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Creating customer value

A case study at Stilexo

Master's thesis within business administration

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Abstract

Background:	<p>The competition between organizations has become tougher due to the globalization of the market place. This case study has been conducted at Stilexo, which are situated in Skillingaryd. Stilexo is an aluminum die caster and is a part of the Alteams group. Within the Swedish market approximately half of the casted products used are imported and this is a trend that seems to be increasing. In order to stay competitive next to the foreign suppliers the Swedish manufactures needs to differentiate, the question is how? In order to find the answer to the question Thomke and Hippel (2002) argues that the suppliers must listen to their customer with the intention of finding the needs and wants of the customers.</p>
Purpose:	<p>The purpose of this thesis is to interpret how Stilexo can create higher customer value.</p>
Method:	<p>This thesis has been written with an interpretivistiv research position combined with an inductive approach. The research strategy used is a single case study strategy. A qualitative approach has been used with in-depth interviews of employees at Stilexo and of existing/potential customers to them.</p>
Conclusion:	<p>Price, quality and the ability to deliver on time are parameters that have to be fulfilled in order for a supplier to be qualified. If these parameters are reached there are other values that can make a supplier an order winner.</p> <p>The main finding is that the relationship between the supplier and the customer is very vital. A higher interaction between the two parties has the potential of increasing the customer value. Co-creation of new products is something that is mentioned as value adding that can be gained from higher interaction. Further on innovativeness, flexibility, technology, and that the supplier can handle the whole supply chain has also been identified as value adding activities.</p>

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1 Background

This chapter describes the background for this thesis, followed by a company presentation, problem discussion and purpose. Lastly some research questions are added in order to highlight what is of extra interest.

Swedish companies have since the deregulation of the world trade market and membership in the European Union experienced increased export and welfare. But this does not call for a peaceful business environment, because the competitions from low cost countries are frequently increasing (Dinkelspiel, 2004).

According to Suneson (2006) 2800 persons were forced to quit their jobs annually between 2002 and 2004 because of increased outsourcing to low cost countries. This is equivalent to 1 of 250 industrial employments, the numbers in turn are devastating for the Swedish industry and according to Suneson there might be five times as much in unrecorded cases. The increased competition highlights the importance with offering proper customer values in order to stay competitive next to low cost countries.

“Listen carefully to what your customers want and then respond with new products that meet or exceed their needs. That mantra has dominated many a business, and it has undoubtedly led to great products and has even shaped entire industries.” (Thomke & Hippel, 2002, p. 1)

The quote stated above indicates that it is of a great importance to have some kind of interaction with your customer, in order to meet or exceed their needs. In order to create superior customer value the supplier has to focus more then just at the customer, the focus must be at the competitors and/or whether customer might think of as alternative suppliers (Slater & Narver, 1994). As the Swedish industry looks today, the main competitors are as mentioned earlier producers based in low cost countries.

Sweden has climbed from ninth to fourth place on the international stage regarding competitiveness (World Economic Forum, 2007). Åkesson (2007) explains that the accomplishments partly depends on at being number one in the world absorbing new technologies and transform them into production profitability. This is highly important for small and medium manufacturing companies in Sweden because of the increased competition from low cost countries and it is consequently important to offer other values to the customers, as for example high technology levels in production.

When reading magazines and articles the overall opinion seems to be that the competition from low cost countries is a general issue affecting numerous industries. According to Persson (2006) the increased number of countries involved inside the global trade market, boosts the competition from low cost countries.

Along with a tougher business climate within the global market, it becomes of a great importance to demonstrate the value of what a company offers (Suneson, 2006; Slater & Narver, 1994). The Baltic and the Asian countries attract production industries since the firms have a lot to gain from the lower labor costs, which in turn increase the profit margins for the companies.

1.1 Company presentation of Alteams Group and Stilexo

Alteams Group is a corporation which has focused their core business into manufacturing of cast light metal components. They also provide related services linked to this manufacturing such as design of castings, tooling and also assembling in order to offer finished end products. Alteams Group has production and sales-offices at many different locations around the globe. In Sweden, Finland, Russia, Estonia, India and China they have production units and further on they are represented at the Danish, French and US market through their sales offices which are located at these sites. Alteams Group is one of the biggest light metal foundries in Europe and has a turnover reaching 130 M€ and have 1400 employees (Alteams, 2007).

In this thesis the focus will be at Stilexo, which is a part of the Alteams Group since 1st of April 2002. Stilexo is located in Skillingaryd and is the only production unit that Alteams Group has in Sweden. The largest customer segment Stilexo serves is the telecom industry and automotive industry. At Stilexo they have the capabilities to both design and function test the products before producing them in computer software. This is something that Per Jansson, the CEO of Stilexo, mention as a rare resource within the industry since it both requires human skills and large investment costs. Obviously Stilexo also has the capabilities to manufacture the products that they have designed and constructed. At the production site in Skillingaryd Stilexo have 139 employees and have a turnover of approximately 200 000 000 sek in year 2006 (Affärsdata, 2007).

1.2 Problem discussion

During the twenty century Alteams have settled down production facilities in Russia, China and lastly India in 2007, which enables them to benefit from the cheaper business climate. This is a strategic move in order to respond to the competition perceived from competitors' choosing to transfer partly or all their production to low-cost countries.

The previous indicates that Stilexo face rough times with hard price competition from low cost countries, which in turn will force Stilexo to find new ways to be competitive. One might argue that the competition from low cost countries is not a large threat to Alteams Corporation since they already have established production sites in these kinds of countries. That is in many aspects true for the Alteams Corporation but for the future existence of Stilexo in Skillingaryd the price competition is a problem that they have to find a solution to in order to stay in business. The CEO of Stilexo, Per Jansson, explains that he feels a personal responsibility to provide the employees at Stilexo an employment and that he wants to act on his and his employees behalf so that Stilexo can maintain their operations in Skillingaryd (Personal Communication, 2007-09-21).

Obviously Stilexo wants to contribute to Alteams Corporation in the best way possible. But the solution to meet up higher production costs in Sweden compared to the low-cost countries can not be to close down the production site in Skillingaryd in favor of the other production sites within Alteams Corporation. Instead Stilexo wants to identify in which areas that they excel in so that they can focus them and provide a higher customer value. This includes identifying which values that Stilexo's customers perceives as higher customer value, what the customers are willing to pay a higher price for. Stilexo mention the quality as a problem, were they could prevent quality related problems if involved earlier in the business process. According to Per Jansson (Personal Communication, 2007-09-21) the primary goal for Stilexo is not to remain a production site, the main goal is to secure the fu-

ture of Stilexo in Skillingaryd irrespective of what the operations might be. This might suggest that Stilexo necessarily will not remain a purely production site, they have to adapt to the needs of the customers and the surrounding business environment. That they will not remain purely explains that they do not necessary have to perform production operations, it can be sales, quality testing and so fourth.

1.3 Purpose

The purpose of this thesis is to interpret how Stilexo can create higher customer value.

1.4 Research questions

The reasons why Stilexo want to offer higher customer value is that they due to the increased competition from low-cost countries have to lower their margins in order to survive. Stilexo has found that they are not able to compete on price basis and therefore have to offer other customer values. This knowledge is the base for the following research questions:

- What can make a supplier an order winner?
- Which direction should Stilexo make use of in order to fit the suppliers need regarding the customer value?

2 Frame of references

This chapter outlines the data collected from relevant literature, scientific articles and dissertations. After reading this chapter the reader has been introduced to the main definitions and theories regarding customer value.

2.1 Value

Value is something that is undefined and the amount of value a product or service offer is how it is perceived by the customer. This means that the same product can have different value depending on which customer is to evaluate the value (Anderson & Narus, 1998). This gives a hint about the difficulties to give an exact definition of customer value. In order to define how value is viewed in the B2B market, the quote below has been chosen as the definition of customer value for this thesis

“Value in business markets is the worth in monetary terms of the technical, economic, service, and social benefits a customer company receives in exchange for the price it pays for a market offering.” (Anderson, J & Narus, J, 1998)

Due to the highly competitive business environment existing and potential customers will compare the value perceived from different offerings. The order winner is the supplier that succeed with delivering the best value from the customers perspective, the different components affecting the perceived value can be formed into a model, see Figure 2-1 (Naumann, 1995).

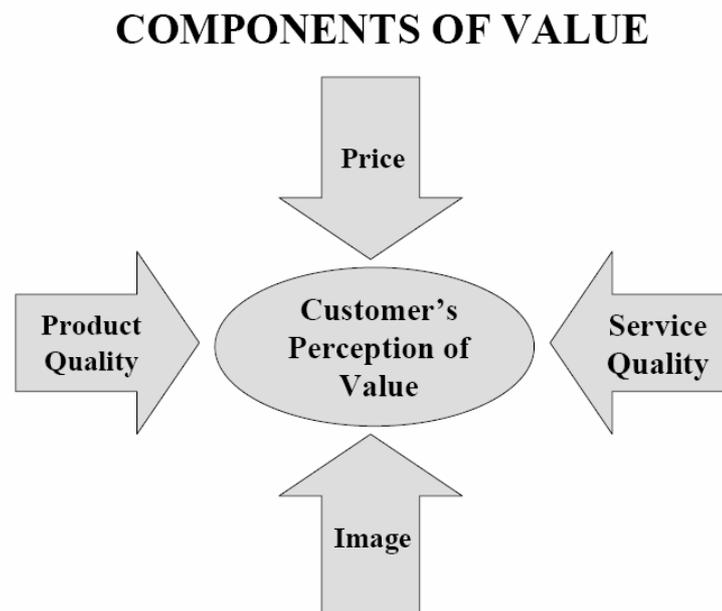


Figure 2-1 Components of value (Naumann, 1995)

Each of the components of Naumann’s model can be broken down into much more detail in order to be able to evaluate them individually. It is important to understand that all areas can not be improved at once, but by identifying the important drivers of value, a manager can focus on the issues giving the customer as much value as possible (Naumann, 1995).

Price

Price factors are as the title implies regarding the actual price for a certain product. The customer makes a judgment of how much service performance they gain for the price of the product in order to form their perception of value.

Image

Image is about the reputation of the supplier and the customer forms a perception of the supplier's image from different sources. Image becomes important if it is difficult for the customer to evaluate the supplier's product, service and price characteristics.

Product quality

Product quality refers to the physical features of a product that a customer evaluates. This includes the possibility to produce at the right quality and having the ability to produce a certain product.

Service quality

Service quality handles issues such as knowledge, helpfulness and customer service issues of call centers, complaint handlings, information handling and information availability. Since most suppliers within a certain industry have the same capabilities to produce a specific product, this factor has become more important for customer in order to differentiating between customers.

A fifth dimension of value appears when the customer has made a purchase decision. This dimension involves the relationship between the customer and the supplier. This dimension can become a particularly important issue in order to maintain present customers. However, suppliers often have precise strategies of how to develop the four dimensions presented in the model, but lack the comprehension of how to maximize the benefits of good relationships.

Value is what the customer believes that they will receive for a certain amount of money. What is important to pinpoint is that the value is more than the physical product that are provided to the customer and this is what makes it difficult to grasp what value is. Further on Anderson and Narus (1998) gives the following model in order to visualize what makes one offer more attractive than another one.

$$(\text{Value}^s - \text{Price}^s > \text{Value}^s - \text{Price}^s)$$

Value^s and Price^s are the value and price that are offered to the customer by the supplier. In order for this to be the choice of the customer, they have to believe that sum of this equation is higher than Value^s - Price^s. Value^s - Price^s would then be related as the next best offering that can be provided by the market. This means that the value of an offering have to be better than the next best choice in order to be an order winner. The difficulties lies in putting a figure at value since different customers have diverse opinions about which values are important to them. The equation also implies that price is not the only criteria when a customer is evaluating which supplier that they decide to use.

2.2 Product/ Service value

According to Ravald and Grönroos (1996) the value concept and value adding activities seems to be a rising trend, though it is a complicated issue and there is a great risk that

companies implement these without understand what it is means to provide value. Another issue that makes it even tougher is that the supplier has to understand what value is for the customer and might have to use diverse strategies towards different customers.

In order to deepen the understanding of what might be extra added value that the customers are appreciating when searching for a proper market offer, the three value models below is trying to illustrate this. There are some obvious similarities between the models, they all try to illustrate that customers are willing to pay for more than the actual product, such as service, warranty and brand-name and so fourth (Kotler et al, 2005). The models also highlight how important it is to be aware of the extra values that can be offered to the customers in order to distinguish from other market offers. The main advantage of knowing which values that the customers want is that a higher price can be charged and thereby increase the profit.

The models are dissimilar from each other since they focus on different parts of the extra value. Kotler's product model is as the name suggests focusing on the products benefits and the features that are available. This is the product that the supplier is offering to the market. It is possible to argue that Kotler's model is more concrete while Linn's model is more of a combination of the previously mentioned models where Linn stress the importance of grasping the whole picture, that both the specification of the product and how the customers perceive the product offer are equally significant.

2.2.1 Linn's perspective on customer value

The equation presented by Anderson and Narus implies that the values have to exceed the price in order to be attractive for the customers. Therefore it is possible to argue that a product have to offer more then the physical product. Linn (2003) argues that it is possible to view the product from two perspectives, both a holistic or producer perspective and how the product is perceived by the customer. Linn (2003) have chosen to illustrate this like Figure 2-2.

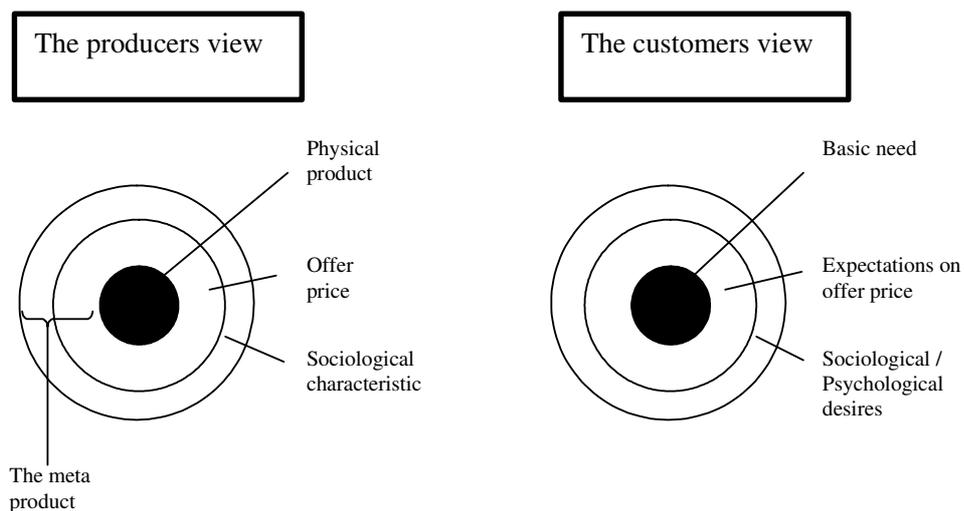


Figure 2-2 Different product views (Linn, 2003)

When viewing the product offer from the producers' point of view, the physical product is a very central issue. The producer consider the physical product as an offer in it self, which is offered to a certain price. Also the sociological characteristics, consisting of values such

as image, are included in the product concept. The customers on the other hand have other criteria's when analyzing the value of the product. The most basic criteria that the customers have on the product is that it should fulfill the basic needs of the customer. The price that the customers are willing to pay is correlated to the expectations that the customer have on the product. The third issue that the customer is evaluating is the desire of sociological and psychological that the customer consider them self to need. The "meta-product" is what Linn refers to as the pre-understanding and expectations of what values the product could give the customer. The meta-product consists of brand names, logos and such similar things. One could argue that the meta-product is the invisible attributes that the producer wants the customer to connect to the product (Linn, 2003).

A difficulty that Linn really stresses is the issue regarding the difference in subjectivity and objectivity between producer and customer. Since the customers are subjective beings they can't perceive a product in an objective way. Therefore it is important for the producer to analyze and understand how the customers perceive the value, both conscious and unconscious, of the products that the producer offers to the market. Secondly, this knowledge can be used in order to match the preferences of the product in order to fit the customers' needs.

2.2.2 Kotler's core product

In order to identify which types of values a product can offer a customer Kotler, Wong, Saunders and Armstrong (2005) has created a *product model*, displayed in Figure 2-3. The first level is the actual services provided by the product or services, mentioned as the *core benefit or service* (Kotler et al., 2005). The core benefit or service is the main purpose that the product needs to fulfill. The product needs to match the customer preferences in this aspect in order to even be considered as an alternative. The second issue is the *actual product* (Kotler et al., 2005). This includes features that the physical product possesses. Features are things that come with the product that can increase value of the product and make the product more sophisticated. It can be features like make a monitor showing colors instead of being black and white or put a flash on a camera. How the products is packaged and styled is also a part of the physical product. It involves issues such as how innovative and attractive the design of the product is and how it is packaged in wrapped paper or in a box. The brand is also connected to the tangible product. The brand is constituted by name, symbol, terms and signs. The last part of the product model is the *augmented product* (Kotler et al., 2005). According to Palmer (2000) says that the augmented product includes intangible features that exceed normal standards and that make the product surpass the customers' expectation. This is something that will make the product stand out from the other products available at the market. The characteristics of the augmented level are *installation, after sales service, delivery and credit and warranty*. If a supplier wants to be successful it is important that they deliver products that are wanted by the market and in order to do that they have to make an analysis of the consumer consumption patterns (Kotler et al., 2005).

Kotler's Product Model

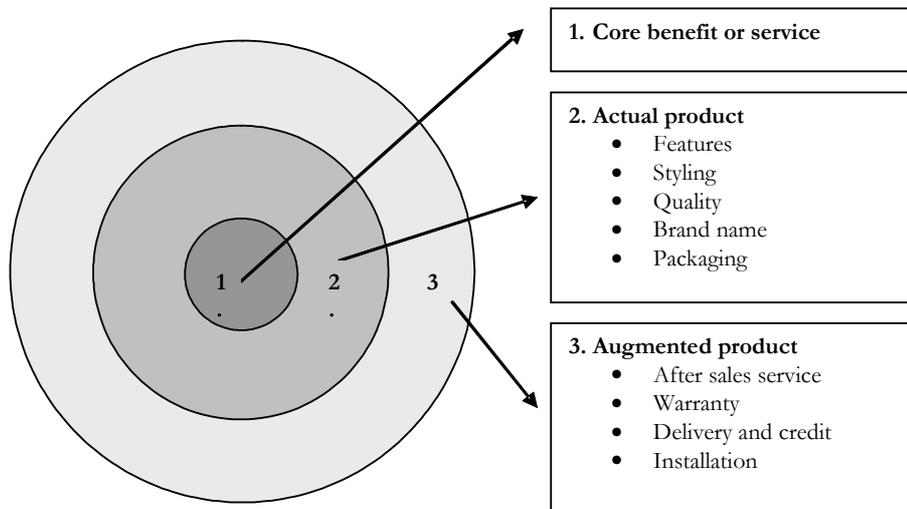


Figure 2-3 Kotler's product model (Kotler et al., 2005)

2.3 Measuring value

Value is perceived differently depending on who the beholder is. But one can question if it is feasible to measure value. According to Hines et al (2000, cited in Anderson and Anderson, 2004) value is something that *can* be measured and is perceived differently even internally in the organizations. It is vital to gain an understanding of what value means to different customers in order to adjust the market offer to suit different customer.

A method to measure value is to identify how customers perceive the value of the products offered by a supplier. If the value offered is greater than the value offered by the suppliers competitors, the supplier has a high potential of being successful at the market (Evans, 2000). Similarities can be found with Anderson and Narus (1998) idea, that the order winner product has to deliver more value when price is subtracted than the next best option available at the market. In order to find out which values are important for a customer Evans (2000) mentions three questions that can be asked to the customers;

1. Which key values are important when an organization is searching for a market offer?
2. How does the supplier score in comparison to the competitors when examine the key values?
3. What is the relative importance concerning the key values assigned by the customers?

By asking these questions it is possible to place both the own organization, the competitors and the customer into a matrix. This has the benefit of visualizing how competitive the own organization is compared to their competitors and in which areas the organization needs to improve their competitiveness. Since values may change over time it is important to repeat these procedures with regular intervals (Evans, 2000).

2.4 Expected, Perceived and Delivered customer value

Wikner (2007) state that the research on consumer value contributes to a better understanding of customer values. This might help suppliers to customize their products and services to different customer needs existing.

Expected

Robledo (2001) argues that a general opinion among researchers indicates that customers have expectations which in turn constitutes a certain part as a reference point used by the customer to evaluate the performance of a company. There exist gaps between the expected and perceived value among customers and suppliers and according to Wikner (2007) there are four types of gaps that might occur. First, if the supplier is not aware of the customer expectation that certainly will cause a lot of trouble, because the customers do are no able to perceive the value if the offering is incorrect. The next gap can occur even if the supplier is aware of the customer expectations; it is if the offering has the incorrect design. The third gap might occur if the supplier lack resources necessary to level of the service quality. At last is exposed if the supplier fails to match how they perform with promises (Wikner, 2007).

Perceived

Perceptions are something that might be different when compared to the reality. The gap between perception and reality can resolve in affecting the perceptions of for example the quality offered by a certain product. This would cause an increased risk of the customer having the wrong expectations (Groth & Dye, 1999).

Ravald and Grönroos (1996) have chosen to define the perceived customer value as the relation between the parameters perceived benefits and perceived sacrifice. With sacrifice means all the costs that are related with the purchase as price, logistical, maintenance and order costs. The perceived benefits constitutes of the physical and service attributes that are offered in relation with the product, price and/or quality (Ravald & Grönroos, 1996).

Delivered

Customer value is created and delivered over time as the relationship between suppliers and customers develops (Payne & Holt, 2001). Delivering services and provide high service qualities are vital in order to create value towards the customers (Groth & Dye, 1999).

2.5 How do different customers perceive value?

Suppliers have to match their offerings to fit the customer's value strategies. This means that the suppliers have to understand which values are important for their customers and adapt to them. This can however be difficult since which values are perceived as important at one point may change over time. Therefore it is important that the suppliers can anticipate what their key customers will value next or be able to react fast when changes are done (Flint, Woodruff & Gardial, 2002). According to Wikner (2007) the customers will chose the supplier that at the moment fulfills the values that are required in the best way. When the customers chose which market offer to buy they will weigh the benefits against the sacrifices of the different offerings (Flint et al, 2002).

How customers determine which value a certain product or service gives depends on what the customer is looking for. A product or service can be judged from an objective quality

perspective or a perceived quality perspective. Holbrook and Corfman (1985) mentions these terms as mechanistic and humanistic quality.

Mechanistic quality is when the customer tries to judge a product or service in an objective way. In order to evaluate a product objectively the product needs to be measurable and compared to standards so that the superiority of the product can be evaluated. Still it is debated whether a product can be evaluated in an objectively manner since one could argue which standards to use and what to measure.

According to Zeithaml (1988) consumers can experience value depending on which of the four standing points that they are using (cited in Flint et al., 2002). The first stand point is to a product valuable if it comes with a low price. This means that the customer focus very much into how much they have to sacrifice in order to access a product. The second way of viewing value is to see the benefits that a certain product offers. These customers are not as price sensitive as in the first stand point; the most important issue is that the product fits the needs of the customer. The third way of measuring value is the belief that the customer will get the quality that they are paying for. The fourth and last stand point is that the customer thinks that they will receive the value that they are paying for.

2.6 Customer and supplier interaction

As a supplier, sustainability with your customers can be crucial to the business. The suppliers that succeed in building long term relationships with their customers keeping them faithful even if the customers have the opportunity to choose among other suppliers is competitive. A relationship like this enables frequent quality and process improvements, resulting in cost efficiency. The relationship between the supplier and the customer is important, because it affects the customer value (Flint et al., 1997). In order to survive in the changing environment the supplier has to understand how customers view their environment. Regarding the previous it is important to consider that customers observe suppliers and other parts of their environment different compared to the suppliers themselves (King & Cleland, 1974). Value continually transform within organization because different events trigger for example the reassessment of a supplier. An example of trigger event might be if a supplier is confronted with new competitors offering alternative products and services, triggering the customer to reassess the suppliers. Other changes both inside and outside the company might affect how value is perceived, see Figure 2-4 (Flint, Woodruff & Gardial, 1997).

Frame of reference

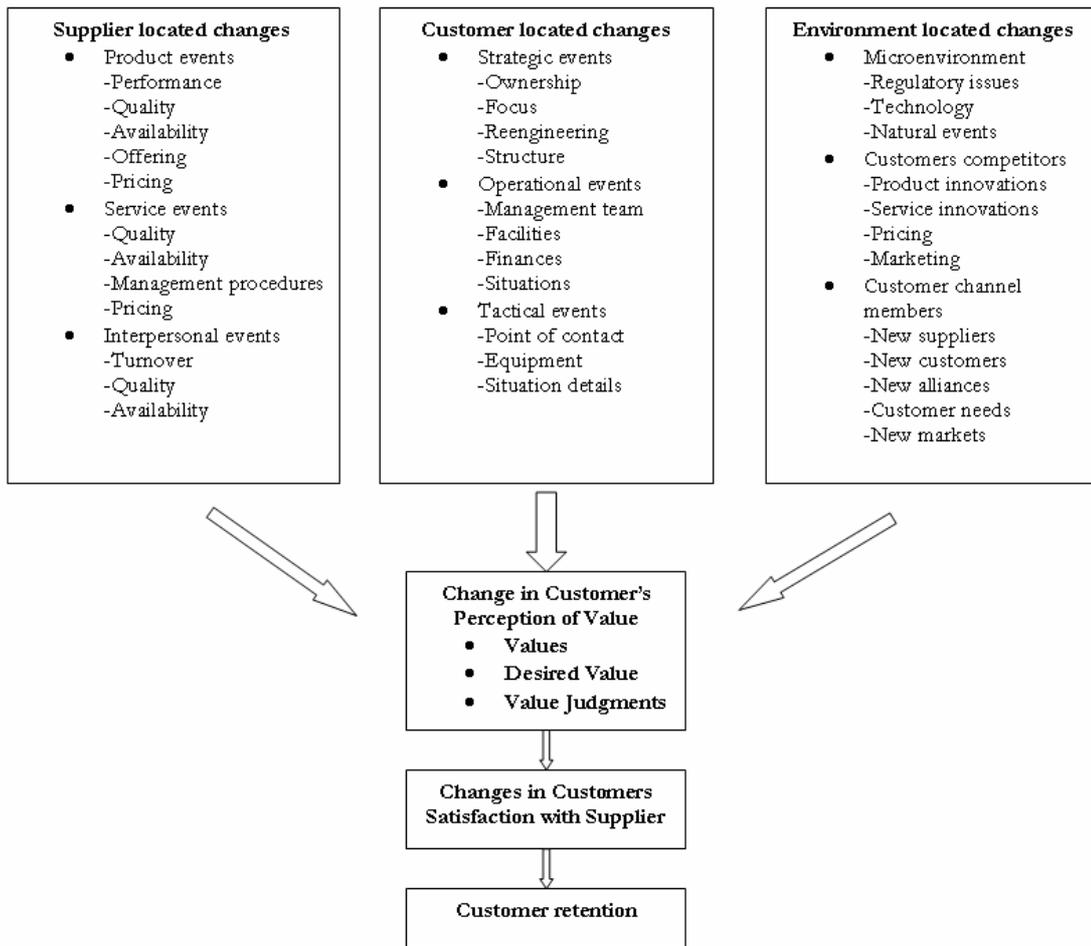


Figure 2-4 Trigger events (Flint et al., 1997, p. 166)

The trigger events mentioned in Figure 2-4 can all change how customers perceive value and in turn affect the level of satisfaction obtained from the supplier. Flint et al. (1997) define two types of values affected, desired value and value judgment. The definition of desired value indicates that the value is created when the products and services is delivered to the customer in order to achieve the company goals. Value judgment is how the customer view the value received from a supplier. The value might be perceived in different ways, such as worth of the overall product/service set in relation to the price.

2.7 Value creation

From the very beginning craftsmen were influenced by the end customers regarding what to produce. This imply that the customer's information was used for productive intentions (Wikström, 1996). The future competition regarding companies can be found in a new approach to value creation, which is based on the co-creation of value between customers and companies. In order to explain the changed focus the old traditional system of value creation will be explained followed by the new system (Prahalad & Ramaswamy, 2004a).

The traditional system of Value Creation

Comparing the customer role during the craftsmen’s era and in the mass-consumption era direct that customers role has become more limited (Wikström, 1996). The traditional belief structure has constituted the base of how business leaders have acted for several hundred years, were the concept of value creation held the customers “outside the firm”. The companies created value through activities inside the company walls, disconnected from the market. Within the producing industry the company and the customer always had separate positions of production and consumption. In this perspective the market had a uniform role as an aggregation of customers disconnected from the value creation process, seen as an aim for the company offerings (Prahalad & Ramaswamy, 2004a). Summarized the interactions existing between company and customers are not exploited as a source of value creation (Wikström, 1996). Figure 2-5 illustrates the relationship between the company and the customer, were the markets primary role is the value exchange which is divided from the value creation process.

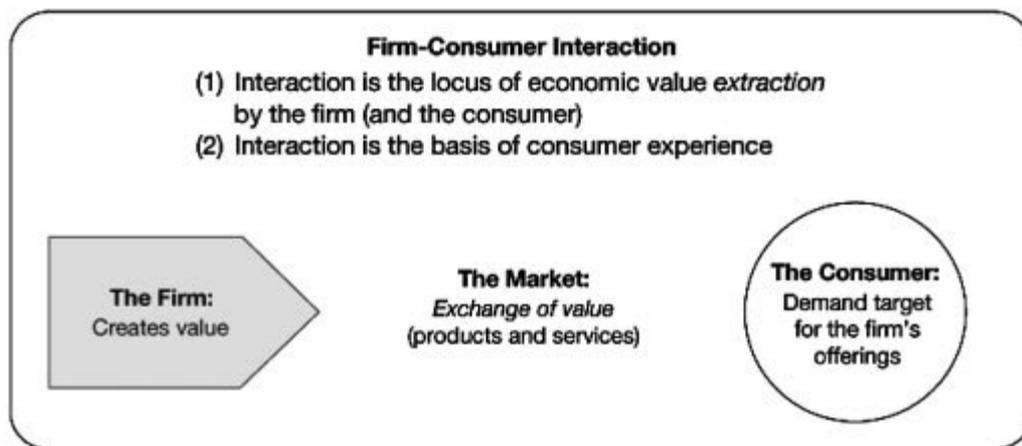


Figure 2-5 Value creation process (Prahalad & Ramaswamy, 2004b).

Companies that disconnect the market from the value creation process are forced to cut costs within their value chain in order to create value towards the customer. In the meantime globalization and outsourcing cause troubles for company manager’s trying to distinguish their offerings within the market (Prahalad & Ramaswamy, 2004b).

The new system of Value Creation

In the traditional system producing companies have collected information regarding the customer preferences through different channels including market research and information gathering. Though the process of collecting this can be costly and demand a lot of time, due to the complexity if the products. The traditional method of product or service development is called the process of trial and error. The trial and error process begins with a prototype developed based on the customer information that partly suits the customer needs. A feedback loop is developed were the customer initiates corrections until the producer have obtained an adequate product (Thomke & Hippel, 2002). In the new system of value creation, the post-industrial era new way of acting emerge for how to exploit the customer’s knowledge and potential in influencing the products and services offered. The new system of value creation impose making the consumption process skilled (Wikström, 1996). Figure 2-6 illustrates the relationship between the company and the customer within the new system of value creation the value creation process. This is recognized by high-quality

interactions between the company and the customer, enabling the co-creation of unique values that might lead to alternative sources of competitive advantage.

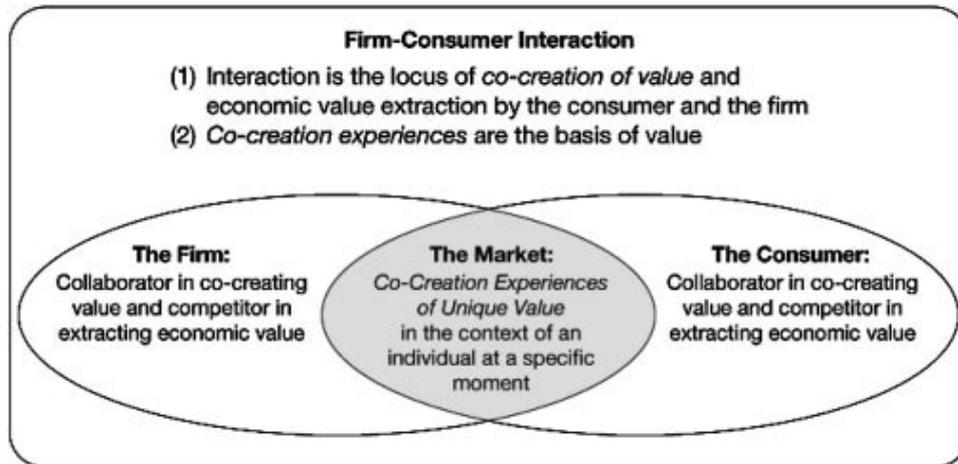


Figure 2-6 The new value creation process (Prahalad & Ramaswamy, 2004b).

2.8 Offerings

In order to succeed in obtaining a sustainable competitive advantage companies must provide offerings that customers perceive as contributing with a greater net-value than the offerings made by the competitors (Ravald & Grönroos, 1996).

According to D’Aveni (2007) it is almost impossible for companies to identify their competitive advantage in the market if they do not know what they are charging their customers for, and if the customers do not know what they are paying for. Further on D’Aveni mentions that it is quite common that firms exaggerate their own offering benefits while underestimating the competitors’ advantages. In fact it is even so that most managers have a lack of understanding of what is the primary benefit of their offering.

Anderson and Narus (1998) say that market offerings can be divided into two categories; price and value. Price is a more visual and tangible aspect of the market offer. But changing the price does not change the value of the offering; just increase the customers’ incentive to purchase the product.

The offering can be divided into three steps, see Figure 2-7; the offering provided by the supplier to the market, negotiation between the supplier and the customer in order to reshape the offer and finally the market offer that the customer actually bought. The offering process is continuous during the whole process, meaning that it can take place in the “company value proposition”, “offering process” and “market offer” (Wikner, 2007).

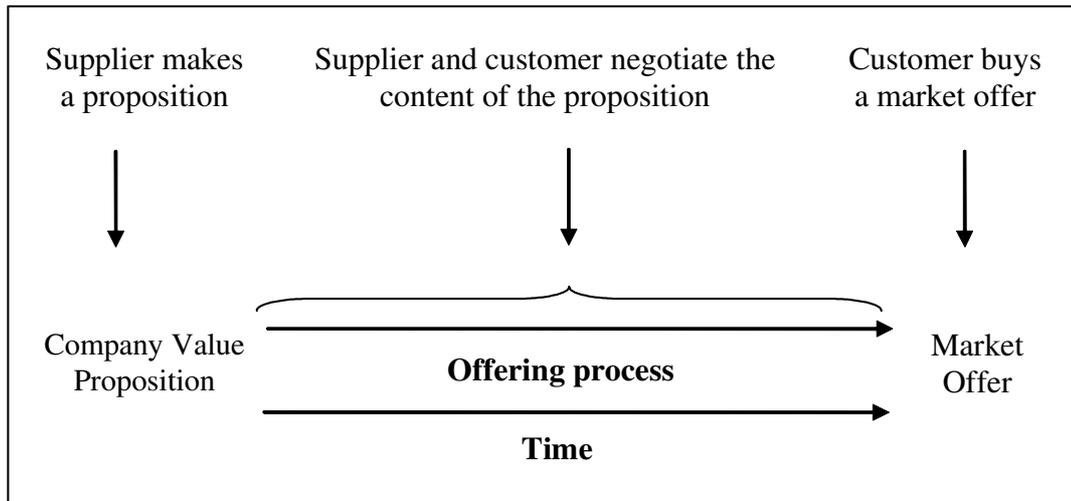


Figure 2-7 Offering process (Wikner, 2007)

Lately a trend is that suppliers offer a full-service contract to their customers. Stremersch, Wuyts and Frambach (2001) define full-service contracts as “comprehensive bundles of products and/or services, which fully satisfy the needs and wants of a customer related to a specific event or problem”. The demand for full-service contracts is primary driven by the customers. Instead of just gaining a part of the solution the customers want to have a turn key ready product that meets all their needs. The suppliers can also gain of full-service contracts since these might increase the profit margin and usually long term contracts are established between the two parties (Stremersh et al, 2001).

2.9 The casting market

Business to business is in some aspects similar to the consumer market. Both of these markets involve persons who have to make buying decisions and people who have to act as either sales agents or buyers. Even though some differences can be identified such as the market structure and the demands, which quantity that the buyer wants and which types of decisions processes that are involved (Kotler et al., 2005).

In general it possible to say that in a business market the organizations buy products in order to manufacture a product that the firm can sell to another organization or an end-user. The first step in the business buying process that a firm goes through when they are to buy a product can be defined as recognition of a need that they need to fulfill. Secondly the firm needs to identify, evaluate and choose among the products that are available in the market place (Kotler et al., 2005).

Sweden is one of the largest producers of casted products counted per capita. The Swedish casting industry involves about 200 casting industries in total, but they have specialized in different areas. At first there are different techniques used such as pressure die casting, sand and gravity die casting and shell mould casting. Within the diverse techniques different materials are used; iron, zinc, magnesium and aluminum. In recent years the annual growth within the casting industry has expand rapidly, over a ten years period of time the turn over has become twice as high. In year 2005 the total revenue for the industry was 342 000 tons of casting materials to a product value of more then 10 billions. The Swedish

manufacturing industry import about 300 000 tons of casted products each year. This means that almost half of the casted products used in manufacturing in Sweden is imported (Svenska gjuteriförening, 2006).

According to Svenska gjuteriföreningen (2006) the single most important customer within the casting industry is the automotive industry. Other important industries are electronic and telecom, manufacturing, aircraft, furniture and construction.

Further on Svenska gjuteriföreningen (2006) explains that the technology within casting has evolved rapidly just during the last years. By having the capability to develop and being part of this technology development Swedish casting industry has gained competitive advantages and are able to produce innovative products. Sweden is in the fore front of developing new manufacturing technologies and the resources needed to research within the field are available. An example of this that is relevant to Stilexo can be found in “Ny Teknik”, where they mention that a new method of melting aluminum that increases the final quality of the product (Westman, 2006).

Interaction among competitors is becoming more and more important in some industries according to Scott (2007). This is a phenomenon that can be found when prices are declining and costs are increasing. The collaboration is especially focused at R&D in order to reduce up-front costs and financial risks. Another area where collaboration with the competitors can be beneficial is within logistics (Zuckerman, 2006). Something that is very crucial when competitors are to collaborate is that all parties are gaining by doing so.

2.10 Reflection of frame of references

The overall impression is that customer value is something intangible and can be difficult to measure in order to make it comparable. But it is very vital for a supplier to know what kind of values that the market believes that the supplier can offer. As stated by Anderson and Narus (1998) depending on who is asked different explanation of value will be received and the only method in order to gain that information is by asking the customers. It is with this information that the supplier can obtain a sustainable competitive advantage, since the supplier then are able to contribute with a greater net-value than the offerings made by the competitors (Ravald & Grönroos, 1996).

By building long-term relationships that are characterized of trust between the supplier and the customers it is possible to make improvements at quality and processes. In the end these improvements can result in a more cost efficient production. As stated by Flint et al. (1997) the relationship between the supplier and the customer is important, because it affects the customer value.

Customers' perceptions of value are influenced by the price of the product, product quality, image of the brand/company and of the service quality (Naumann, 1995). To what degree that they influencing are dissimilar from one organization to another one. An important aspect is that one of the values should be prioritized, since if changes are made to all values at once, the changes fear a larger chance of failing. When the most important value is found, it will be further analyzed by using Linn's and Kotler's model in order to visualize the values offered and perceived by the market.

3 Method

This chapter will describe the general plan of how this thesis will be outlined in order to fulfill the purpose. After reading this chapter the reader has been introduced to the used research approaches, strategies and methods.

There exist several paths and patterns to choose among regarding selection of method and during the method chapter choices made are defended.

3.1 Research position

The literature brings up many different positions and perspectives how to work with research findings (Miles & Huberman, 1994; Lundahl & Skärvad, 1999, Saunders et al., 2007). Among the different alternatives the principle of the thesis is interpretivistic, because its research aims at observe a specific pattern and collect information that regards a certain reality among people (Saunders et al., 2007).

The purpose of this thesis is to interpret how Stilexo can create higher customer value. The previous implies that we have to understand and interpret explanations provided by the respondents interviewed. According to Saunders et al. (2007) the interpretivistic position emphasize that we interpret the social roles of other people in interaction with our own mindset, consequently we as interviewers are affected of our own attitudes. This might appear confusing and in order to clarify it an example is used. Every business situation is unique in some way, consisting of different functions for example individuals involved. Instead of a distinct separation between author and respondent an interpretivistic research position recommend interactive relationships. By performing interviews near the respondents the interviewees subjectivity might affect the result, being aware of that is called interpretive awareness (Cepeda and Martin, 2005). The quote stated below is an example of a similar problem as Stilexo's at a travel agency.

“A second example of the complexities revealed using an interpretivistic approach to the study of tourist satisfaction relates to the relationships and interactions between the themes of active involvement, guides, group dynamics and new attitudes & values. The pre-trip focus groups revealed minimal expectations for these themes. Participants expressed expectations for “easy planning” and “nothing to think about”, to “meet new people” and find “new stories” and for “interaction”. (Gale & Beefink, 2005, p. 352)

The observation made above indicated that group dynamics were essential at the very beginning of the trip, which enabled the guides to change their behavior. When Stilexo responds to market demands they are highly dependent on how their customers perceive them as supplier and what expectations they have. This implies that each situation has its own characteristics and is complex.

Cepeda and Martin (2005) states that knowledge of the world is intentionally constituted through a person's lived experience. A major challenge while having an interpretivistiv research position is to enter the world of the respondents, understanding the environment from their perspective in this thesis Stilexo's employees, existing and potential customers (Saunders et al., 2007). In order to get reliable results we need to get a deep understanding of how the involved parts act, which can not be obtained with a quantitative approach; therefore a qualitative approach will be applied.

3.2 Research strategy

In our thesis the research strategy provides us with a track used in order to fulfill our purpose.

According to Andersen (1994) the choice of method is configured in line with the purpose. Saunders et al. (2007) continue to stress that the choice of research strategy will be guided by the purpose. Our purpose contains a question based on the expression “how” and according to Yin (2003) the case study strategy can help to provide answers at questions like why and how, which suits our purpose. When using the case study strategy the researcher attempt to develop and in-depth understanding of the case, how Stilexo can cope with the increased competition from the global market and create higher customer value. In order to learn about the case we have chosen to collect data from interviews as well as literature studies (Saunders et al., 2007; Miller & Salkind, 2002). Before the type of interview that should be applied on this thesis was chosen, the authors considered different methods available along the thoroughfare. According to Saunders et al. (2007) the case study strategy particularly is exploratory and there is an opinion that un-standardized interviews are most suitable for just exploratory strategies. These made us start analyze how the standardization would affect the outcome, discussed in section 3.4.2.

Yin (2003) mentions four types of case studies single, multiple, holistic and embedded case study. This thesis is a single case study, constituted by Stilexo. The case is to interpret how Stilexo can cope with the increased competition from the global market and create higher customer satisfaction (Miller & Salkind, 2002).

3.3 Research approaches

The section research approaches aims at describe which tools that were used in order to conduct our case study. The literature mentions two different angle of approaches deduction/ induction and qualitative/quantitative. At first the tool used to draw conclusions is presented, followed by a section explaining the characteristics of our case study.

3.3.1 Inductive approach

There are two major traditions of drawing conclusions that is to say deduction or induction (Eriksson & Wiedersheim-Paul, 2001). Perry (1998) explains that the difference between the approaches has to do with scientific paradigms, were the deductive approach is connected to the positivist paradigm and the inductive approach to the phenomenological paradigm. The research position applied on this thesis is interpretivistic and derives from the phenomenological paradigm.

In this thesis an inductive approach is used build up by theory and empirical data (Saunders et al., 2007). The inductive way of acting is to conduct qualitative interviews with the contact persons and suppliers in order to find out how they perceive a certain work experience. This suits this thesis well, because an interpretivistic research position with a qualitative approach implies that direct and in-depth knowledge is needed in order to receive appropriate understanding. The knowledge can be recovered through interviews and primary data collected throughout literature studies (Eldabi et al., 2002).

3.3.2 Qualitative approach

We have chosen to work with a qualitative approach to shape our master thesis, consequently because they begin with a detailed insight of the phenomena analyzed. The starting point of the qualitative approach is that certain phenomenon consists of unique characteristics and qualities, which is intangible (Andersen, 1994).

According to Sharp, Peters and Howard (2002) qualitative data is very rich and can result in deep understanding of a phenomena, which required by a thesis using an interpretivistic research position and inductive approach. Qualitative methods are characterized by in-depth understanding of phenomena's with the possibility of being flexible. Andersen (1994) describes the researcher's role as both an actor and an observant, or an "interactive consultant". This fits our interpretivistic research position well, because it promotes us to enter the world of the respondents, understanding the environment from their perspective (Saunders et al., 2007). This thesis treats indefinable issues as customer value. It might be hard to touch upon customer value because it is put together by exclusive characteristics and qualities. The qualitative approach enables greater understanding of indefinable factors, through closer interaction with the respondents, both at Stilexo and their existing and potential customers. The data will be collected through personal as well as telephone interviews.

There are risks associated with qualitative research approaches because there is a risk that the respondents become emotional involved in the subject. There is also a risk that the respondent's cognitive dissonance affects how they interpret the study, for example if they have negative experiences from earlier studies (Holme & Solvang, 1997). It can be hard to affect someone's feelings; therefore it is hard to prevent the risks mentioned from happening, although we tried to keep the interviews on the right track with clear questions.

3.4 Information gathering

The frame of references has been gathered at Jönköping University Library and through different databases provided by the Library search function over the internet. Examples of data bases used are Emerald, ABI, Academic Search Elite, Blackwell Synergy, Business Source Primer and Science Direct.

The primary data collection consists of seven interviews among customers, potential customers and employees at Stilexo. First of all Per Jansson CEO at Stilexo was contacted to discuss and provide us with necessary formation about suitable respondents. The questioners can be viewed in the appendices, chapter 7. Because of financial matters it was hard to solitary make use of personal interviews, therefore they were combined with telephone interviews. An e-mail conversation regarding time and date was initiated to get in touch with the respondent. When date and time were resolute an e-mail containing interview questions was sent to the respondents a couple of days in advance in order to give them some preparation time. The interviews lasted as minimum 30 minutes and up to 60 minutes, each documented with recorders. As a safety assessment two recorders were used, if one would run out of battery the other one stay online. The respondent was informed about the recordings before each interview. It is a fact that the recordings might be a stress factor, even if we argue that the contribution to the reliability overcomes the stress factor.

Linn (1990) sum up how the primary data collection can be carried out, he states that in order to do a market orientation the researcher have to imagine the customers situation, observing the products offered by your company. Unfortunately financial matters stalled an in reality deep observation among the customers, allowing a total imagination of how the

customers perceive the products offered by Stilexo. But the aim is to get as deep as possible.

3.4.1 Respondent selection

According to Sharp et al. (2002) the first step of choosing respondent sample is to choose a target population. A suitable sample should be constituted of information rich respondents, in order to fulfill the purpose of the thesis (Bryman, 1995). It is vital that the sample selection is done with the aim of answering the purpose of the thesis when using a qualitative method. The sample selection was made after discussions with the CEO at Stilexo, consisting of relevant representatives of the present and potential customers, as well as employees at Stilexo. The sample consists of seven different respondents representing the different parties focused in the survey. If we had not let the CEO at Stilexo help us with the respondent selection, it had been hard to get in touch with existing and potential customers. Although the choices made by the CEO might have affected the subjectivity of the study.

3.4.2 Type of interview

A common way of diverse different interviews is level of standardization. An interview with a high degree of standardization has predefined questions to be set in a special order. During interviews like the previous the formulation of the questions should be done similar throughout all the interviews. During an un-standardized interview the interviewees have the ability to freely choose among different questions and in which order they should be set. This is characterized by a high degree of flexibility (Lundahl & Skärvad, 1999). The interviews conducted during this thesis can not be classified to be of a distinct standardization, therefore they will be semi-standardized. The reason why a semi-standardized interview technique is used has to do with the possibility to go deeper into the questions. Lundahl and Skärvad (1999) explain that a deeper interview can be obtained through asking the respondent to elaborate, which is prioritized by the authors.

There exists different kinds of methods to conduct interviews, but the most common ones are through personal communication, telephone interviews and questionnaires (Eriksson & Wiedersheim-Paul, 2001). In this thesis personal communication at the company sites and telephone interviews are used.

All interviews conducted at Stilexo are of personal character, which the authors view as an advantage. The advantage is due to the importance of understand how the company operate and get a feeling for the products in order to answer the purpose how Stilexo can create higher customer value.

Consequently the core respondent of this thesis is Stilexo; therefore we think that is enough to conduct telephone interviews among the customers.

Personal communication

There are several benefits with conducting the interviews through personal communication, for example they are easy to control, means like pictures and graphs can be used and the interview can be complemented afterwards (Lundahl & Skärvad, 1999). The information is more likely to be correct, because the interviewer can direct mistaken answers through further explanations (Miller & Salkind, 2002).

The disadvantages are that there might be expenses associated with the method, the interviewee and the respondent might affect the outcome and tricky time schedule (Eriksson &

Wiedersheim-Paul, 2001). Miller and Salkind (2002) stress the risk that data might be inaccurate and incomplete if the interviewers are not trained.

The pros and cons will be considered when conducting the interviews. As master students we have experienced interview situations earlier from writing our bachelor thesis's and will try to use the experience during the interviews included in this master thesis.

Telephone interviews

Conducting telephone interviews reminds of personal communication, apart from that they are much less expensive to conduct and the time consumption is fairly low. There is natural way to follow up the answers if necessary. Although this type of interviews have to be clearly formulated and simple in order to prevent misunderstandings, because there is no possibility to use means headed for clarify the questions (Lundahl & Skärvad, 1999).

The interviews were conducted using a mobile phone with loud speaker function. The interviews were recorded with two recorders as a safety assessment.

3.4.3 Interviewees: Employees at Stilexo

In order to receive the employees view on what value they perceive that Stilexo offers , understand how the company operate and get a feeling for the products, three respondents were interviewed each representing dissimilar departments within Stilexo.

Company	Title	Name	Respondent	Interview	Duration	Date
Stilexo	CEO	Per Jansson	Employee	Face to face	60 min	22/11
Stilexo	CTO	Patrik Liljeqvist	Employee	Face to face	60 min	22/11
Stilexo	Senior Technical advisor	Krister Granberg	Employee	Face to face	40 min	22/11

Table 3-1 Interviewees: Employees at Stilexo

3.4.4 The respondents: Customers and Potential Customers

The aim of including both existing and potential customers in the interview sample came up during the first meeting with Per Jansson CEO at Stilexo, discussing how the thesis should be carried out. Since the purpose of this thesis is to interpret how Stilexo can create higher customer value the customers have to be interviewed. In order to create an adequate picture of the problem, the customers have to reveal what kind of value they perceive when doing business with Stilexo and which values they would preserve for. In line with the increasing competition from production in low-cost countries Stilexo have a need of gaining new customers. The aim of interview potential customers is to investigate what kind of value's that should make them switch supplier. Below follows a list of the customers and potential customers interviewed.

One of the respondents representing a major potential customer desired to not participate with their name due to the nature of the information revealed during the interview.

Company	Title	Name	Respondent	Interview	Duration	Date
Ericsson, Kista	Supplier responsible	Monica Molin	Customer	Telephone	30 min	5/12
Ericsson, Kumla	Responsible purchase	Örjan Persson	Customer	Telephone	40 min	26/11
Volvo Cars	Commodity buyer	Lars-Erik Lindqvist	Potential customer	Telephone	40 min	16/11
XX	Purchaser	YY	Potential customer	Telephone	30 min	30/11

Table 3-2 The respondents: Customers and Potential Customers

3.4.5 Interview guidelines

Customer value is an indefinable factor and hard to describe and we realized the issue of creating suitable questions. Therefore a lot of effort was done on creating adequate questions. The questions are displayed in chapter 8.

The three different types of respondents included within the study employees, customers and potential customers, made use create three interview guidelines.

The respondents at Stilexo and their existing customer's interview guidelines were created so that two different perspectives on an actual business relation were given. For example questions are formulated so that Stilexo reveal what they believe that customers expect from them and compare that to what the customers really expect. The potential customers interview guidelines were created in order to reveal how well Stilexo's perspective on customer value fitted their.

The questions were sent for judgment to both doctor's student Sarah Wikner and Professor Helén Anderson.

3.5 Analysis

There exist several analytical methods in the field that can be used to analyze qualitative data collected. Miles and Huberman (1994) argue that the data analysis takes place through three steps, data reduction, data displaying and conclusion drawing. In order to put emphasis on how this thesis analysis is outlined the following section constitutes an explanation grounded in Miles and Huberman's (1994) definition.

Our thesis analysis follow the previous steps but is as well a on going process, were the mentioned steps interact with each other as displayed in Figure 3-1.

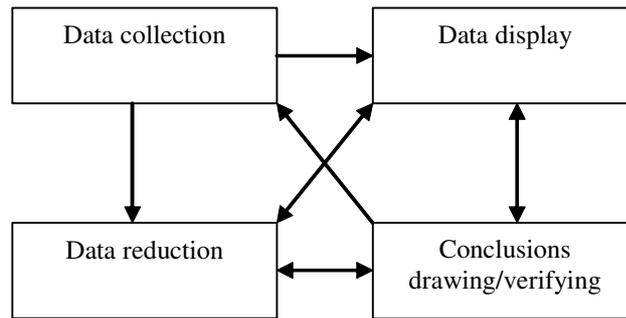


Figure 3-1 Components of Data Analysis: Interactive model (Miles & Huberman, 1994).

Data reduction refers to the work of transforming data collected during the interviews so they fit our work. This impose that tape recorded material is translated to written transcription. In the first moment the recordings are translated as spoken, second they are simplified and focused in line with these thesis intentions. In order to find patterns and in a logical way sort the empirical findings, the data were coded. The coding consisted of several numbering and color marks within the text, which helped the authors to structure the findings. In this thesis the data reduction part is highly involved in the analysis, because the data packets chosen constitutes the patterns found in the empirical findings are all choices for what to analyze.

Data display is prepared so that the empirical data is easy to follow and organized in a compact outfit enabling the reader to see what is happening and draw own conclusions alternative move on to the analysis part.

Conclusion drawing started at the early beginning of the data collection. During the first interviews we started to get a feeling for which patterns and explanations that was going to suit our analysis. But due to this we tried to be opening minded and use critical thinking pending to finish all the interviews and our conclusions.

3.6 Trustworthiness

It is important to frequently review the study with critical questioning to find unclear facts. In qualitative studies like this thesis the problem to obtain valid information is much lower in comparison to quantitative studies, because qualitative studies offer a slighter distance to the phenomena studied (Holme & Solvang, 1997). Andersen (1994) state that the result shows high validity when the whole phenomena assigned is measured and nothing else. Miles and Huberman (1994) state that the robustness of the meanings emerging from the data collected have to be tested, and that is their validity.

3.6.1 Validity

Validity deals with to which extent the findings of the thesis are generalizable and applicable on other cases (Miller & Salkind, 2002). The validity in qualitative study like this is much lower compared to quantitative studies, due to the small sample just analyzing the Stilexo case. The choice of having seven respondents might affect the generalizability; a greater sample could have been richer on one side. On the other hand a broader sample might in lack of time be hard to analyze that deep as compared to a smaller sample.

3.6.2 Reliability

The last test to be considered is the reliability of the study, which aims at ensure that the study made at Stilexo can be conducted with the same outcome no matter the researcher. This involve that the researcher follows the same process as described within the thesis. A basic need in order to succeed with imitation is that the procedures is well defined and documented (Yin, 2003). We argue that the reliability of this thesis is high because the decisions made have been documented and most of the respondents have participated with their identity. The reliability is although affected as a result of the deviant respondent XX that not want to be present with their identity. This prevents other researchers to completely follow who our respondents are.

4 Empirical findings

This chapter outlines the interviews conducted with potential and existing customers to Stilexo and employees at Stilexo. First the respondent's positions are presented followed by the interviews.

4.1 The respondents positions

A brief presentation of the respondents is given in order to validate that the respondents are reliable and have skills within the subject chosen for the thesis. We believe that it is important for the reader to get a feeling for who the respondents are and their company position. Depending on if the respondent is an employee at Stilexo, present customer or potential customer different designations will be used after their name. The designations are as follows; employee (E), existing customer (EC) and potential customer (PC).

Ericsson situated in Kista, Monica Molin (EC)

Monica Molin (EC) is employed within strategic sourcing at the business unit network department. This department primarily handles issues concerning hardware for base transceiver stations. At this department Monica Molin (EC) is responsible for the suppliers including Alteams Group and Stilexo. She is included in new projects and is also negotiating yearly contracts with the suppliers.

Ericsson situated in Kumla, Örjan Persson (EC)

Örjan Persson (EC) is responsible for the contact with Alteams at Ericsson's production site in Kumla. His role is to secure production capacity and preserve continuous contact with the suppliers. Örjan Persson (EC) emphasize that he is not the person that decide which supplier to chose, that is done by the strategic sourcing department situated in Kista, although Örjan Persson (EC) has the ability to affect the choices made.

Volvo Automotive situated in Skövde, Lars-Erik Lindqvist (PC)

Lars-Erik Lindqvist (PC) is titled commodity buyer which in reality implies strategic purchaser. Lars-Erik Lindqvist (PC) has the responsibility for supplier strategies regarding aluminium cast produced products for power train at Volvo Automotive. Lars-Erik Lindqvist (PC) is responsible for finding new suppliers but he has to make sure that the decision has support from Ford Motor since there is collaboration between the two.

Large Swedish company present at the Swedish stock exchange (YY), XX (PC)

XX (PC) is working as purchaser of aluminum articles in projects at company YY. XX (PC) can easily influence which suppliers that are used since XX (PC) department chose which suppliers to write contracts with.

Stilexo situated in Skillingaryd, Per Jansson (E)

Per Jansson (E) work as chief executive officer (CEO) and have great impact on which markets strategies that are going to be used at Stilexo. Although Per Jansson (E) is directed by Alteams general market strategy.

Stilexo situated in Skillingaryd, Patrik Liljeqvist (E)

Patrik Liljeqvist (E) work as chief technical officer (CTO) and his main tasks are productivity and process optimizing. Due to his position as technical chief and as a member of the board he can relatively effortless influence the decision making process.

Stilexo situated in Skillingaryd, Krister Granberg (E)

Krister Granberg (E) work as a senior technical advisor for all the companies being part of the Alteams Group. Consequently Krister Granberg (E) helps both customers and the other production sites regarding technical solutions. Krister Granberg (E) has work at Stilexo since 1973, just two years after the production in Skillingaryd was established. All these years within the casting industry have given him lots of experiences from technical problem solving. He has a great influence when implementing new technologies at Alteams and Krister Granberg (E) argues that most of the technical improvements are in the end driven by the customers.

4.2 Defining value

According to Anderson and Narus (1998) customer value can be hard to define, depending on who is asked the answer might differ. In the empirical findings different definitions of customer value have been found.

Per Jansson (E) and Patrik Liljeqvist (E) at Stilexo both agree upon the definition that customer value is created when the operations benefit the customer. One of them also stresses that processes the customers are not willing to pay for gives no customer value.

Krister Granberg (E) senior technical advisor at Stilexo and XX (PC) purchaser at YY have a more technical oriented view of customer value. Most often the customers' engineers are not familiar with process techniques used in casting and therefore Krister Granberg (E) stress the importance of offering technical support to the customer in their product development. This is confirmed by XX (PC) who values the supplier's possibility to give design criticism on a product construction.

Örjan Persson (EC) contact responsible to Alteams at Ericsson and Monica Molin (EC) at Ericsson has a more relationship oriented view. Örjan Persson (EC) emphasizes having a good relationship with the supplier. He defines a good relationship when the supplier makes use of direct response and feedback regarding questions and thoughts from the customer's perspective. For example he states that rapid response and feedback is vital if problems emerge. It is therefore important that the supplier is integrated in Ericsson's product development and on going processes when it regards production related and technical issues. Monica Molin (EC) explains that customer value to her is firstly the hard value, but there also exists soft value as sensitiveness and flexibility. Suppliers that listen to their customer are very much appreciated. Regulations made in the agreements between Ericsson and supplier could be seen as hard values.

Lars-Erik Lindqvist (PC) commodity buyer at Volvo Automotive explains that customer value is when the supplier has a durable production with the ability to do continuously improvements regarding quality and costs. The quotation below recaps the general opinion about how central the interaction between the supplier and the customer regarding customer value is.

"It is important to be an active supplier, to participate in product improvements and be innovative, for example by criticize a product construction." (L-E. Lindqvist, Personal communication, 2007-11-16)

4.3 Expected, Perceived and Delivered Value

It's vital to deliver services or products that provide high quality in order to create value towards the customers and the respondents have different perspectives on the values created (Groth & Dye, 1999). Perceptions are something that might be different when compared to the reality; the respondents indeed have different realities because of their situation.

Both Örjan Persson (EC) and Monica Molin (EC) states that Ericsson expects the supplier to have the ability to produce products in line with given specifications, but the expectations diverge within Ericsson. The sourcing department prioritizes price related factors, but from a supply perspective it is prioritized to have a global organization and that the supplier has a good support organization. Volvo Automotive expects the supplier to interpret and understand the tough specifications that exist within the industry, because of non-tolerance existing among car owners.

The quotation below gives a clear picture of what XX (PC) expects from his suppliers.

“The expected value I have from a supplier is the ability to give design feedback so that the product can be produced with a minimum of divergence or most preferable none at all.” (XX, Personal communication, 2007-11-30)

Örjan Persson (EC) at Ericsson perceive Stilexo as being skilled in adapting their production capacity and being flexible, while Lars-Erik Lindqvist (PC) at Volvo Automotive has a more un-specific picture. Volvo Automotive use two tools when measuring perceived supplier value, the first one is the cost reduction which is connected to the unit price. The other one is quality that is constant measured through the PPM, number of failed products. Lars-Erik Lindqvist (PC) mentions the complexity of measuring added value and that Volvo Automotive does not possess any tools to measure it.

Örjan Persson (EC) has a positive view on how Stilexo manage to deliver customer value. The quotation below indicates the importance of always try to accomplish undertakings even no matter the outcome.

“Stilexo always tries to fulfill our demands and there are cases when they do not succeed, but they always try, which I find valuable.” (Ö. Persson, Personal communication, 2007-11-26)

Per Jansson (E) at Stilexo believes that the customer expect Stilexo to offer the expected value to the customer, not too much and neither too little. Per Jansson (E) also believe that it is expected to offer the right technical competences in order to customize their product to fit Stilexo's processes. In the casting industry his apprehension is that cost control is important. When it regards what Patrik Liljeqvist (E) consider that customers expect from Stilexo in order to fit their need, he believe that the expectations emphasize being innovative, find cost efficient solutions and to deliver on time.

Krister Granberg (E) posse's long experience from the casting industry and suppose that the customers expect all departments at the supplier to work really well and that is what customer service is all about. Therefore it is important that the customer receive an answer as soon as possible regardless what the question is about. Even if the supplier is not able to answer the question right away, the supplier should let the customer know that they will receive an answer as soon as the supplier has had the possibility to examine the issue. By acting in this way the customer experience that the supplier is trying to solve the problem.

4.4 Customer and supplier interaction

The supplier- customer relationship can be fundamental for the business to be successful. The suppliers that do well in building long term relationships with their customers and keeping them stable even if the customers have the chance to choose among other suppliers, is competitive (Prahalad & Ramaswamy, 2004b).

Both Lars-Erik Lindqvist (PC) at Volvo Automotive and Örjan Persson (EC) at Ericsson represent one potential and one existing customer to Stilexo seems to value long relationships. Lars-Erik Lindqvist (PC) explains that the products often have long development time and that it involves building a relationship with the supplier which last several years, because of the large investments done in casting tools. Örjan Persson (EC) stress that Alteams posses an incredible experience when it comes to Ericsson products. If a similar product is going to be produced at Ericsson the order proposal often regards Alteams.

Company YY specifically mentions it is desirable that the supplier can help and co-create the product together with YY in order to make the product as good as it can be and that the supplier has the possibility to produce it in the quality desired.

In likeness with company YY Krister Granberg (E) at Stilexo express the importance of develop products co-jointed with the customer. By develop products together the production processes can be made more reliable and effective and at the same time increase the performance of the product. Krister Granberg (E) believes that Stilexo's knowledge within casting is an appreciated value among their customers.

Per Jansson (E) highlights the value in being able to coordinate production on a global basis. He thinks the fact that Alteams are present in several countries enables Stilexo to make different offers to the customers depending on where the production is to be situated. Accordingly a production can be started in Skillingaryd and then transferred to China keeping the same supplier, saves the customer additional costs for searching suppliers in China. According to Per Jansson (E) this is one of the reasons to why customers chose Stilexo as a supplier.

“A strength that Stilexo possesses is that they are part of the Alteams Group and thereby can offer production sites in different locations around the globe. If the customer has production sites in different parts of the world, Stilexo can offer locally produced products in order to shorten the delivery time.” (P. Jansson, Personal Communication, 2007-11-22)

This is confirmed by Örjan Persson (EC) and Monica Molin (EC) at Ericsson who mentions that Ericsson is a global company and it is consequently important how a product can be distributed. The previous statement shows that Alteams posses an advantage since they are present in the Nordic countries and Asia. This is as well a parameter considered in production decisions. Per Jansson (E) is however of the opinion that this advantage is becoming less valued, since it is becoming easier to find suppliers in these regions for the customers themselves. He continues to stress the importance of having competences all over the supply chain, which means being able to make product offers from raw materials to a finished product. Fewer suppliers needs to be used and enables the customer to only use one supplier which decrease the numbers of transactions and thereby reduce the costs.

According to Patrik Liljeqvist (E), Stilexo is good at managing chaotic situations for example when the time margins are low. General it exists long process times within the casting industry, were tool making might take from six to 13 weeks, which implicates that the customer often demands the delivery to be made before the tool is ready. Patrik Liljeqvist (E)

believes Stilexo to be good at handle situations like the previous mentioned. This is corroborated by Örjan Persson (EC) who explains that Ericsson can change their plans quickly, which emphasizes the supplier's ability of being flexible. From a supply perspective the flexibility is the most important expected value.

4.5 The market

Regarding the number of competitors the respondents seems to have different opinions about how the market appears. Örjan Persson (EC) and Monica Molin (EC) at Ericsson mentions between four and five competitors to Stilexo world wide, while Patrik Liljeqvist (E) explains that there exist between three to five competitors at the Swedish market alone.

Lars-Erik Lindqvist (PC) has a more product oriented view and he explains that it depends on the product, how many operations it requires. When it comes to competitors it is a great market and Volvo trades on a global basis.

Respondent XX (PC) mention the greatest number of competitors when he states that seen to the whole world there are hundreds of competitors to Stilexo. When it regards the Swedish market XX's (PC) perception is in line with Patrik Liljeqvist's (E) opinion, that there exist a few competitors to Stilexo.

Krister Granberg (E) estimates in direction of the previous that Stilexo has about four to five competitors in the Swedish market. But having competitors is not just a bad situation; it can actually have some benefits according to Krister Granberg (E). Having competitors makes it very important for Stilexo to evolve in order to be competitive, resulting in that the technical expertise benefit from competition. From time to time competitors collaborate in order to solve technical problems. All casting industries have the same technical problems so by helping each other they can grow stronger together.

Per Jansson (E) at Stilexo explains that Alteams main competitor is situated in Eastern Sweden and is as well north Europe's biggest caster. Although Stilexo and the mentioned caster are not direct competitors because they have different focuses; telecom respective auto motive industry. Except the previous caster there exists over six competitors in Sweden and a big threat is the Baltic casters. Per Jansson (E) states that casting companies that are in the same size as Stilexo most likely can offer the same services.

4.6 Product and Service Value

The value concept and value adding activities are becoming more important in order to stay competitive against the competitors. The difficulty lies in knowing which values that the customer values in order to pay attention the important once (Naumann, 1995). The recent is confirmed by Per Jansson (E) who stresses the importance of the customers explaining which competences they value, so that Stilexo can focus on the demanded capabilities. For a product or service to be considered an option for the customer it has to offer some fundamental criteria's. All the respondents believe that the basic requirements of a product are price, quality and the ability to deliver on time. If a product or service fulfill these criteria's the chances for the product to become an order winner is increased if it can offer extra adding values.

All respondents agree upon that a product or service has to have a price that lies within a certain price-range and that the quality is according to the prescriptions given by the customers in order to be an order qualifier. But not that many of the respondents argue that

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price is the most important issue. Krister Granberg (E) at Stilexo is of the opinion that in today's business climate there is a chase for the lowest possible price for a product. Even though one might get the feeling that price are the most important aspect, Krister Granberg (E) and Lars-Erik Lindqvist (PC) state that it is too simple to portray what makes a product an order winner by comparing prices.

"I think that the determine issues are more about development, service, delivering accuracy and quality which are superior to price." (K. Granberg, Personal communication, 2007-11-22)

Further on Lars-Erik Lindqvist (PC) however says that Volvo expects the supplier to perform productivity efficiency, which means that once the production is running the price should decline with some percentages each year. XX (PC) explains that for a supplier to be an order winner it is essential that the supplier can offer right price, right quality and that is confirmed by Patrik Liljeqvist (E) who believe that price is the most essential when the customers choose a supplier. Monica Molin (EC) at Ericsson confirms that for a product to become an order winner the focus is partly on the price.

Quality is also something that all of the respondent claims are very important, perhaps even more important than price. Regarding what makes a product an order winner XX (PC) says that it is important that the supplier can deliver the demanded quality. All drawings made are much specified concerning what is asked for from the supplier and if the supplier can't fulfill those demands the supplier are not qualified as a supplier. This means that the supplier needs to have the right conditions and are able to deliver the demanded quality. Krister Granberg (E) at Stilexo thinks that price is relatively low in comparison to quality. He believes that being able to offer the right quality is one of the most important values in order to be an order winner. In order for a product to be an order winner it obviously needs to meet the specifications set for the product. Apart from meeting the specifications of the product Lars-Erik Lindqvist (PC) argues that it is important that all parts are within the tolerances given. Monica Molin (EC) explains that the supplier must possess a good overall quality level and that the price is regulated fiscally any way.

Both Patrik Liljeqvist (E) and Krister Granberg (E) at Stilexo put delivering accuracy high in ranking. Patrik Liljeqvist (E) mentions delivering accuracy as the second most important value after price. According to Krister Granberg (E) a supplier that always delivers the right products at the right time is worth a lot for the customer. Obviously the price needs to be within a certain price range but if it is, Krister Granberg (E) states that the previous mentioned value is more important. XX (PC) also gives a hint about how vital delivering accuracy is but he says that it is not as important as price and quality. All the respondents agree upon that price, quality and the ability to deliver on time are values that are required for a supplier to be an order qualifier; it is just the relative importance between the three values that differ from the respondents.

Örjan Persson (EC) at Ericsson highlights that what makes the product an order winner depends on what kind of product it is and the level of complexity. If a supplier should contribute with something extra it should regard acting extremely innovative and today Volvo does not possess any suppliers that contribute in this way. Volvo constantly strives against getting innovative suppliers, because that is the extra value they have identified regarding productivity and quality. According to Lars-Erik Lindqvist (PC) it is a supplier philosophy existing within companies that decides how much the customer wants to interact with the supplier. A difference between Stilexo and their competitors according to Per Jansson (E)

is that Stilexo can offer a technology where they can simulate the production of a product before starting up the production. Being technology leading is also confirmed by Monica Molin (EC) to be very important. According to Per Jansson (E) an advantage of having superior technology is that the product can be function tested in software so that the product criteria's are fulfilled before the product is produced. This minimizes the product development time and reduces the risk of defect products, which in turn saves capital. The shortage of developing time is mentioned as a key value that Patrik Liljeqvist (E) at Stilexo find important since Stilexo's main customers can be found in the telecom segment where short process time is very important. According to Patrik Liljeqvist (E) the auto motive industry works in a different way, there it might take up to 3 to 4 months before the volumes are full-grown. Besides the possibility to work closer to the customer Krister Granberg (E) thinks that a supplier who always fulfils their obligations towards the customer is valuable. The supplier also needs to be flexible towards fluctuations in order size. This means that the supplier needs to have a certain amount of over capacity which in turn makes the product a little more expensive. These are all values that would make a customer choose one supplier in front of another one according to Krister Granberg (E). Monica Molin (EC) strengthens Krister Granbergs (E) thought and mentions that production capacity and being able to trust the supplier is very important.

The key values Stilexo find important that they possess when making product offers is that can offer competences over the whole supply chain, from idea to delivered product. This enables the customer to only use one supplier, which eases the process according to Per Jansson (E). The idea of just using one supplier is reinforced by Monica Molin (EC), who explains that Ericsson wants their suppliers to coordinate the whole product chain including sub suppliers and additional operations.

4.7 Different perspectives on Stilexo's strengths and weaknesses

Both Stilexo's employees and Örjan Persson (EC) at Ericsson have identified that Stilexo is in the fore front regarding new technology. According to Örjan Persson (EC) Stilexo are very proactive and a flexible company when it comes to developing new products, which to a large extent is due to their technical expertise. Regarding Stilexo's strengths Krister Granberg (E) pin point their technical expertise and the fact that Stilexo are customer oriented. Stilexo has a broad organization which has the capacity to run small projects to large projects and even building fully automated production lines, which is strength compared to their competitors. The fact that Stilexo can manufacture own automation is something that Patrik Liljeqvist (E) sees as a very important strength. The employees at Stilexo possess a high competence level of which Patrik Liljeqvist (E) acknowledge that even their competitors might possess. Patrik Liljeqvist (E) says that the average employee has been at Stilexo for five to ten years. Krister Granberg (E) mentions that it is difficult to employ personnel that are well educated within casting. A major reason for this is that most lectures are about the theoretical issues rather than the practical problems. Casting is very much about having a feeling for how it should be made, but this is not just a problem for Stilexo, rather the entire casting industry. It is therefore vital that the employees at Stilexo for many years in order to retain the knowledge that the work force possess.

The only weakness that is mentioned by Örjan Persson (EC) is the financial difficulties that Stilexo has. This fact makes Örjan Persson (EC) feel concerned since he experience advantages of having the supplier near by to Ericsson's factories. He states that from a financial and logistical perspective relocation to China is not suitable, because the local connections in Sweden are important. It is the local connections that create customer value to Ericsson.

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On the other hand Per Jansson (E) thinks that a strength that Stilexo possesses is that they are part of the Alteams Group and thereby can offer production sites in different locations around the globe. If the customer has production sites in different parts of the world, Stilexo can offer locally produced products in order to shorten the delivery time. Monica Molin (EC) confirms Per Jansson (E) previous statement in the quotation below.

“We at Ericsson can’t force our suppliers to have production facilities near by the production sites, but we value it very much.” (M. Molin, Personal communication, 2007-12-05)

Monica Molin (EC) continues with explaining that Stilexo are flexible and sharp. They are also good at delivering products on time and come up with new ideas in new projects.

A weakness that Per Jansson (E) identifies is that Stilexo has focused too much at one customer. Other customers might fear that this customer will be prioritized in front of them.

Stilexo’s strength is within the electronic packaging sector since Stilexo has served it since the mid eighties and therefore has long experience within this area according to Per Jansson (E). This might be strengthening by Örjan Persson (EC) since he states that Stilexo functions exactly as a supplier should function.

Unfortunately Krister Granberg (E) thinks that Stilexo most often are in the upper price segment compared to their competitors. This might be a threat according to Monica Molin (EC) since Stilexo face a risk of being price pressured from European manufactures; she explains that there has been a large focus at price during the past five years.

Regarding Stilexo’s weaknesses Patrik Liljeqvist (E) at Stilexo mentions that bad internal communication might act as a barrier to change.

5 Analysis

This chapter outlines the analysis of the empirical findings and the frame of references.

5.1 Value

Our purpose of this thesis is to interpret how Stilexo can create higher customer value. In order to fulfill the purpose the authors of this thesis find it important to define what customer value is in the casting industry.

As implied by Anderson and Narus (1998) value is something undefined and that is also confirmed in our empirical findings. Per Jansson (E) and Patrik Liljeqvist (E) CTO at Stilexo agree upon the definition chosen for this thesis. The chosen definition is that value in business markets is the worth in monetary terms of the technical, economic, service, and social benefits that a customer receives in exchange for the price him/her for a market offering. Per Jansson (E) and Patrik Liljeqvist (E) adds that matters the customer are not willing to pay for gives no customer value.

Customers' perception of value depends on the service quality, product quality, price and image (Naumann, 1995). Naumann continues to state that an order winner is the supplier that succeeds to deliver the best value seen from the customer perspective. Within the casting industry not all values are equally important because of the offering process. All respondents agreed upon that the product have to be priced within a certain range and have a product quality that meets the prescriptions in order to be qualified. Therefore the components of value by Naumann (1995) have been modified, see Figure 5-1. The downsized arrows illustrates that the components have reached a certain standard among the suppliers. Price and product quality is regulated in contractual agreements and are therefore static. For example XX (PC) state that YY demands a certain quality and are not willing to pay more or less. The previous is confirmed by Per Jansson (E) who believe that the customer expect Stilexo to offer the expected value, not to much and neither to little.

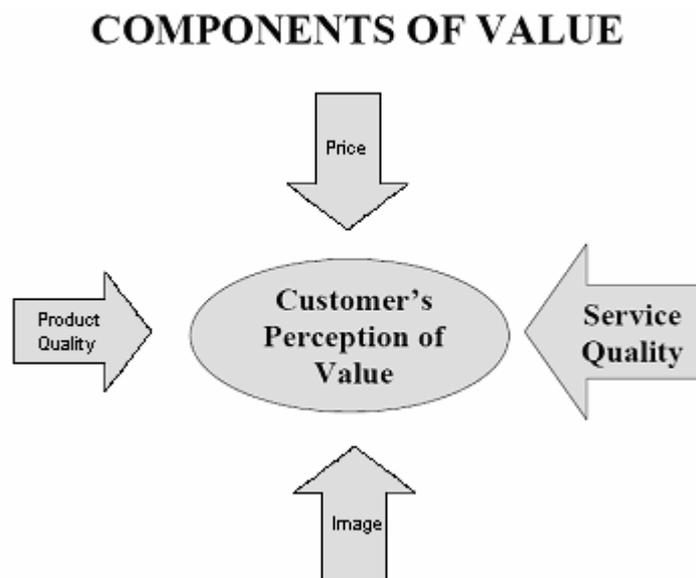


Figure 5-1 Modified by the authors: Important components of value customer value (Naumann, 1995)

Consequently the product quality and price must be adequate in order to be interesting for the customer. Naumann (1995) states that the dimension image becomes important if there are difficulties measuring the three other dimensions, which is not the case and therefore it is not as a vital component.

The one dimension in Naumann's model that is possible to affect for the supplier can be the service quality component. Both Krister Granberg (E) and XX (PC) stresses the importance of participate in the product development and being able to give design criticism. The fourth component also refers to being helpful and customer oriented which is confirmed by Krister Granberg (E) who identifies the ability to give customers rapid response to questions.

Regarding the fifth dimension in the model, Naumann (1995) stresses the importance of having good relationship with the customers. This can on the other hand not be evaluated until an actual purchase has been conducted. Both Örjan Persson (EC) and Monica Molin (EC) at Ericsson, who are present customers to Stilexo, are of the opinion that having a good relationship is vital.

5.2 Expected, Perceived and Delivered Value

Robledo (2001) make clear that a general opinion among researchers indicates that customers have expectations which in turn constitutes as a reference point used by the customer to assess the performance of a company. Stilexo's present customer Ericsson reveals two different perspectives on the expected values. The sourcing department prioritizes price related factors, compared with the supply department of the organization that emphasize on having a global organization with a developed support organization. Volvo explain the expected value as complex problem, were an end consumer is involved. The last implies that the car owners have non-tolerance regarding deviation in quality. Consequently if applying Robledo's thoughts Stilexo have many perspectives to consider in order perform as a supplier, being global, supportive and maintain high quality. XX (PC) adds that YY as a potential customer expect the supplier to give design feedback, resulting in a production with minimum divergence. That company YY expects that this suits Stilexo which as mentioned in the introduction has the capabilities to both design and function test the products in computer software before producing the product.

Regarding what values Stilexo believe that the customers expect, Per Jansson (E) believes that customers expect Stilexo to deliver the expected value; not too much or too little. It might be hard to decide what a normal offer contains or is expected to contain from the supplier perspective. The different suppliers had differentiated preferences depending on which company and even department they represent. Wikner (2007) mean that there exist gaps between the expected and perceived value among customers and suppliers. Gaps might be if the supplier is not aware of the customer expectation, if the supplier is aware of the customer expectations, if the supplier lacks resources necessary in order to reach a certain level of the service quality and if the supplier fails to match how they perform with promises. Krister Granberg (E) mentions the importance of being supportive and service minded towards the customer, which is also expected from their existing customer Ericsson. Per Jansson (E) and Patrik Liljeqvist (E) believe that the customer expects them to offer the right technical competences and being innovative, which is in line with YY's expectations.

None of the respondents expected something that is not considered as an expected value by Stilexo.

Ravald and Grönroos (1996) define perceived customer value as the relation between perceived benefits and perceived sacrifice, where sacrifice aims at costs related to the purchase as price, logistical, maintenance and order costs. Stilexo is perceived as a skilled and flexible supplier among their existing customers, in relation to the sacrifice made. The definition regarding perceived value provided by Ravald and Grönroos fits well into Volvo's way of judging value. Volvo uses the relation between the benefit: cost reduction and the sacrifice: unit price to describe perceived value.

Customer value is created and delivered over time as the relationship between suppliers and customers develops (Payne & Holt, 2001). The explanation on delivered value provided by Stilexo's present customer Ericsson, emphasizes the power of a good relationship. Ericsson goes far by explaining that Stilexo always tries to fulfill Ericsson's demand and there are cases when they do not succeed, but they always try.

5.3 Customer and supplier interaction

Flint et al. (1997) explain that the relationship between the supplier and the customer is important, because it affects the customer value. Value constantly transforms within organization because different events in the business surroundings trigger change and affect how customers perceive value. Examples of how value perception might be changed can be worth in monetary terms set in relation for the price. In the model presented by Flint et al. three different groups of trigger events are displayed; supplier located changes, customer located changes and environmental located changes. Changes made in the different groups affect how satisfied the customer is with the supplier and their interaction.

Regarding supplier located changes Stilexo was acquired by Alteams Group 1st of April 2002, resulting in a sequence of trigger events. Over a night Stilexo in Skillingaryd were available to produce globally and transfer production lines. Per Jansson (E) at Stilexo highlights the value in being able to coordinate the production globally. The fact that Stilexo became global; triggered the customer's value judgment. The fact that Stilexo is global should have increased the value perceived by the supplier and the ability to reach additional markets. One of Stilexo's main customers is Ericsson and both Örjan Persson (EC) and Monica Molin (EC) stress that Ericsson is a global company and it is important how a product can be distributed, in this case Alteams possesses an advantage because they are present in both Sweden and Asia. As a result the fuse between Stilexo and Alteams affected the customer value regarding Stilexo. Per Jansson (E) is though of the opinion that the advantage of being global is decreasing, since it has become easier to find suppliers in these low-price regions for the customers themselves.

Due to the large investments done in casting tools and long product development time it becomes important with long term relationships according to Lars-Erik Lindqvist (PC) at Volvo and Örjan Persson (EC) at Ericsson. This is to be found within the customer group in Flint et al. (1997)'s model. As a result it seems important to have long term interactions with the customer due to the high transaction cost for changing supplier.

Flint et al. (1997) bring up that changes within the customer channel affect the desired value, where new suppliers, customers, alliances and markets are mentioned. Monica Molin (EC) mentions that there exist environmental located factors triggering how Ericsson perceives value. The casters create alliances in order to put pressure on the big customers,

which in turn trigger an increased price level. Higher pricing within the European markets cause problems for the customer, which in turn encourage companies like Ericsson to search for new low-price markets. Consequently, environmental located changes affect Stilexo to a great extent. This results in a change of the customer's perception regarding desired value. The reason why the customers have the opportunity to search for low-price markets is a result of recent changes within the supplier channel where new suppliers at new markets have emerged.

According to Prahalad and Ramaswamy (2004b) companies disconnecting the market from the value creation process, where the market's primary role is the value exchange are forced to cut costs within their value chain in order to create value towards the customer. The alternative view is recognized by high-quality interactions between the company and the customer, enabling the co-creation of unique values that might lead to alternative sources of competitive advantage. In the casting industry it seems like there exists a mix of the traditional and the new system. Lars-Erik Lindqvist (PC) at Volvo stress that the products often have a long development time and causes heavy investments, which results in interactions. The interaction regards a certain amount of co-creation of value, but not the deep high-quality interaction of unique values that Prahalad and Ramaswamy (2004b) mentions.

XX (PC) explains that it would be desirable to co-create products together with the supplier in order to make the product as good as it can be. This is confirmed by Krister Granberg (E) at Stilexo that express the importance of developing products co-jointed. Accordingly there seems to be demand for deeper collaboration between customer and supplier. By involving the supplier in an earlier stage, products can be made more reliable and cost efficient. As it is now a feedback loop is developed where the customer initiates corrections until the producer has obtained an adequate product design as mentioned by Thomke and Hippel (2002). Raval and Grönroos (1996) stress that companies must provide offerings that are contributing with a greater net-value than the offerings made by the competitors and the co-creation might be a way of gaining this value.

5.4 The market

It is rather clear that the respondents have dissimilar views for how the market appears. Most of the respondents argue that there is a hand full of competitors to Stilexo in Sweden. The only one that deviate from this answer is Örjan Persson (EC) and Monica Molin (EC) at Ericsson who argues that there are between four and five competitors world wide to Stilexo. In contradiction to this XX (PC) states that there are hundreds of competitor to Stilexo seen on a global basis. According to Svenska gjuteriföreningen (2006) there are 200 casting industries in Sweden and all of these could be potential competitors to Stilexo. Svenska gjuteriföreningen further explains that these 200 casters have specialized into different areas. According to Per Jansson (E) Stilexo are experts at casting in aluminum which is a relatively small niche within the Swedish casting market. In order to be able to deliver to the telecom and automotive industries, the supplier needs to have a quite high capacity. These are reasons to why not all of the casters in Sweden can be seen as competitors to Stilexo.

All of the respondents argue the market has become global. The fact that almost half of the casted products used within the Swedish industry are imported highlights this reality. This means that there are several competitors to Stilexo viewed from a global perspective, but to give an exact figure is difficult which is strengthened by the answers provided from the respondents.

Even though competitors usually are viewed as something unwanted Krister Granberg acknowledges that there are occasions when Stilexo and in the end the customer benefit from having them. This is also verified by Scott (2007) and Zuckerman (2006) who states that by cooperating with the competitors it can be possible to cut cost and make the own organization more profitable.

5.5 Product and Service Value

The frame of references displays two different views on product/ service value; Linn and Kotler's model. When making the analysis Kotler's model will be used in combination with Linn. Linn's model has the possibility of analyzing the values from two perspectives both the customer and the producers. The reasons why Linn's model can not be applied fully has to do with the focus on the sociological characteristics, consisting of values such as image and pricing that are included in the product concept. Therefore Kotler's model will be used inspired by Linn viewing the product from two perspectives, both a producer perspective and how the product is perceived by the existing and potential customers.

5.5.1 Stilexo's perspective

The answers provided within Figure 5-2 are the respondents at Stilexo's thoughts about what they perceive as important to offer.

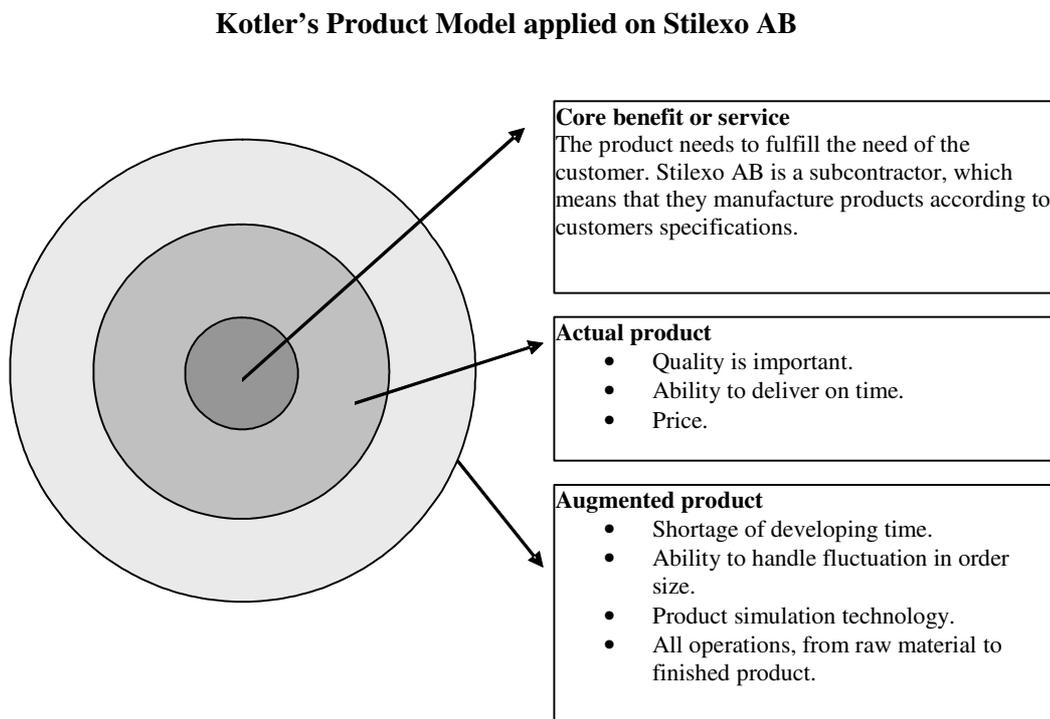


Figure 5-2 Kotler's Product Model applied on Stilexo

Core benefit or service

In order to fulfil the core benefit/service the products must to be in line with the needs of the customers. In the case of Stilexo this means being able to produce a product in a way that a customer has constructed a product.

Actual product

The actual product refers to the physical attributes of the product that increase the value of the product. From Linn’s model the price concern has also been included. Applied at Stilexo the actual product includes issues such as quality, ability to deliver on time and that the price is within a certain price range.

Augmented product

The augmented product includes intangible features that are connected to the product that exceeds normal standard. Regarding such intangible features Stilexo explains that they have software, in which they can simulate a product before starting up the actual production. By using this software it is possible to decrease the time used for product construction. Due to a high capacity in their manufacturing it is possible to handle order size fluctuation. Stilexo also has the capability to produce a product from raw material to a finished product.

5.5.2 Potential and existing customer’s perspective

According to Per Jansson (E) the difficulties lies in knowing what the customers demand from Stilexo, which in turn has formed our purpose. Consequently if Stilexo should be able to focus on a few values that they know are demanded from the customers they could become more competitive. In the Figure 5-3 the expectations and what the customers would like the supplier to excel in is presented. The values turned out to be uniformed, which means that no major differences were found between potential and existing customers regarding the product and service values.

Kotler’s Product Model applied on potential and existing customers

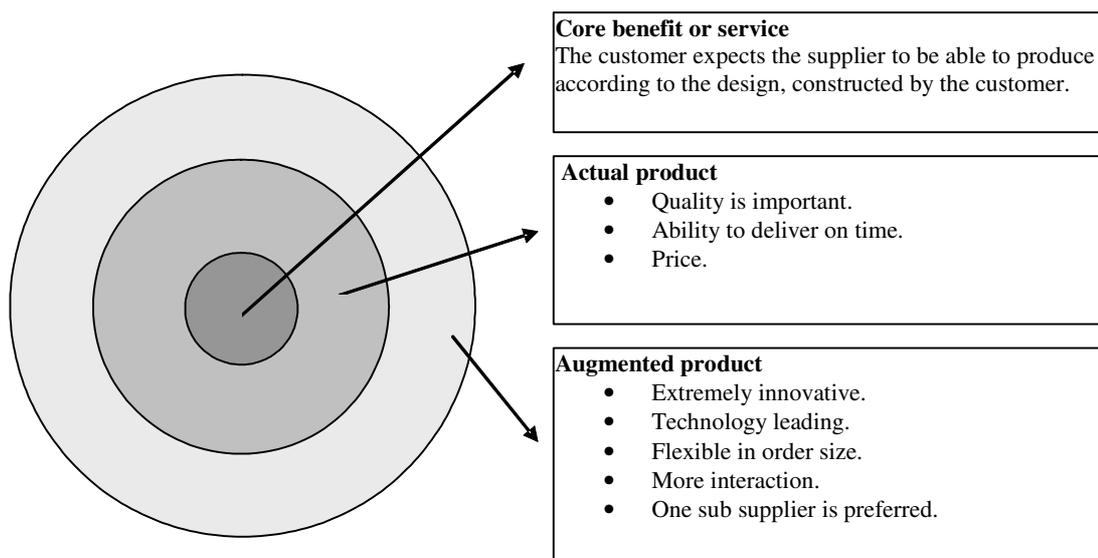


Figure 5-3 Kotler’s Product Model applied on potential and existing customers

Core benefit or service

The answers provided by the suppliers are very much the same as Stilexo expected regarding the core benefit/service. If a supplier can't produce what the customer is asking for, the supplier is not qualified as a supplier.

Actual product

Even regarding the actual product the answers from the customers and Stilexo are the same. This implies that Stilexo has a good understanding of what the customers expects from them. All respondents agree upon that if these values can't be delivered, the supplier is not qualified as a supplier.

Augmented product

Concerning the augmented product or the extra values that the customer would like the supplier to offer, we have found similarities with Stilexo's thoughts. The customers would like a supplier to be extremely innovative and technology leading. This could be expressed through the software that Stilexo possess, which according to Per Jansson (E) few of the competitors within the casting industry can offer. According to Stilexo they perceive them self as being good at handling order size fluctuations which is asked for from the customers. The ability to being able of having this capacity is regarded as an extra value among the suppliers. Also the fact that Stilexo is a complete supplier when it comes to which operations that they can perform, means that the customer only have to make use of one supplier.

Similarities could be found between Linn's meta product and Kotler's augmented product. Both of the dimensions try to focus on what the customers would regard as extra value. A problem that is expressed by Linn is the supplier's subjectivity when evaluating their own strengths, since at the end it is up to the customer to decide if they experience them too. Örjan Persson (EC) at Ericsson, who is a customer at Stilexo today, confirms Stilexo's thoughts of their own strengths. Örjan Persson (EC) explains that Stilexo are in the fore front regarding new technology, Stilexo are very proactive and flexible regarding developing new products.

5.6 Different perspectives on Stilexo's strengths and weaknesses

Every company is confronted with different internal and external forces which contain potential trigger events; it can as well contain possible limitations that hold back performances or objectives that a company desire to obtain. To analyze strengths and weaknesses can be a suitable tool to identify and evaluate possible limitations and abilities.

The perspectives regarding Stilexo's strengths and weaknesses can be viewed from two perspectives Stilexo's and their existing customers. Stilexo's strengths seen from both perspectives are displayed in Table 5-1 and analyzed below.

Stilexo's perspective on their strengths.	Existing customer's perspective on Stilexo's strengths.
High technology level	Proactive
Customer oriented	Delivering accuracy

Technical expertise	Technical expertise
Flexible production lines	Flexible
High average competence level	Innovative
Global company	Local responsiveness

Table 5-1 Different perspectives on Stilexo’s strengths

The general impression is that Stilexo perceives their strengths as they are perceived by their customers. High technology level was one of the parameters that were not mentioned by the different customers, which in turn Stilexo mentioned as important. As stated in the introduction Stilexo posse’s software that enable them to simulate the casting process, which we concerned as high technology. It might be hard to interpret what the respondents on the customer side aims at when they respond with the word innovative.

Per Jansson (E) perceive that the merge with Alteams contributed with a higher global responsiveness and view that as an advantage. This might be an advantage because Stilexo can offer Swedish companies that expand internationally the ability to transfer native production abroad. By transfer production abroad they can have production facilities next to the customer’s production site. From a logistical and financial perspective both Örjan Persson (EC) and Monica Molin (EC) mention Stilexo’s local attendance in Sweden as an advantage. This was never mentioned by Stilexo as an advantage, instead the focus is on acting global. Accordingly there exist both pros and cons with being global.

The perspectives on Stilexo’s weaknesses can be viewed from two perspectives; Stilexo’s and their existing customers. Stilexo’s weaknesses seen from both perspectives will be displayed in a Table 5-2 and analyzed below.

Stilexo’s perspective on their weaknesses.	Existing customer’s perspective on Stilexo’s weaknesses.
Focus to much on one customer	Financial difficulties
	Upper price segment

Table 5-2 Different perspectives on Stilexo’s weaknesses

When regarding the weaknesses the two perspectives turned out to be different. Stilexo stress the weakness of focusing too much on one customer. As a company it might be a rough situation if the more or less total revenue is generated by the same customer, in case that this customer decides to pull out.

Ericsson is Stilexo’s largest customer which means that a withdraw from them might cause severe losses. The fact that Ericsson is of the opinion that Stilexo suffer financial difficulties and the reason why Ericsson view it as a weakness probably have to do with the risk of loosing Stilexo as local supplier.

The last weakness mentioned have to do with Stilexo’s pricing strategy, which is viewed as in the upper price segment. Consequently Stilexo is dependent on Ericsson and the price is an important factor when doing business in within the casting industry, therefore the pricing might have to be reconsidered.

5.7 Research questions revisited

The purpose of this thesis is to interpret how Stilexo can create higher customer value.

The reasons why Stilexo want to offer higher customer value is that they due to the increased competition from low-cost countries have to lower their margins in order to survive. Stilexo has found that they are not able to compete on price basis and therefore have to offer other customer values. These compose a base for the following research questions.

- What can make a supplier an order winner?

Every respondent agreed upon that quality, price and ability to deliver on time is essential; otherwise the supplier is not qualified as a supplier. If the supplier can't deliver products that meet these demands there is no need of spending resources in order to increase other customer values. This indicate that these are the most important values, but given that several suppliers have the capabilities of delivering these values there are other values that will make an supplier an order winner. Consequently, if a supplier does not fulfil the previous needs they will not qualify as a supplier, in order to be a winner the supplier must be able to differentiate them selves from their competitors.

In order to differentiate from the competitors the supplier needs to offer services that are not offered by the suppliers' competitors or provide them in a more sufficient manner. The differentiation can be made in many ways, but it is important to identify the once valued by the customers. The theory calls this differentiation the augmented product which include features that exceeds normal standard. Our findings indicate that customer's value if the supplier differentiates within the following areas; innovativeness, interaction, flexibility, technology, and that the supplier can handle the whole supply chain.

Regarding the innovativeness the customers want the supplier to be part of the product development. Give design and construction criticism that in the end gives a more reliable production since the product can be adapted to the production facilities and shorten the development time. Today the development phase could be described as trial and error which leads to long and expensive product development. By increasing the interaction between customer and supplier, through what the theory mention as co-creation it would certainly create a competitive advantage against competitors. This is strengthened by the respondents which explain that it would be desirable to co-create products together.

Within the casting industry the supplier must be able to be flexible. The findings indicates that one way of being flexible aims at being skilled in adapting production capacity, in order to meet fluctuations in demand. Seen from a technology perspective the ability to change and adapt production lines in short time, demands a high technology level. Consequently, supplier that has a flexible production line should posses a high technology level.

The study includes large companies representing major actors in the industry, which prefer to have as few suppliers as possible and buy as concluded products as possible.

- Which direction should Stilexo make use of in order to fit the suppliers need regarding the customer value?

As indicated in the previous research question the most important areas to excel within in order to be an order winner are innovativeness, interaction, flexibility, technology, and that the supplier can handle the whole supply chain. Both Stilexo and their existing customers believe that Stilexo already score high in some of the mentioned categories.

Regarding innovativeness Stilexo explains that they have long experience within the casting industry. The customers can gain from using this experience in order to develop better products. Stilexo also claims that they are being innovative since they have the capability to manufacture their own production automation. The fact that Stilexo are innovative is confirmed by Örjan Persson (EC) at Ericsson since he argues that Stilexo are proactive when it comes to developing new products. This indicates that Stilexo are also flexible when it comes to developing new products. Further on Örjan Persson (EC) states that Stilexo are good at handling production fluctuations.

The customers state that technical expertise is important in order for the supplier to be an order winner. Stilexo can in some ways be described as technology leading since they can provide product simulation and that they have the technical competence to construct their own automation. The fact that Stilexo is in the fore front regarding new technology is verified by Örjan Persson (EC) who states that Stilexo are technology leading.

Concerning the interaction between the supplier and the customers, Stilexo would like to be more involved in the product development. This imposes making the consumption process skilled. In order for Stilexo to become more involved in the product development they need to gain trust from the customers. The fact that the customer needs to experience trust from the supplier is reinforced by Krister Granberg (E) at Stilexo and Monica Molin (EC) at Ericsson.

6 Conclusions

In this section our conclusion and final thoughts are presented followed by suggestions for further research.

Our conclusion regards how Stilexo can create higher customer value and thereby increase their competitiveness towards foreign suppliers from low cost areas. In the conclusion we have tried to highlight the areas in which we believe are the most important to focus at.

The model created by Naumann (1995) used in our analysis, mention four different components that affects how customers perceive value. Our findings indicate that the component *service quality* and the fifth dimension *good relationship* are the most important ones and should consequently be prioritized. Further on Naumann states that in recent time, service quality has become more important in order to differentiate from the competitors. This is due to the fact that product quality and price must be adequate in order for a customer to consider a supplier as conceivable. Accordingly the focus of the analysis has been on service quality, even though we have mentioned price and product quality since they are important but not to the same extent as service quality within the casting industry. In line with Naumann's thoughts we agree with him that all areas can not be improved at ones, but by identifying the important drivers of value a manager can focus on the issues giving the customer as much value as possible. In this case study the service components that we have found that Stilexo should focus at are innovativeness, interaction, flexibility, technology, and that the supplier can handle the whole supply chain.

All respondents have touched upon the previously mentioned areas that we have found to be the important once. We believe that Stilexo already scores high in the important areas but obviously one can always improve. The fact that Stilexo are good at the service oriented issues is confirmed by their present customer Ericsson. The question is how Stilexo are going to communicate their abilities to the market in a manner that inspires confidence.

The fifth dimension in Neumann's model is about having a good relationship with the customers. This is undoubtedly important for every supplier and Stilxo is not an exception. The thesis have shown that having a good relationship within the casting industry can be shaped in numerous ways, for example the customer demands flexibility in location and desire for increased co-creation of products. We have found that the customers value if the supplier is both global and local. One could wonder if it is more important to be locally situated since Ericsson wants their suppliers near by their manufacturing sites, but since they are global the only way to be local is by being global. When comparing Stilexo's weaknesses some alarming facts turned up. Ericsson who is their main customer stated the high price level as a weakness. We think that Stilexo have to create a strategy for communicating the extra value gained of trading with local suppliers, which could compensate the higher price level.

We think that the global versus local issue constitutes the biggest gap, considering the analyzed perspectives. The fact that Stilexo is present on the local market in Sweden could be used as a marketing strategy and should not be viewed as a burden. Being global is important, but local responsiveness might become an even greater value in the future when competitors move abroad.

The literature stresses the importance of exploit the customer's knowledge and possibility to influence the products and services offered by the supplier. Wikström mentions that the customers should be able to influence, but our thesis stress the importance of that the influence is in a two-way direction so that the supplier also influence. Stilexo and their exist-

ing as potential customers have a lot of customer value to gain if they would interact more with co-creation of the products. In order for the co-creation to be successful the relationship between the two parties must be excellent. From our empirical findings we know that Ericsson find Stilexo as being good at building long term relationships. It is stated from both Stilexo and the customers that it is vital that relationship is characterized of trust. This is an ability that we find very important in order to be successful when putting more focus at the service quality.

6.1 Theoretical and empirical contribution

We believe that we been able to identify which values that are important within the casting industry in order to create higher customer value.

Secondly, giving both the suppliers perspective and existing/potential customers contributes with an increased understanding for gaps that occur in how the different parties perceive customer values.

6.2 Self criticisms

It could have been interesting to have interviewed additional respondents both at the company and existing and potential customers. A study with more respondents might have contributed with further perspectives.

The decision to not visit the customers on site have decreased the validity and had given us the possibility to further be interactive consultants as described in the method chapter.

6.3 Suggestions for further research

By answering one question, new questions that are connected to the answer arise. In our thesis we have identified in which areas we believe that Stilexo needs to focus at in order to increase their competitiveness at the market. But identifying these areas is just the first step in order to formulate the overall strategy. So in order to get an even deeper and more balanced apprehension of how an organization can increase their competitiveness we would suggest further research within the following areas.

Create a plan of action.

We have found that service quality is the most essential in order to increase the competitiveness. We have also highlighted which areas within the service quality that the respondents have valued as important. But how are the organisations going to improve within these areas? We believe that more research needs to be done in order to give more precise suggestions of how the improvement should be done.

How do we communicate changes to the market?

Being very good at something or having certain abilities is not worth much if the market does not know about it. So how should a supplier make the market aware of the changes that they have undertaken? What kind of marketing channel gives most value for money and how should the message be displayed? We argue that this is just as important as the actual abilities that the organization possesses.

Similarities and/or differences within other industries.

Is there any circumstance that makes the casting industry unique or are the values the same for other B2B markets? We also wonder if the values are the same within B2C or if *price* and *image* are more important in that type of market? In order to answer these questions further research within this area needs to be accomplished

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8 Appendix

Interview guideline with employees at Stilexo

Background of the interviewee

- What is your role within the company?
- How can you influence market strategies used at Stilexo?

Customer value

- What is customer value according to you?
- What makes a supplier an order winner?
- What do you think that the customers expect from your organization in order to fit their need?
- Which key values do your organization find important when making a product offer towards the market?
- What does your organization believe is the relative importance concerning the key values?
- Who are the competitors on the market?
- What strengths/weaknesses do your organization possess compared with your competitors?
- How would you describe Stilexo's strengths?
- How would you describe Stilexo's weaknesses?
- Why do customers choose you?

Interview guideline with existing customers

Background of the interviewee

- What is your role within the company?
- What is your role in purchases? (Decision maker, influential person, user and so fourth.)

Customer value

- What makes a supplier an order winner?
- What makes the product (e.g. features and quality) an order winner?
- What is customer value according to you?
- How does your organization view supplier value today?
 - Regarding expected
 - Regarding perceived
 - Regarding delivered
- Which values do you find important when your organization is searching for a proper market offer?
 - Can you arrange the values mentioned previously in relation to their relative importance?
- If necessary how can Stilexo change their strategy to fit the need regarding customer value?
- Which are the competitors on the market?
- How does the Stilexo score in comparison to the competitors when examine the key values?
- How would you describe Stilexo's strengths?

- How would you describe Stilexo's weaknesses?

Interview guideline with potential customers

Background of the interviewee

- What is your role within the company?
- What is your role in purchases? (Decision maker, influential person, user and so fourth.)

Customer value

- What makes a supplier an order winner?
- What makes the product (e.g. features and quality) an order winner?
- What is customer value according to you?
- How does your organization view supplier value today?
 - Regarding expected
 - Regarding perceived
 - Regarding delivered
- Which values do you find important when your organization is searching for a proper market offer?
 - Can you arrange the values mentioned previously in relation to their relative importance?
- Which are the competitors on the market?
- Which values does your organization perceive that your current supplier delivers today?
- Are there any values that are wanted but not perceived from the current supplier, e.g. closer interaction with supplier in order to create unique values?

Appendix