in any function in a seller firm can potentially contribute to value creation” (Slater & Narver, 1994, p. 23). At Volvo Trucks, mediocre communication between the strategy, engineering and marketing departments exists, ranging from below needs to satisfying levels. This situation implies that value generated in one of the departments might get lost on its way through the value chain. On the one hand, the downstream value transmission suffers, putting more pressure and obligations onto the dealers, who nevertheless have to deliver superior customer value. On the other hand, the upstream communication suffers, decreasing the company’s ability to correctly react to customer needs and expectations.

The high-quality communication between customers and dealers can be explained by the direct communication of the two parties during sales and after-sales service encounters. It provides a significant advantage for the dealers in terms of constant intelligence generation, which is argued to be essential for the provision of superior customer value (Slater & Narver, 2000).
According to the communication chain study, the communication between company and dealers is organized mostly through the marketing department. It has to be noted that the market companies, the ambassadors of Volvo Trucks in each local market area, actually form the link between dealers and headquarters. As explained in the method, they have not been provided as a separate group but were instead included in the marketing department. Such measure simplified the generalization and eased the process for the customers, who are not aware of the exact corporate structure at the VTC.

The link function gains special importance for the external dealers, who transmit their findings about customer preferences to the market companies, not having regular direct contacts with the strategy department of Volvo Trucks, as the internal dealers do. Thus, for the market companies it is essential to have the best possible understanding of the real customer needs in order to communicate them further through the value chain. Taking this understanding as a given, the quality of communication between the market companies and dealers is crucial for transforming the customer needs into actual delivered value. A good quality between these parties is proven by the authors’ study. This means the exchange of knowledge about customer preferences is efficient, due to absence of impeding barriers in communication between the two parties. From this, the authors derive that the VTC has the opportunity of a relatively quick adaptation to changing customer needs.

Nevertheless, bureaucracy within the organization puts a burden onto the speed of the communicational process. Due to their indirect communication with the headquarters, external dealers argue, their proposals are sometimes not listened to (L. Holmgren, personal communication, 2009-04-07). Instead, they have to use unofficial communication channels to inform the company about their findings. One possibility is to consult internal dealers, who have direct connections to the headquarters, especially to the strategy department. This results in longer time requirements, before the proposition will reach the right person, and the risk of potential information bias becomes higher with the number of levels it passes before arriving at the final destination. Part of the information can get lost on the way, or become obsolete due to the long time it is travelling and rapid changes in customer preferences. This negatively affects Volvo Trucks’ customer value proposition. The necessity for moderating the communication chain between Volvo Trucks and its external dealers is obvious. More regular direct meetings at least with the most important external dealers should be considered by the company.
One example of such conflict is the dealer education, which is an important aspect in delivering value to the customers, since only well-educated dealers can properly transmit Volvo’s values to potential customers. By having developed special training courses, the firm provides its dealers with the possibility of gaining essential knowledge about customer needs and ways to satisfy them, as well as the building of long-term relationships. However, many of these courses are held in English. According to the strategy department, it would cause too high financial and organizational efforts to translate every course into all languages spoken by Volvo Trucks’ customers (E. Lundgren, personal communication, 2009-04-07). The dealers, however, consider this a serious shortcoming, as the majority of Swedish dealers, for example, communicate with Swedish-speaking customers, i.e. they have to translate what they have learned into Swedish, before practically applying their knowledge (L. Holmgren, personal communication, 2009-04-07). This adversely affects the quality of the communication between dealer and customer, which in turn is likely to weaken the transmitted customer value. An adaptation of training programmes and a standardization in language variations based on the customer language requirements, at least for the majority of served markets, could help to improve the communication between the two parties affected. Additionally, the satisfaction of the retailers shall increase, thus leading to intrinsic motivation contributing to the strengthening of all affected relationships in the value chain. Such action would positively affect the process of customer value delivery, which in turn contributes to customer loyalty (Eggert & Ulaga, 2002). The authors are aware of the high additional expenses incurred by the additional translations, but suggest that Volvo Trucks should at least consider them, since the benefits from increased customer loyalty are the basis for long-term relationships. This eventually results in higher profitability, since it is five times cheaper to retain existing customers than to acquire new ones (Slater & Narver, 1994).

Since training sessions are optional, in some cases dealers do not attend them. The reason for this is mostly a lack of time (V. Berg, personal communication, 2009-04-14). This situation contributes to a decrease in the dealers’ competences concerning customer value delivery. Moreover, continued training avoidance will result in a poorer ability of intelligence generation, essential for satisfying customer needs (Slater & Narver, 2000). An alternative could be the introduction of compulsory training programs for salespeople that will allow improving their level of competence in the business field. The authors are aware of the dealers’ time constraints, but again believe that the additional efforts will be worthwhile. In summary, Volvo Trucks has to educate its dealers, to make them capable of understanding or even anticipating customer needs. In turn, the dealers have to know what the firm is capable of, in order to be able to form the link between customer wants and company offer. In this respect, support for and strengthening of the communication between company and dealers are essential.

Concluding it can be said that the critical role of communication is to enable a simple and fast exchange of information related to market requirements among all parties in the value chain. High-quality communication leads to the possibility of satisfying customer needs through the delivery of superior customer value, which in turn is essential for gaining higher customer loyalty that can result in improved profitability. From this it should become obvious that Volvo Trucks needs to continuously monitor and improve its internal communication channels.
5.3 Cornerstones of European Customer Value

This section discusses important cornerstones of the European customer value Volvo Trucks tries to transfer. It will therewith enable the authors to answer the second research question, aiming at identifying influential elements of the customer value, Volvo Trucks is providing its European customers with. The section is divided into three parts, one dealing with Volvo Trucks’ core values, one with its pricing strategy and the last one with current product developments at the firm, namely the FH16 700 hp.

5.3.1 Volvo Trucks’ Core Values

As discussed within the introduction section (cf. Company Background, 1.2), Volvo Trucks identified quality, safety and environment as the three core values in the corporate philosophy. These core values translate in the company’s mission statement which, in part, reflects the aim of creating “transport-related hard and soft products of superior quality, safety and environmental care for demanding customers in selected segments” (Volvo Truck Corporation, 2009b, p. 1). In that, the core values are of significant importance for the overall European customer value and shall thus be subject to an in-depth analysis.

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son learned from this is that, next to the fuel consumption aspect, the pricing strategy is something for Volvo to further focus on. This element will be discussed more extensively in the next section.

DHL Express, the second customer in analysis, perceives it important for his business to adapt to its customers’ needs and requirements. Giving the example of Husqvarna AB, a customer requesting the trucks used for their products to run on biogas, the representative points out the importance of adapting to such customer wishes. In his view, this is a particularly difficult task, as “[t]he customer needs sometimes are] ahead of what the market can give us” (R. Nordin, personal communication, 2009-05-05). The core values are, however, still perceived very important for DHL’s business. While safety is an intrinsic need, quality is required to assure smooth operations. The environmental aspects, according to Rasmus Nordin, constantly gain importance, not only for reasons of fuel efficiency. This second example shows the variability in customer value requirements – even though they are operating in the same field of business – that Volvo is facing. However, in general, the corporation’s core values seem to be well-aligned with its customers’ needs and current trends in the market.

An additional element, to be pointed out when analyzing the core values, is the symbolic customer value, attached to a Volvo truck. According to Rintamäki et al. (2007), customers may value symbolic meanings of a certain brand, store or product (cf. Types of Customer Value, 2.1.5). In that, a customer may buy a product for what is represents, rather than for its potential usage. Regarding the core values, particularly concerning the environment, moral reasons can play an important role in a customer’s purchasing decision. In the truck business, in the authors’ view, the truck itself, together with the important elements pointed out previously, shall still be in the center of the customer’s attention. However, especially in times of increased environmental concern, Volvo Trucks’ focus on environmental friendliness is seen to provide the customer with symbolic value, next to its obvious economic counterpart. Such symbolic value shall then improve the overall customer perceived value. According to Eggert and Ulaga (2002), such improved “customer perceived value leads to satisfaction which, in turn, leads to positive behavioural intentions” (Eggert & Ulaga, 2002, p. 116). With such satisfaction, likely to result in brand-loyal repurchase decisions by the customer, Volvo Trucks should be able to derive a competitive advantage.

In summary, the core values, though having a long history in the corporation, still fit the customer needs and overall trends in the truck market. Having identified the potential of creating a symbolic value to the customer, the environment focus is rendered a wise strategic decision reflecting the market demands. With its traditional focus on safety and quality, Volvo Trucks can also be assumed to have created positive brand recognition within the market, potentially leading to positive behavioural patterns. However, in striving to further improve its performance in core value performance, the corporation should not lose its awareness for the customers’ sensitiveness to pricing.

### 5.3.2 Volvo Trucks’ Pricing Strategy

As already touched upon within the previous section, the pricing strategy represents an essential driver for Volvo Trucks’ customer value and shall be subject to an in-depth analysis. Within the following paragraphs, the authors shall not only evaluate the price-related elements of their quantitative value driver study, but also triangulate the analysis by referring to the interview findings. In that, the authors intend to contribute further to
the answer to this paper’s second research question, aiming at identifying influential elements of European customer value. With Volvo’s pricing strategy giving rise to inter-stakeholder conflicts, the following section shall also be valuable for the authors’ fourth research question, investigating potential conflicts in the customer value chain.

Preparing the grounds for analyzing the corporation’s pricing strategy, it is worth referring back to the customer value definitions provided in this paper’s theoretical framework (cf. table 1). According to Ulaga and Chacour, “[c]ustomer-perceived value [is] a trade-off between benefits and sacrifices perceived by the customer in a supplier’s offering” (Ulaga & Chacour, 2001, p. 528). The trade-off idea, previously identified as a key commonality of most researchers’ definitions (cf. Key Findings about Customer Value, 2.1.7), can also be observed, though not explicitly mentioned, in the definition provided by Slater and Narver (2000). According to their research, customer value “is created when the benefits to the customer associated with a product or a service exceed the offering’s life-cycle costs to the customer” (2000, p. 120) and can be simplified to an equation, deriving value from benefits minus sacrifice (cf. Value Drivers, 2.1.2). Relating to the research by Lapierre, sacrifice is defined as “the overall monetary and non-monetary costs the customer invests or gives to the supplier in order to complete a transaction or to maintain a relationship with a supplier” (Lapierre, 2000, p. 123). Representing the monetary costs in Lapierre’s definition, the pricing of both new trucks and truck maintenance shall firstly be discussed based on qualitative findings.

According to Volvo Trucks’ strategy department, the prices of the products are not only increasing with the introduction of new product features, but were also adjusted to recent effects of inflation. Furthermore, following corporate strategy, Volvo Trucks positioned itself as premium truck producer, thus charging relatively high prices for its products. Vindicating this move to be reasonable due to Volvo’s image leadership in many European markets, the Commercial Truck Sales representative is confident about the chosen approach of premium pricing. According to Finnvedens, the prices charged for a Volvo truck, averaging at around SEK 2.2 million, are rather similar to those charged by its direct competitors. Thus, the sale of a new truck is not significantly impeded, rendering the external dealer to be confident with the prices charged, too.

As the analysis has shown this far, the premium pricing strategy is widely accepted within Volvo Trucks and its dealerships. However, when taking the customers’ opinions into the framework, the authors observed a certain degree of conflict potential. With both of the customers in discussion operating in the long-haul cargo business, a significant price sensitiveness became apparent. This was motivated by the fact that the transport business nowadays is affected by a fierce and price-driven competition. Thus, both customers ranked the price of a new truck, together with its fuel consumption, as either most or second-most important value drivers (cf. figure 23). A striking example of how the new truck’s price can affect the purchasing decision was provided by the representative of Schenker Logistics, Jönköping. According to Filip Axelsson, the share of Volvos in Schenker’s truck fleet recently decreased from almost 100% to a ratio of 50%. This development, worth concern by Volvo, was explained by a recent large-scale purchase of Scania trucks, mainly due to the competitor’s superior pricing (cf. Schenker, 4.7).

Based on results of their value driver study, the authors identified significant differences in the perception of the prices, both for a new truck and its maintenance. Figure 23 represents the different stakeholders’ ranking of the price-related elements in the study. According to these results, the customers do assign remarkably higher
importance to the price of a new truck. While the strategy department still ranges reasonably close to the actual customer perception, all other stakeholders show more severe gaps in ranking.

![Figure 23: Pricing Strategy of Volvo Trucks](image)

The marketing and engineering departments, both assigning about half the customers’ scores to the price of a new truck, are already perceived worth improvement. Even more potential conflicts are implied in the low importance ranking for the truck’s price, as assigned by the dealers. Both dealerships, in particular the external dealer, perceive the pricing not to be a crucial element, as the product’s benefits are perceived to outweigh the monetary sacrifice. However, as previously discussed, the customers, according to the authors’ research, are likely to be very price-sensitive in their purchasing decisions. Volvo Trucks, following relationship marketing theories, requires good understanding of the customer’s business (cf. Value Concept and Relationship Marketing, 2.2).

As concerns the price of maintenance, similar patterns are observed (cf. figure 23). The customers assign significantly more importance to the maintenance-related costs, strongly relating to the pricing of Volvo’s spare parts. However, in general customers perceive the prices of after-sales services to be at fair levels, i.e. they can be expected to accept a premium price for original Volvo-branded spare parts. This holds true, as a superior reliability is associated with the original spare parts, expertly installed in a Volvo workshop. However, as the gap between the customers and the other stakeholders is rather significant in extent, Volvo Trucks might consider to invest more efforts into driving down the costs for its spare parts, therewith adding further value to its customers.

In summary, according to the authors’ research, the customers are more price-sensitive than Volvo Trucks thinks. Especially in difficult economic times, including fierce and price-based competition in the transport industry, the price-related elements of Volvo’s overall value proposition gain importance. The conflict potential is further underscored by the corporation’s reluctance to reduce the prices for its products. According to the strategy department, Volvo Trucks, known as premium producer, would rather accept a loss in market share than lowering its prices. Such lower prices are expected to dilute the brand, therewith adversely affecting the image of Volvo Trucks. This image was already identified as an important element in Volvo’s customer value proposition; the number one position in image is a goal stated in the company’s business plan (Volvo Truck Corporation, 2008, cf. 18 Value Drivers, 5.1.1.3). However, in
the authors’ view the observed conflict potential is worth internal discussion, potentially leading to alternative measures. In the ideal case, such measures will improve the benefits, one of them being the image, without simultaneously increasing the sacrifice, the price paid for it. Only such approach, according to Ravald and Grönroos (1996), allows for increased customer value, finally resulting in satisfaction and customer loyalty.

5.3.3 Current Product Development

Next to core values and pricing strategy, Volvo Trucks’ products are an important constituent of customer value, comprising one category of value drivers. As part of the qualitative research, all participants were asked about their opinion concerning the FH16 700 hp, Volvo Trucks’ latest product development and flagship. All references to the FH16, as made within this section, shall consequently relate to the version equipped with the 700 hp engine, and not the 540 or 600 hp versions that also exist (Volvo Truck Corporation, 2009c). This truck, which is currently “the strongest truck in the world” (Volvo Truck Corporation, 2009c, p. 1), creates controversies not only within the company but also among Volvo’s customers and is thus worth having a detailed look at. Does it provide as much customer value as the company management hopes for or is it a truck development that lacks demand in the market?

With 700 hp, the truck is, according to the authors’ research, perceived inappropriate for regular cargo logistics services. An impression confirmed by DHL and Schenker, the latter stating that “we use 420 hp engines because we [...] drive on the highways and only on the highways” (F. Axelsson, personal communication, 2009-05-04). This horsepower limitation is anchored within Schenker’s company legislation, thus the FH16 will never be an option for purchase, unless the firm’s corporate strategy is subject to fundamental changes. DHL confirms this by saying that the FH12 is their main truck in use – which also holds true for Schenker – since cost efficiency is seen the most important attribute. Both companies’ customers look primarily at the price factor of the offered transport solutions, while image of the logistics firm is assigned less importance. Although the drivers would like to have stronger trucks, their main demand is “a good working environment” (R. Nordin, personal communication, 2009-05-05). Apart from this, at least at Schenker and DHL, it is the top management that decides which trucks to buy. While it may now appear as if there was no reason to have a product like the FH16, at least in the cargo business, there are two main reasons for why it is built in spite of this finding.

First of all, there are certain industries, where such heavy trucks are required in operations. Interestingly, almost all participants mentioned the timber industry as their prime example in this respect. In the timber business, heavy haulage in challenging terrain is common, which is why high-end equipment is a precondition for smooth operations. This finding is confirmed by the fact that the dealer in the urban market of Gothenburg only sells around ten FH16 per year, an almost negligible market share – he is obviously lacking the industries demanding for such high-performance trucks. The Volvo Trucks
dealer in Jönköping, however, is located in an area with a more active timber industry. This conclusion can be drawn from the fact that the Rörvik Timber AB, a wood-processing firm operating in southern Sweden and generating annual sales of SEK 1.9 bn (Rörvik Timber AB, 2009), located its headquarters in Huskvarna, the neighbouring city of Jönköping. Further underscoring the local importance of the timber industry, the Elmia Wood 2009, “[t]he No. 1 International Forestry Trade Fair” (ElmiaWood, 2009) is hosted June 3rd to 6th 2009 by the Elmia exhibition center in Jönköping. It can thus be assumed that it is due to the high demand from the timber industry that the FH16 700 hp contributes 20% of sales for the local Finnvedens AB dealership in Jönköping (L. Holmgren, personal communication, 2009-04-07).

Caused by the local differences in demand, the Volvo Truck Center in Gothenburg does not support a further development of the FH16. Gernot Hunter would instead prefer the R & D department to focus on the FM and FH13 series, since they create most sales volume in the urban area of Gothenburg. The external dealer, on the other hand, praises the FH16’s technical features, its high comfort and, most of all, good image. Volvo’s engineering representative names the heavy haulage markets of Australia and South Africa as further examples for which the FH16 seems suitable. In Europe, he admits, legislation limits the application range of such heavy trucks. One exception is Sweden, whose legislation allows for transports with 60 tons weight and a maximum of around 25 m in length. This can be traced to the Swedish legislation, which states in proposition 1987/88: 50 that “[a]vsikten är att på sikt tillåta […] maximalt 60 tons bruttovikt för de längsta fordonen” (Sveriges Riksdag, 1987). With that extract, saying that in 1987 it was the government’s intent to allow for a maximum of 60 tons in gross weight – which is meanwhile implemented – Sweden’s logistics industry differs from that in other parts of Europe. The European Union, in most of its member states, applies more restricted standards as concerns the length and weight specifications. According to Directive 96/53/EC of the European Parliament and of the Council, “the laden weight does not exceed 38 tons” (Council of the European Union, 1996) in the member states. Additionally, in Directive 2002/7/EC (2002) the maximum length for a road train is defined to be 18.75 m. Consequently, important European markets, e.g. Germany, are rather restricted, thus limiting the market for the FH16.

Image is the other reason for the FH16’s existence. There has been, according to Volvo representatives, a long-lasting competition between Volvo and Scania, the latter brand being known for its powerful V8 engines. It is, according to the authors’ research, partly to counter this state that Volvo strived to possess a product bearing the title “strongest truck in the world”. From the 10% of all truck customers that buy the FH16, according to the engineering representative, only one half requires it for reasons of its performance (L. Andersson, personal communication, 2009-04-07). The other group of customers “need to have whatever it takes to be the biggest, most beautiful trucker in their area” (L. Andersson, personal communication, 2009-04-07), i.e. they buy the truck primarily for prestige reasons. This perception on image-driven purchase intentions is supported by all other participants within the VTC, and also by both dealers. The aftermarket representatives explained that with the good image provided by the FH16, it sells especially well on the Italian market, normally not needing the product to such extent. In reference to Rintamäki et al. (2007), the FH16 thus is a product that provides symbolic customer value, since, for many of its buyers, it means lifestyle and prestige.
Consistent with the authors’ findings, Volvo Trucks’ advertising for the FH16 focuses on power, high comfort, state-of-the-art high-tech and safety, and an aspect called “truck envy” (Volvo Truck Corporation, 2009a). This slogan proves that the company counts on prestige as one major sales argument. In this respect, there is one further aspect to be mentioned. A second important marketing task of the company is the Volvo Ocean Race, a global sailing challenge. This project, consuming significant amounts of money and efforts, is mainly valued by large customers but not necessarily by the small owner/operators (L. Holmgren, personal communication, 2009-04-07). The latter customer segment, in turn, is more affected by the FH16 than top-level executives in logistics firms (G. Hunter, personal communication, 2009-04-14). Consequently, one can say that the two projects have different target groups, and also different internal supporters. While the strategy representative, according to the qualitative findings, prefers the FH16 and does not like the Ocean Race, the internal dealer believes the latter to be the more effective marketing tool. It remains to be seen whether the company can continue to pursue both approaches or ultimately has to choose which target group it wants to promote (cf. Inter-Stakeholder Relationships, 5.1).

After having discussed the FH16 from a rather practical point of departure, the authors shall now enhance the theoretical value understanding. Woodruff (1997), in this respect, introduced the customer hierarchy model (cf. figure 25), discussed within this paper’s theoretical framework (cf. Types of Customer Value, 2.1.5). In his model, based on the findings by Burns (1993), Woodruff introduced three layers of customer value. On the lowest level, the customer perceives the product attributes and related performances, potentially leading to attribute-based satisfaction. The second layer of the model, relating to the product’s use situation, relates closely to value in use and possession value. As a third and final layer, Woodruff incorporated the customers’ goals and purposes, ultimately expected to lead to goal-based satisfaction.

In striving to put the model into a practical framework, the authors shall now apply it to Volvo’s latest product development, the FH16. In that, the authors intend to underscore the complexity of the customer value proposition. The authors shall take a focus on trucks in the timber industry, therewith defining the customer’s use situation and related customer goals and purposes. In that, the product attributes and attribute performances are represented by the 700 hp engine. This engine, according to several respondents, is perceived highly valuable for timber transport truck operators, since the environment for operations, e.g. due to the non-solid forest soil, demands high-performance products to ensure smooth operations. Offering significant power, the engine is very likely to fulfill such requirements, and can thus be expected to achieve attribute-based satisfaction.
As concerns consequences for in-use situations, the authors perceive the “massive torque” (Volvo Truck Corporation, 2009a, p. 5) to be the decisive feature. After having loaded several tons of wood onto the trailer, the moment of initial acceleration is a critical one. Having torque of 3100 Nm (Volvo Truck Corporation, 2009a, p. 17), the FH16 is likely to show a superior performance in the tough working environment and shall thus achieve consequence-based satisfaction. Regarding the final layer of the hierarchy model, it is worth asking for the customers’ goals and purposes in the timber transport industry. Taking a general perspective, the authors shall assume that customers desire operational efficiency. With a truck working in a reliable manner, not requiring a towing in the woods, this operational efficiency is likely to improve and thus makes goal-based satisfaction feasible. In summary, the FH16 seems to strongly fit the rather unique demands of the timber industry.

Concluding, one can say that most departments support the further development of the FH16 in general, and also the dealers and customers support the Volvo Trucks’ strategy in this respect. However, it has to be critically noted that the FH16 is “definitely not profitable” (V. Berg, personal communication, 2009-04-14). As the application of the customer value hierarchy model showed, the truck, at least in the given case of the timber industry, still has the potential to improve customer satisfaction. The FH16 can be characterized as a sustainable though polarizing product development. It is feasible only because of its positive impact on the company’s pricing strategy, its positive image effects, being the flagship of the company, and synergy possibilities with other Volvo group members (the FH16 engine is also used by Volvo Penta, for example).

5.4 Volvo Trucks’ Retailing Strategy

Within the following sections of their work, the authors shall analyze the retailing strategy, as chosen by the Volvo Truck Corporation. As described within the introduction section (cf. Company Background, 1.2), Volvo Trucks, next to supplying its external dealers, started operating Volvo Truck Centers in 2002. As stated in the problematization, after eight years with this strategy, it is now worth asking whether the corporation was able to achieve the goals that were connected to it. Earlier in this paper (cf. Problem, 1.3), two basic advantages resulting from the adapted strategy were derived: additional revenue generation capabilities and improved customer understanding. In this section it will be evaluated, in how far these advantages exist. Furthermore, the first research question of this work, asking whether the new retail strategy is the right approach to relationship marketing, will be answered.

In the first step of their analysis, the authors intend to describe the current situation, as concerns the application of the retail strategy concept to Volvo Trucks’ operations. In that, the authors shall incorporate both their qualitative and quantitative research findings into the discussion. In a second step, the potential of Volvo’s strategic approach is demonstrated by referring to a specific example of high-quality dealer performance, brought up by Schenker Logistics in Jönköping. In the final subsection, an adapted model of customer-perceived value will be presented, which shall provide the corporation with a comprehensive approach to align their customer value creation.

5.4.1 General Evaluation of the Retailing Concept

According to Volvo’s strategy department, through having acquired its own dealerships, Volvo Trucks receives superior insights into its customers’ needs and may thus adjust
their customer value proposition accordingly (E. Lundgren, personal communication, 2008-03-11). This view is supported by the Commercial Truck Sales department, stating that “[w]e are far closer to the customer than we were before” (A. Pettersson, personal communication, 2009-04-14). Strategy further identifies a key value driver in the product lifecycle management approach Volvo is pursuing, allowing for improved aftermarket revenue generation, ideally reaching a level of 50%, as stated in the introduction section. According to the strategy department, the sale of complete transport solutions, shifting Volvo from a factory-based to a full-scale service company, is of utmost importance for both the company and its customers, not least in order to perform better in times of crisis (cf. Strategy Department, 4.1, and Problem, 1.3).

The Commercial Truck Sales department, as mentioned above, strongly values the Volvo Truck Centers to significantly ease the process of identifying customer preferences. In the respondent’s view, “[t]he more you understand his [the customer’s] business, […] you can give […] a much better offer” (A. Pettersson, personal communication, 2009-04-14). This stronger focus on the customer, according to the authors’ research, strongly corresponds with the external dealer’s tenor. Linus Holmgren, the Finnvedens representative, identifies the customer as starting point of the entire retail strategy (L. Holmgren, personal communication, 2009-04-07). In this respect, according to the authors’ impression, Volvo’s strategic focus is well in line with the core idea of relationship marketing, as proposed by Ravald and Grönroos (1996). This research is defined as “relations, a maintenance of relations between the company and the actors in its micro-environment, […] of course the customers as the most important actor” (Ravald & Grönroos, 1996, p. 19). In taking such a perspective, according to the authors, the company “has to get close to the customer to be able to understand his needs, preferences and all the activities which constitute his value chain” (Ravald & Grönroos, 1996, p. 26). Volvo, by introducing its internal dealership, thus improved the premises for providing competitive customer value.

Observing changes in a corporation’s retail strategy makes it worth asking directly affected stakeholder groups for their opinion on the strategic shift. According to the authors’ research, internal dealers, particularly the one in Volvo’s hometown Gothenburg, are “really proud to represent Volvo as a company and really pleased to have Volvo as a make to offer” (G. Hunter, personal communication, 2009-04-14). A positive effect on the dealer’s performance, due to the observed intrinsic motivation, is the likely outcome of the corporation’s strategy. However, though having the Truck Center status, Gernot Hunter sees room for improvement in the relationship to Volvo Trucks. According to the internal dealer, Volvo Trucks does “not really understand the business that we [the Volvo Truck Center] have on the dealership; the job that we are doing” (G. Hunter, personal communication, 2009-04-14). Such shortcomings, e.g. perceived in the premature IT and customer management systems, adversely affect the customer value the internal dealer can provide and should be improved. Finnvedens, the external dealer, also perceives the relationship to Volvo as crucial. Linus Holmgren, in this respect, states that “[t]he better contact we get with Volvo, the more possibilities we have to get what the customers want” (L. Holmgren, personal communication, 2009-04-07).

In summary, Volvo’s adapted retail strategy is perceived in line with the concept of relationship marketing. In the authors’ view, this strategic shift can be expected to result in an improved customer value proposition. From an economic perspective, the additional revenues for the corporation are naturally positive for the corporation, especially
in times of financial downturn. As the two types of dealerships, having different geographic areas they operate in, do not engage in direct competition, the risk of internal conflicts between the groups seems to be rather low. Thus, the adapted retail strategy is perceived adequate in its basic idea. In the following section, the authors shall analyze the type-specific performance of both Volvo Trucks dealerships.

![Figure 26: Performance of Internal and External Dealer](image)

Having the results from the key value driver study represented in figure 26, the authors shall briefly analyze the differences between internal and external dealers in their perception of customer value. In the following quantitative analysis, the aggregated customer scores are used as the basis for comparison. As both dealers underscored their customer perspective, therewith following the principles of relationship marketing, a brief discussion of the differences is perceived valuable. Next to deepening the given discussion of retail strategy, this shall also support the authors second and fourth research question, dealing with European customer value and inter-stakeholder conflicts.

In general, there are several aspects in which both dealers show flaws in their customer understanding. One of the most obvious gaps, implying the risk of pursuing wrong strategic actions, is observed regarding the price of a new truck. Both dealers significantly underestimate the influence of the truck’s price on the perceived customer value. Similar conflict potential, showing the same patterns as the first gap, is seen in the price of maintenance. A second service-related element worth improvement is the importance of warranty, which is underestimated by the dealers. The picture is changed, regarding value drivers like the truck interior, the lifecycle management and the image. Concerning these three aspects, both dealerships assign significantly higher value than the customers. This implies conflict potential, especially concerning the image and lifecycle management, both seen as either a strategic goal or a Volvo strength.

In a second step of the analysis, the authors shall focus on identifying patterns and trends, resulting from the given scorecards. In general, it is interesting to note that the
performance in understanding the customers’ required value propositions varies with the value driver categories. Regarding the product-related elements, the Volvo Truck Center outperforms its external counterpart, ranging closer to the customers’ needs in most cases. This effect, however, shall be further qualified by referring to the customer bases of both dealerships. According to the authors’ research, Finnvedens Jönköping is more strongly affected by customer demands in sectors other than the long-haul cargo transport industry. This finding is underscored within the FH16 700 hp section, introducing the timber industry as an important, hence local, customer base in Jönköping (cf. Current Product Development, 5.3.3). Having a customer aggregate exclusively composed of long-haul transport customers, the external dealer’s performance might be influenced by his diverging customer base. Assuming that the identified relationship still holds true when adjusted to the potential bias, the Truck Center’s scorecard, closely reflecting product-related customer demands, would be very valuable for Volvo Trucks. However, outperforming the internal dealer in the relationship- and service-related value drivers, the feedback from external dealers is also crucial for success.

In summary, it is worth noting that neither of the dealership types shows consistent superior performance in understanding the customers’ optimal value proposition. This implies the necessity of incorporating views and feedback of both parties in the corporate and strategic decision-making. Nowadays, according to the respondent from the strategy department, potential feedback and criticism from external dealers might get lost in the company’s bureaucracy. As the Volvo Truck Centers are closer to the corporation’s decision-making, it is perceived easier for them to get listened to (L. Holmgren, personal communication, 2009-04-07). The current imbalance even prompts the external dealers to pass their problems on to the internal dealerships, to get them heard (cf. Challenges in the Communication Chain, 5.2). According to the authors’ research, the strategy department is well aware of the current grievance. Improvements in the feedback-related communication could thus enhance VTC’s operational efficiency.

5.4.2 Schenker – A Positive Example

After having introduced Volvo Trucks’ current situation concerning their retail strategy, the authors shall, in a next step, refer to a positive example provided by Schenker Logistics. Within the qualitative part of the authors’ study, Filip Axelsson, the representative of Schenker in Jönköping, contributed interesting insights to this paper. Through the collaboration with Finnvedens Lastvagnar, an external Volvo dealer, the company experiences both benefits and sacrifices. Having established a relationship with its business partner, Schenker shall be subject to an analysis of the total episode value.

Introduced by Ravald and Grönroos (1996, cf. Value Concept and Relationship Marketing, 2.2) and represented by the value equation stated below, the total episode value further qualifies Slater and Narver’s (2000) customer value definition.

\[
\text{Total episode value} = \frac{\text{Episode benefits} + \text{relationship benefits}}{\text{Episode sacrifice} + \text{relationship sacrifice}}
\]

Figure 27: Total Episode Value Formula (cf. Section 2.2)

Derived from the qualitative research findings, the authors shall apply the given formula to the relationship between Schenker Logistics and Finnvedens. With this approach, the authors shall be enabled, at least in parts, to answer their first research question and thus
contribute to the achievement of this paper’s purpose. Within this section, all references to the participant relate to Filip Axelsson, the Schenker representative.

As concerns the episode benefits, the first element in the equation’s nominator, Ravald and Grönroos (1996) pointed out aspects like the product quality to be of crucial importance to the customer (cf. Value Concept and Relationship Marketing, 2.2). In the given case, dealing with a mainly service-driven relationship, the authors shall also assume the quality of services and maintenance to provide episode value to the customer. Thus, Schenker’s episode benefits are represented by the quality of the repair works and the services provided by Finnvedens. Additionally, next to repair and maintenance work, the company’s trucks are regularly cleaned in Finnveden’s truck-wash plant. Both parties, according to Axelsson, engaged in discussions on how to optimize the mutual value creation and collaboration between both business entities. Resulting from this communication, Finnvedens Jönköping adjusted its service hours, both for truck repairs and truck wash, to Schenker’s individual requirements (cf. Schenker, 4.7).

Such improved cooperation is highly valued by the company representative, as he needs to “have the truck in the distribution; they cannot take the car during the day, so they take it in the evening and also on the weekend” (F. Axelsson, personal communication, 2009-05-04). However, as the adjustments were resulting from intense communication, one aspect of a well-functioning business relationship, they cannot be seen as episode values. The authors thus perceive the improved level of collaboration between firms and the resulting increase in operational efficiency to be relationship benefits. As the second element of the nominator, they further increase the total episode value.

Similarly to the benefits, the sacrifice, as incurred by the customer, shall be subdivided into those resulting from episodes and from the relationship, respectively. Episode sacrifice, in this respect, are directly resulting from the service and repair encounters of a customer. Thus, in the given framework, sacrifice is represented by the costs that Schenker incurs for having maintenance or service work done on its trucks. Such costs are those for repairs, including spare parts, truck wash and other services. As the second group of sacrifice, represented in the denominator of the equation, relationship sacrifice result from the relationship of two business partners, evoking not only costs but also conflicts and commitments. In the given case, such costs are e.g. identified in potential price premiums, paid when purchasing original Volvo spare parts instead of cheaper, non-branded alternative products. However, according to the authors’ research findings, Schenker perceives the pricing strategy to be at a fair level and values a timely availability of both skilled mechanics and the required tools for the repair work.

Additional information, helpful in applying the total episode value equation, were derived from Schenker’s results in the authors’ key value driver study. Interestingly, Filip Axelsson, when ranking the categories, assigned the lowest importance to the relationship, while the service elements were seen to be most crucial. However, as the previous paragraphs indicate, the quality of this service strongly improved through Schenker’s relationship to the Finnvedens dealership. As concerns the separate value aspects, the benefit side shall be considered first. Next to an adequate service responsiveness, the respondent ranked the product lifecycle management, strongly relating to the relationship to Volvo Trucks, rather high. Also ranging on a high level, the trust element is perceived to be very important. Trust, resulting from successful transactions with the supplier (cf. Value Concept and Relationship Marketing, 2.2), is defined as the “willingness to rely on an exchange partner in whom one has confidence” (Morgan & Hunt, 1994, p.
23, citing Moorman, Deshpandé & Zaltman, 1993, p. 82). In the case of Schenker, this element gains further importance, as the entire truck wash, including pick-up and return of the truck, is conducted by Finnvedens’ employees. In that, the authors identified a further relationship benefit that shall increase the nominator of the given equation.

As regards the sacrifice, Axelsson ranked both the relationship conflict and the related costs rather low (cf. Appendix 7). This shall now render the denominator of the equation to be rather low, therewith increasing the total episode value. However, as discussed before, there are several commitments resulting for Schenker. Relationship commitments, in this respect, are defined as “an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it” (Morgan & Hunt, 1994, p. 23). Thus, commitments represent an important layer of relationship sacrifice that will ultimately decrease the total episode value. However, according to Ravald and Grönroos (1996), such efforts are to be invested from both sides, Schenker and Finnvedens. The authors, in this respect, explicitly point out “the necessity for the firm being able to maintain a good relationship with the customers, since this apparently makes the customer more tolerant towards occasional inferior performances” (Ravald & Grönroos, 1996, p. 24). Applied to the given case, this implies that Finnvedens would be able to make up for potential lacks in quality of their services, having a well-established relationship to Schenker, which is highly valued and calms dissatisfaction.

In summary, Volvo Trucks, represented by its dealers, is strongly advised to create the best possible total episode value for its customers. Such superior value, allowing for a competitive advantage, can be achieved in two interrelated approaches. First, one shall maximize episode and relationship benefits through adequate performance. Additionally, Volvo shall follow a reasonable pricing policy and minimize the relationship costs, therewith, according to Ravald and Grönroos (1996), increasing the customer perceived value (cf. Value Concept and Relationship Marketing, 2.2).

### 5.4.3 Customer-Perceived Value

Concluding the discussion of Volvo Trucks’ retailing strategy – the first research question – in particular and its European customer value proposition in general, the authors shall propose a comprehensive model (cf. figure 28), which can help the VTC to keep track of their customer value proposition. This model, including the essence of the previous sections, is an aggregate of different concepts introduced within this paper.

As discussed within this paper’s theoretical framework (cf. Types of Customer Value, 2.1.5), Ulaga and Chacour (2001) derived a model that, in a slightly adapted version, not only fits this research but also Volvo Trucks’ corporate framework. In their original model, each value was found to be either a benefit or sacrifice to the customer. While Ulaga and Chacour make use of a quality and price dimension, reflecting the trade-off,
the authors of this paper decided to replace this element by the function of total episode value (cf. Value Concept and Relationship Marketing, 2.2), introduced by Ravald and Grönroos (1996). Thus, the customer perceived value is seen as a function of benefits and sacrifice, both perceived on an episode and relationship level. A further difference to the initial model by Ulaga and Chacour is that, in the adjusted model, both benefit and sacrifice are composed of three elements. In that, the authors strived to align the model with their methodological approach. According to that, the value drivers were not only representing benefits but also sacrifice, e.g. the relationship conflict and respective cost, ranked by importance (cf. Value Driver Study, 3.2.3).

While Ulaga and Chacour proposed product-, service- and promotion-related components to describe the quality element (cf. figure 5), in the adapted version, these initial components are replaced with the three dimensions proposed by Lapierre (2000). According to Lapierre, each value driver belongs to either a product-, service- or relationship-related dimension. The first two elements, in-line with the model’s initial version, were chosen as “[m]uch of the current theory focuses on attributes related to product and service offerings” (Lapierre, 2000, p. 124). Her relationship category was inspired by Ravald and Grönroos (1996), as discussed in section 2.2 of this paper. A strong focus on the concept of relationship marketing, by focusing on Volvo’s retail strategy as a way of approaching it, motivates the incorporation of the total episode value equation to the model. A practical paradigm of how to apply this tool to a business world example is provided within the previous section, analyzing the current situation of Schenker Logistics with the help of the total episode value equation.

The authors shall draw several general conclusions from the Schenker paradigm provided. Volvo Trucks should be concerned about maximizing the the customer’s total episode value, as the equation by Ravald and Grönroos (1996) suggests (cf. figure 6). Following mathematical laws, this can either be achieved by increasing the nominator or by decreasing the denominator, or by a combination of both. The increase of the nominator, is to be achieved through sophisticated products, providing adequate customer value and thus enabling customer satisfaction. However, as the authors chose a relationship marketing focus in this analysis, it is worth referring back to the influence of the corporation’s relationship to its customers. Ravald and Grönroos (1996) in this respect derived a “necessity for the firm being able to maintain a good relationship with the customers, since this apparently makes the customer more tolerant towards occasional inferior performances” (Ravald & Grönroos, 1996, p. 24). When offering extras, whether in the form of episode- or relationship benefits, a company is likely to cover the resulting additional cost by charging higher prices. This idea can also be related to Butz and Goodstein’s (1996) unanticipated value level, which represents the highest possible customer satisfaction. An increase in prices, however, implies two significant conflicts. First, as the authors’ analysis showed previously, the customer, ranking pricing as the most important value driver, is likely to react sensitively to such a move. Secondly, again following Ravald and Grönroos (1996), the perceived value for customers remains the same when benefits and sacrifice increase equally. It is considered more promising to provide value through reducing the customer’s perceived sacrifice instead, i.e. lowering the denominator.

As to be derived from the Schenker example and the communication chain discussion, superior performance in terms of customer value requires Volvo to extensively communicate with its customers. Following the definition by Woodruff, customer value
is “a customer’s perceived preference for and 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” (1997, p. 142). Having this definition given, Volvo has to develop a profound knowledge on what their customers value. This aspect implies the necessity of further striving for improvement in the corporation’s sales channel communications (cf. Challenges in the Communication Chain, 5.2). Regarding the positive effects of having constructive discussions with Finnvedens on Schenker’s perceived customer value, the authors’ hypothesis is supported. The efforts Finnvedens invested can be related to market-focused intelligence creation (cf. Intelligence Generation, 2.1.4). Engaged in such an approach, companies employ both traditional marketing tools and “high-touch techniques such as [...] visiting customers to thoroughly understand a customer’s environment and needs” (Slater & Narver, 2000, p. 121, cf. McQuarrie & McIntyre, 1992). The resulting improved communication and customer learning will, according to Woodruff (1997), enable the provision of superior performance (cf. The Basic Concept of Customer Value, 2.1.1).

In summary, the authors perceive their adapted customer value model to fit Volvo Trucks’ business, which is why it could be valuable for the company to consider possible applications. Having replaced the promotion-related elements by the relationship category, the authors fitted the model to their research. Thus, the corporation shall be able to derive valuable conclusions, having both the model and the results from the authors’ qualitative and quantitative research at hand. In general, the authors perceive it important that Volvo has recognized the increasing influence of having good relationships to its customers. Consequently, the authors perceive the adaptation in Volvo’s retail strategy to be a well-founded measure. However, now having established Truck Centers, Volvo should not lose sight of its external dealers. As this section underscored, both kinds of dealers are essential for Volvo’s eventual success.
6 Conclusion

Within this paper, the authors strived to answer the research purpose of evaluating Volvo Trucks’ customer value proposition and its retailing strategy. Since the analysis was guided by four research questions, the conclusion of the analytical findings shall follow the same structure. According to the authors’ research, with the adoption of its new retail strategy, Volvo Trucks incorporated influential elements of the relationship marketing concept. The corporation realized the importance of establishing long-term customer relationships and generating adequate intelligence about customer needs, since it can lead to sustainable improvements in customer-perceived value. In this respect, it is worth noting that neither the internal nor the external dealer consistently outperformed its counterpart. This implies the necessity for the VTC to have high-quality and regular communication with both types of dealerships. The corporation’s shift from a factory-based to a full-scale service company, resulting in an increased revenue share from aftermarket sales, further justifies Volvo Trucks’ new retail strategy, providing additional economic advantages especially in times of crisis.

As concerns influential elements of European customer value, both the theoretical discussion and the value driver analysis have shown the complexity of this issue. In general, the corporation’s three core values were found to be well in line with customer needs. While the quality and safety aspects have a long tradition within the company, environmental care recently gained in importance, representing current market requirements. According to the authors’ research, such compliance is not valid for all elements of customer value. Pricing, the main sacrifice in discussion, represents a crucial counter-example. This value driver, underestimated in importance by Volvo Trucks, forms an essential driving force to the customer’s purchasing decision. However, with Volvo being a premium producer, the corporation cannot easily change its pricing strategy without risking brand dilution. Adding practical evidence to the discussion, the authors analyzed Volvo’s latest truck development, the FH16 700 hp. Controversially discussed within the company, it was found feasible only due to its image and synergy potential, since only a limited market segment requires the truck’s high-performance engine.

In order for the corporation to provide superior customer value, it is perceived essential to establish high-quality communication channels between all stakeholders in the value chain. Analyzing the firm’s existing communication chain, the authors found two patterns. While the customer-dealer communication was stated to be of high quality, the value driver study identified room for improvement. Concerning the second pattern, Volvo Trucks’ internal communication was described as insufficient, which again calls for internal measures to enhance a universal value understanding and its transmission. This point is underscored by the existence of several communication-related conflicts.

As both the quantitative and qualitative research suggests, a variety of conflicts exists between the stakeholder groups involved. These conflicts, to a significant degree, have been found to originate in diverging customer value understandings. Additionally, conflict potential arises from different parties’ contradicting individual preferences.

In essence, it is crucial for Volvo Trucks to implement the ideas of relationship marketing, establish superior communication channels, and to promote a common understanding of customer value. Striving to help the corporation in achieving these goals, the authors, based on customer value related theories, proposed a comprehensive model.
7 Final Remarks

With their research work, the authors primarily intended to help the Volvo Truck Corporation in enhancing the understanding of its European customer value proposition. This paper being an academic work, a second intention is seen in contributing valuable notions to scholars potentially engaged in topic-related research. As concerns the latter audience, the authors believe that by developing a common basis of key value drivers for Volvo Trucks, future research potentially gains a fundament for generalizing this paper’s findings to the overall truck industry. Furthermore, with their communication chain study, the authors provided an incitement on how to triangulate potential shortcomings in a company’s communication channels. Finally, by proposing an adapted model of customer perceived value, showing a stronger focus on relationship marketing, the authors might at least stimulate discussion in academia.

In spite of these achievements, the authors have to critically concede several limitations and sources of bias they encountered during their research work. First of all, due to the limited available time frame, all data was exclusively derived from and within Sweden, in the cities of Jönköping and Gothenburg. Resulting from this approach, this paper is biased regarding the geographic locations of its data collection, even within the country. However, since Sweden is the home country and Gothenburg the hometown of the Volvo Truck Corporation, the authors perceived their choice of geographic area as reasonable. The two interviewed customers represent multinational corporations, operating beyond the scope of Sweden. During the data collection, they were consequently able to talk from their European point of view. One last important justification of the market selection is the fact that Volvo Trucks sells the same products in Sweden as it does in the rest of Europe, while providing different products on the American market, for example.

Another limitation is to be seen in the participant choice of customers. Both operate in the same industry, long-haul cargo logistics. Furthermore, no customer of a Volvo Truck Center has been interviewed, since the authors could not get hold of a willing participant with this background. While this situation of course restrains the generalizability of this paper’s findings, the authors still consider their analysis valid, since the customers in discussion are among the most important ones for Volvo Trucks and their input is consequently important.

Although having conducted all research thoroughly and as objectively as possible, there is still room for potential bias. One source of bias was the fact that anonymity was not explicit. Only after the interviews the respondents were informed that all their personal information would be treated confidentially and that they would get a pseudonym. However, since in general no confidential information was handled during data collection, but most input was more or less freely available, the authors believe this shortcoming to be rather insignificant. Data collection was conducted in such a manner that the questions addressed to the respondents were always asked by the same person, thus limiting potential bias created by his or her own style of interpreting and posing questions, which in turn could result in differing answers.

Finally, bias might be created by the way of data confirmation, especially when talking about the 18 value drivers, as they were approved by a single VTC employee and thus subject to personal judgment. However, such bias is perceived to be small, since the representative was thoroughly chosen based on professional competence.
With a data collection in which all purpose-related stakeholder groups contributed their perception of the customer value proposition, the sample is argued to be of adequate quality. However, in their approach, the authors assumed each respondent to represent the opinion of an entire stakeholder group. While such generalization might incorporate personal bias, the given simplification, for reasons of practicability, was perceived essential for this paper’s feasibility. Thus, a larger sample of participants should be chosen when conducting future research, including market companies, since they possess an important linking role between headquarters and retailers.

In addition, a larger diversity in customer segments should be achieved through complementary studies, providing a more generalizable picture of the general value proposition and the differences resulting from different customer requirements. Furthermore, research should be extended to larger geographic areas, since such approach would provide a deeper understanding of customer preference divergence caused by location and provide the ground for further comparison when trying to localize corporate strategy. In reaction to comments made by a top-level executive of Volvo Trucks, the authors propose further research to derive a more complex and situation-independent version of the generalized communication chain. Finally, in striving for results applicable to the whole truck industry, the authors want to propose competitive benchmarking as one possible tool.
References


Appendices

1 Strategy Department, Value Driver Study Results

![Diagram showing the value driver study results for Volvo Trucks' customer value proposition. The diagram categorizes factors into Product, Relationship, and Service dimensions, further broken down into specific value drivers such as Product Lifecycle Management, Sales Service, Service Responsiveness, etc.](image)
2 Engineering Department, Value Driver Study Results

- **Product**
  - Sales Service
  - Availability and Clearness of Technical Information
  - Image (Brand Awareness, Core Values)
  - Product Lifecycle Management
  - Product Customization
  - Fuel Consumption/Mileage

- **Relationship**
  - Exterior (including Safety and Quality)
  - Interior (including Safety and Quality)
  - Engine Power
  - Price of a New Truck
  - Warranty and Customer Support
  - Service Responsiveness

- **Service**
  - Maintenance (Spare Parts Quality)
  - Price of Maintenance (Spare Parts)
  - Solidarity
  - Trust
  - Relationship Conflict
  - Relationship Costs
3 Commercial Aftermarket Department, Value Driver Study Results
4 Commercial Truck Sales Department, Value Driver Study Results

- Relationship Costs
- Trust
- Price of a New Truck
- Sales Service
- Price of Maintenance (Spare Parts)
- Product Lifecycle Management

- Service Responsiveness
- Fuel Consumption/Mileage
- Maintenance (Spare Parts Quality)
- Solidarity
- Image (Brand Awareness, Core Values)
- Exterior (including Safety and Quality)

- Relationship Conflict
- Interior (including Safety and Quality)
- Warranty and Customer Support
- Product Customization
- Engine Power
- Availability and Clearness of Technical Information
5 Internal Dealer, Value Driver Study Results
6 External Dealer, Value Driver Study Results

- Product Customization
- Exterior (including Safety and Quality)
- Fuel Consumption/Mileage
- Service Responsiveness
- Product Lifecycle Management
- Maintenance (Spare Parts Quality)
- Image (Brand Awareness, Core Values)
- Interior (including Safety and Quality)
- Engine Power
- Warranty and Customer Support
- Trust
- Relationship Conflict
- Availability and Cl earness of Technical Information
- Relationship Costs
- Price of Maintenance (Spare Parts)
- Price of a New Truck
- Solidarity
- Sales Service
7 Customer (Schenker), Value Driver Study Results
8 Customer (DHL), Value Driver Study Results

- Product
  - Price of a New Truck
  - Engine Power
  - Maintenance (Spare Parts Quality)
  - Warranty and Customer Support
  - Image (Brand Awareness, Core Values)
  - Price of Maintenance (Spare Parts)

- Service
  - Fuel Consumption/Mileage
  - Service Responsiveness
  - Sales Service
  - Relationship Costs
  - Solidarity
  - Availability and Clearness of Technical Information

- Relationship
  - Exterior (including Safety and Quality)
  - Relationship Conflict
  - Product Customization
  - Interior (including Safety and Quality)
  - Product Lifecycle Management

- Trust

- Non-Product

- Non-Service

- Non-Relationship
### Value Driver Scores – Overview

#### Customer Value Proposition

<table>
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<th>Category</th>
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<th>Rank</th>
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<tr>
<td>Reliability</td>
<td>Maintainability</td>
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<td>6.5</td>
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<td>Availability</td>
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<td>7.0</td>
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<tr>
<td>Quality</td>
<td>Comfort</td>
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<td>Emissions</td>
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<td>Accident Prevention</td>
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<tr>
<td>Price</td>
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</tbody>
</table>

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*Note: The table above summarizes the value driver scores and ranks for Volvo Trucks’ Customer Value Proposition.*
10 Interview Questions

10.1 Volvo Representatives

1. Please explain your retailing system!

2. Please motivate why you chose this retailing system?

3. How do you perceive the role of your retailing system in the composition of overall customer value?

4. Do you think that by having internal dealers you can more easily find out about customer preferences?

5. Do you think that by having internal dealers, Volvo performs better in communicating its products’ values to the customers?

6. How do you perceive Volvo’s pricing strategy and where do you see room for improvement?

7. How would you evaluate Volvo’s overall orientation on quality, safety and environment?

8. What are your experiences concerning long-term relationships to your customers? (Marketing/Strategy)

9. How do you choose and educate your dealers? (Are there differences between internal and external dealers?) (Marketing/Strategy)

10. How do you perceive the communication of customer value throughout the company? (Would you like to have more direct contacts?) (Engineering)

11. Do you believe to know what customers want? (How do you motivate that?) (Engineering)

12. What do you think about Volvo’s current product development regarding the FH16 700 hp?
10.2 Dealers

1. Please explain your role in the retailing system!

2. Please motivate why you chose this retailing system?

3. Do you have a good relationship to Volvo and do you think that the customer value you can provide is strongly affected by it?

   (What factors would you want Volvo to adapt in order to further improve cooperation?)

4. Where do you see room for improvement that would ease your sales?

5. What are your experiences concerning long-term relationships to your customers?

6. How would you evaluate Volvo’s overall orientation on quality, safety and environment and in what way does the resulting image affect your sales?

7. How do you perceive Volvo’s pricing strategy and where do you see room for improvement?

8. In how far does your margin affect the customer value?

9. How do you perceive Volvo’s efforts in educating you?

10. What do you think about Volvo’s current product development regarding the FH16 700 hp?
10.3 Customers

1. Are you aware of Volvo’s retailing system?

2. Do you think Volvo knows what you value?

3. Would you like to have a stronger influence on Volvo’s future products? In what way?

4. What are your experiences with your retailer/fleet seller (level of satisfaction)?

5. Do you perceive the internal dealerships (Truck Centers) to add superior value?

6. Do you believe that by having internal dealers (a fleet sales department) Volvo is better in understanding your personal needs and wants?

7. Do you believe that by having internal dealers (a fleet sales department), Volvo performs better in communicating its products’ value to you?

   (If you only have experience with one dealer, please describe your experience and level of satisfaction.)

8. How do you perceive Volvo’s pricing strategy and where do you see room for improvement?

9. How would you evaluate Volvo’s overall orientation on quality, safety and environment?

10. What do you think about Volvo’s current product development regarding the FH16 700 hp?