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# VALUE PROPOSITION ENHANCEMENT IN RETAILERS OF THE HVAC INDUSTRY

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# ABSTRACT

This case study explored value proposition and relationship marketing determinants in the HVAC (Heating, Ventilation and Air Conditioning) industry. Concretely, the case involved Purmo, a prominent brand and market leader radiator manufacturer, its relationship marketing practices with the retailers of their product (radiator installers) and the value proposition which is being used to reach the end-user.

In the field work, five heating experts/entrepreneurs in the installation business were interviewed and asked about their opinion on Purmo and the end-user's needs.

The findings suggest that while installers appreciate Purmo as a supplier and respect it as a company, the loyalty that they have towards it has no repercussions on their product advocacy to ultimate consumers. Installers proved to be attracted to standard model radiators and to be apathetic to the benefits that more advanced models can provide. The reasons for this behavior were found to be their preference for products with better availability and their reluctance to interfere with the customers' decision making processes.

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# 1. INTRODUCTION

This chapter serves the reader by familiarizing him/her with the background and problem context of this thesis. This introduction will also explain the research questions and objectives, delimitations of the study and lastly a literature review of the theory that will constitute the main tools to the research project.

## 1.1 Background

While the term "value proposition" is commonly used in today's business practices, scholars have noted that it is often erroneously understood as a list of product/service features rather than a structured and fully developed value statement (Camlek 2010, 119). In turn, value proposition and its correct use has special challenges in B2B scenarios; industrial market companies have the particular characteristic of manufacturing or commercializing products that will eventually reach end-users through third parties, which inevitably means that the value proposition that will be given to ultimate consumers may vary from the firstly intended. This thesis deals with this problematic from the perspective of a specific business case.

Purmo is the trademark of the Finnish company Rettig Värme Ab specialized in heating solutions which has been operating for over 50 years. Purmo's product portfolio consists primarily of panel radiators, but includes also decorative radiators, underfloor heating systems and towel warmers. With around 3 million radiator units sold in Europe and Asia every year, the Purmo-Radson group is not only the undisputed market leader in Scandinavia, the Baltic countries and Poland, but also together with its sister brands in Rettig ICC the largest heating radiator brand in Europe (Purmo, 2012).

Purmo is part of the Rettig Group, a family owned Finnish company with a tradition of over 200 years. The Rettig Group has three business areas, the biggest one being Rettig Indoor Climate Comfort (ICC), the division of which Purmo, and other heating solution sister brands are part of. In 2012 Rettig ICC had 16 production plants in 11 countries across Europe, employed around 3010 people and generated a turnover of 555 million euros (Purmo, 2012).

Purmo operates with project sales and sales over-the-counter, both exclusively through wholesalers. Each of the channels stands for approximately 50% of the market size. The brand targets smaller projects such as renovation works (also known internally, and hereupon referred as the "replacement market"), where installers and end users have a strong influence. For this reason, Rettig ICC has decided to make Purmo the "emotional" brand in their portfolio, meaning that Purmo represents the most human and sensitive side of Rettig ICC by tapping into individuals' needs, as opposed to their second brand umbrella (Vogel & Noot) which is targeted to larger contract markets where architects and other players of the sort are prioritized over end-users (Rettig ICC, 2012). Even though Purmo also generates sales from the latter mentioned "project market", this study will focus entirely in the replacement market.

Since its brand redesign in 2007, Purmo has directed its communication strategy towards its "clever heating solutions" campaign, an effort to show with figures and scientific research that their radiators can be up to 15% more energy efficient that underfloor heating (Purmo, 2011). Along with these, the company has emphasized in the multiple interior design possibilities that radiators present through their high-end radiators.

Summarizing, Purmo wants to highlight features that have been ignored in the radiator industry, starting with changing the perception of radiators as an outdated heating solution, they want to reassure that radiators are still a viable option for home re-modeling and heating system upgrading by

proving with facts that radiators go beyond functionality. A strong technological base has given them the tools to accomplish this task: quality, design and energy efficiency.

Currently Purmo feels that its potential is not being seized completely, as the energy efficiency and interior design quality of its products are far from being recognized as much as their functionality features. According to Mia Högkvist (2013), Marketing Manager for the Nordic region, the majority of the produced units is standard basic radiators. Only a smaller part is high end.

Considering that the demand is not likely to grow unexpectedly any time soon and that Purmo's production concentrates in basic radiators, the company hopes that the market will appreciate product design and performance in the near future, therefore allowing a bigger share of the production to be high-end radiator models. (Högkvist, 2013)

Purmo operates in a B2B environment and because of this it is not common for the end-user to be aware of the brand. This happens even with end-users from Finland, where Purmo has been around for decades and it has approximately 70% of the market share.  Some of Purmo's most valuable offerings, such as its energy efficient technology and its design alternatives are also commonly ignored by end-users. Its particular value chain leaves wholesalers, contractors and in most renovation cases, HVAC (heating, ventilation, and air conditioning) installers in charge of marketing to the end-user.  It's in that last part of the chain where Purmo's message is getting lost and/or distorted and this is Purmo's biggest concern. (Högkvist, 2013)

In central and eastern Europe installers are typically active advisors when it comes to heating products. They are willing to go "the extra mile" by offering radiators that not only fulfill the technical specifications but also play

a role in interior design. In other words, depending on the customer, they know when a basic radiator is not enough to satisfy the needs. The situation doesn't seem to be the same in Nordic countries, where installers rarely have a marketing mentality and rather stick to merely technical needs, which results in them installing standard radiator models. In some cases, Nordic installers not only avoid mentioning alternatives to the basic radiators but will even recommend them over pricier models to make sure that he can offer a price so low that the customer will not change their mind about purchasing a new radiator. On the same token, installers from the Nordic region usually fail to mention the advantages of radiators, such as easy installation/upgrading and environmental friendliness. (Högkvist, 2013)

The problem lies in the value perception of the installers and their marketing commitment to the end-user. Of course, as the market leader for so many years, Purmo's brand is highly known by professionals in the industry, but the positioning is mostly related to quality and warranty. Purmo's communication strategy is not being fully supported by installers due to their lack of motivation in telling the end customer things that he/she may ignore about hydronic heating. The only way of getting the message through to the end consumer is with the commitment of the installer.

In order to get the installer to commit to more sophisticated radiator lines their value proposition has to be closer to what the customer actually needs and their loyalty and advocacy for Purmo can also influence positively. It is also important for the company to hear the installers' voice to know what sort of attributes other than price they value in Purmo's products. Following this, it is in order to determine what the installer believes is valued by the end user.

## 1.2 Research objectives and questions

The objective of this research project is to study Purmo's marketing case from an academic perspective, emphasizing the concepts of value proposition and relationship marketing and also contextualizing its reality and related issues with managerial implications at the end. The objectives of the study are better understood through the research questions. The primary research question taps directly onto the objective of the research while secondary questions support the main research question by dividing it in topics which having been answered will facilitate the resolution of it.

Main research question:

*How to enhance value propositions in retailers of the HVAC industry?*

Secondary research questions:

Question 1: *What is the value proposition presented by installers?*

Question 2: *How are the different types of value proposition benefits perceived by heating experts?*

Question 3: *How satisfied are installers with Purmo's radiator lines?*

Question 4: *What do installers need in order to advocate higher radiator lines to the end consumer?*

## 1.3 Delimitations

This is a qualitative study that focuses on market perceptions in heating radiators industry. It specifically concentrates on the replacement market

of Purmo brand heating radiators and the actors involved in it. The data arising from the field work represents the views and thoughts of heating experts in Finland. Although special attention is paid to the products themselves, the thesis does not talk about technical aspects of hydronic heating but rather talks about supplier-retailer and retailer-end-user relationships in the HVAC industry.

As the main contact is the management of the Nordic region, the study will focus in actors in the HVAC supply chain from Finland. This of course gives a limited view of the case and the findings will be hardly generalizable to non-Nordic markets as the difference in role of the installers has been previously identified by Purmo in other studies (Högkvist, 2013).

## 1.4 Literature Review

Many would agree that Marketing's central objective is to deliver true value to customer through the offering of products and services. Value creation is closely related to the concept of value proposition, which externalizes the reason why a customer should make a purchase, emphasizing the value that it represents. An alternative view suggests that a prime component of marketing consists of strengthening the firm's relationship with their customers, generating profit through this asset. Both notions, value proposition and relationship marketing, are the theoretical pillars of this thesis. This section will revisit their origins and role in marketing through the years. A more thorough revision of the concepts' characteristics and applicability can be found on Chapters 2 and 3.

### 1.4.1 Value Proposition

The notion of value has been moving forward hand-in-hand with the study of marketing for over half century. Value Proposition (VP) nevertheless, only started making its way into the marketing spotlight about 30 years

ago. Up to the 1970's value was often demonstrated or claimed with advertising that mentioned a series of supposed features of a certain product or service as opposed to presenting a solid, well based proposition (Camlek, 2010).

In the early 1980's, Levitt (1983) discussed one of the most important ideas regarding value literature, this was "marketing myopia". Widely known, and still presented as example today, marketing myopia is the "diagnosis" given to marketers that focus on selling products instead of caring about the customers' needs; it serves as a metaphor of seeing the immediate instead of looking beyond. Also in that text, "the marketing imagination", Levitt (1983) approached the concept of VP with one called "augmented product", which was the group of tangible and intangible customer expectations behind a generic product. A year later, Michael Lanning authored the term VP calling it "*a clear, simple statement of the benefits, both tangible and intangible, that the company will provide, along with the approximate price it will charge each customer segment for those benefits*". According to Lanning, once there was some awareness of VP, marketing managers understood the importance of the experiences surrounding the customer and how managerial decisions have the power of influencing those experiences. Resulting customer experiences are a different way of understanding customers' needs, requirements and benefits, and understanding the value behind those experiences is "*…the essence of a real value proposition*". (Lanning 2000, 2-6)

The popularization of VP has made it impossible to convene in a singular definition. According to original author, Michael Lanning (2000, 6-11) since VP has been co-opted by general marketing theory it has lost the true meaning that he proposed initially. Lanning argues that VP has been utilized and misunderstood as a tool to create positioning and branding in products, while for him it is a much wider strategic tool that involves important trade-offs for the organization.

In the early 1990's the strategy management tool Balanced Scorecard authored by Robert Kaplan and David Norton gained much attention by enlightening the importance of non-financial measures such as people, information, skills and knowledge. It also reminded the importance of VP by stating that both financial and non-financial resources had the responsibility of caring for customers' needs by delivering value to them (Camlek 2010, 120).

In the present day, the VP concept is still used in theory and in practice. Modern marketers understand that the days of settling for communicating features, functions and gadgets are behind; no customer is going to purchase something from a company simply because they claim to be better than all other options. Nowadays, vendors win the battle when they can successfully demonstrate the capabilities that their product brings speaking from the customers' point of view. The difference is clear when companies can translate basic utilities into actual solutions that serve as desired outcomes and consequently value. In B2B, it is common to quantify this value by specifying what revenues the vendor's product can generate (Camlek 2010, 121-123). Consumers of the XXI century in both B2B and B2C markets are more empowered and informed than ever before but also, catching their attention is proving to be one of the most challenging tasks of marketing, something vastly potentiated by the constant information flow stimuli caused by media.

### 1.4.2 Relationship Marketing

Whether addressing Relationship Marketing (RM) directly or not, it is reasonable to state that for decades now marketing scholars have acknowledged the importance of nurturing relationships in both upstream (with suppliers) and downstream (with customers) settings. This justifies the role of RM today, when the role of relationships and human interaction are key in business scenarios of multiple contexts. (Samiee and Walters 2003, 194)

To better comprehend the position of RM today is necessary to study its origins. In 1980, Ian McNeil talked about B2B relationships by describing two different types of transaction. A "discrete transaction" is the mere exchange where an ownership is bought; it's a type of transaction that happens once or is in any case sporadic. A "relational exchange" in contrast, is a transaction that recognizes and values past, presence and future of the interaction between the parties, which conceptually coincides with RM (Samiee and Walters 2003, 194). Two years later, John and Reve (1982, 522-523) described the roles that company "informants" (company members in contact with other organizations) played in interorganizational relationships in marketing channels (B2B). In network theory terminology, informants strengthened relationships by acting as *dyads,* entities that created bonds between organizations that had commercial exchanges, in particular wholesalers and retailers. But it was Berry (1983) who first defined the concept, saying that RM was "*attracting, maintaining and…enhancing customer relationships*". These are elements that alternative definitions have in common to this day.

The 1990's were the decade where RM was truly discovered and its relevance was spread amongst marketing scholars (Samiee and Walters 2003, 198). A number of studies have defined RM in the past decades, in the 1990's for example, many elements of a definition started merging reaching a point where they were tacitly agreed upon. One of the most uncomplicated explanations of RM's objective was given by Berry and Parasuruman in 1991, stating that "*RM concerns attracting, developing, and retaining customer relations*", it captures the essence of the term in three punctual tasks. Finnish professor, Christian Grönroos, one of the most important names in RM explained the dimensions of the concept in 1991 as "*…establishing relationship involves giving promises, maintaining a relationship is based on fulfillment of promises; and, finally, enhancing a relationship means that a new set of promises is given with the fulfillment of earlier promises as a prerequisite*" (Harker, 1999). Similarly but alluding B2B profitability in particular, Gummerson (1994, 6) talks about RM assur-

ing that it "emphasizes a long-term interactive relationship between the provider and the customer, and long-term profitability".

In an attempt to reach an "official definition", after a thoroughly revision and analysis of 26 RM definitions found in academic literature, Harker (1999, 16), found that Grönroos' definition of RM gathered all the distinctive elements of RM and as such, it represents the most accurate characterization. According to Grönroos (1994, 26) *"Relationship marketing is to identify and establish, maintain and enhance and when necessary also to terminate relationships with customers and other stakeholders, at a profit, so that the objectives of all parties are met, and that this is done by mutual exchange and fulfillment of promises"*

RM has therefore proved to be a valid theoretical ground that tackles marketing from real problematic and phenomena such as the importance of upstream and downstream relationships. RM also proposes a perspective that is based in principles distanced from traditional marketing but is nonetheless relevant to this research.

As it is seen in this literature review, Purmo's case can be approached from examples of business-to-business topics that have been extensively investigated in the past. Most of those studies had a causality nature and were therefore quantitative; nevertheless the character of the HVAC industry and more specifically, the particularity of the roll of the retailer in Purmo's case make this study unprecedented.

## 1.5 Definition of key concepts

**Value proposition:**     *"A statement focusing all the organization's market activities onto customer critical ele-*

*ments that create a significant differential within the customer's decision process, to prefer and/or purchase the organization's offering over a competitor's"*- Fifield (2007, 443)

**Relationship Marketing:** *"To identify and establish, maintain and enhance and when necessary also to terminate relationships with customers and other stakeholders, at a profit, so that the objectives of all parties are met, and that this is done by mutual exchange and fulfillment of promises"* - Grönroos (1994, 26)

**Advocacy:** *Actively recommending a company and its products/services to others. An advocate does marketing for the company supporting it spontaneously and without seeking monetary rewards.* – Godson (2009-108)

**Customer loyalty:** *"The level of customer's psychological attachments and attitudinal advocacy towards the service provider/supplier"*- Rauyruen and Miller ( 2007)

**Customer commitment:** *"A desire to develop and strengthen a relationship with another person or group because of familiarity, friendship, and personal*

*confidence built through interpersonal interaction over time"* - Sharma et al.( 2006, 65)

**Resonating focus:**          *Creating a value proposition that prioritizes the few elements of the offering that are most valued by the customer, communicating them in their own language and also documenting and demonstrating their performance.* - Anderson et al (2006)

## 1.6 Theoretical framework

The theoretical framework is meant to contextualize the reader with the research project by providing a "map" that connects the key concepts and it centers them ***in the case.***

*Figure 1* is the theoretical framework of the study; it's a representation of the main supply chain actors in the HVAC industry and shows the phenomena surrounding the protagonist of the study, the HVAC installer. In the diagram, satisfaction from supplier, RM and VP are intrinsic to the above-mentioned actor and most importantly, are meant to be part of the relationship with the other players; being so, the first two involve the interaction between retailer and supplier, while VP has to do with the relationship between the retailer and the end-user. Lastly, the diagram also pictures the sub-topics of the two main conceptual pillars (VP and RM); these are customer commitment, customer loyalty, advocacy, product benefits and resonating focus.
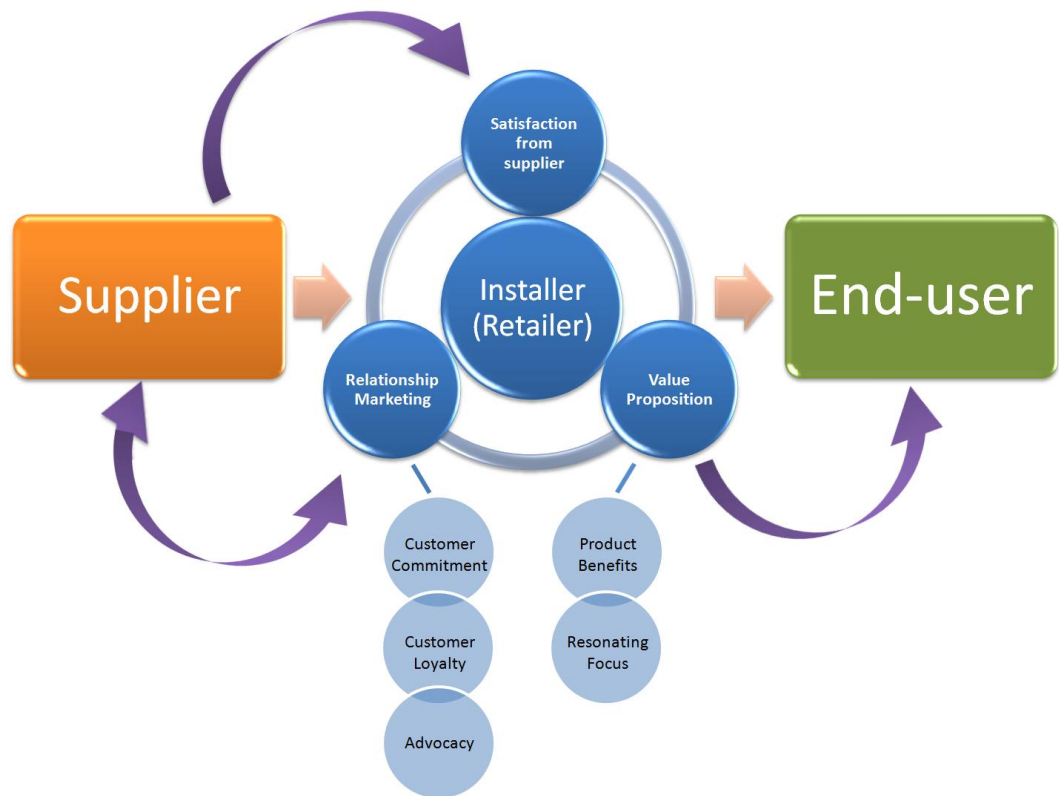
*Figure 1*. Theoretical Framework of the study.

## 1.7 Research method

This case study was developed through a qualitative method consisting primarily of telephone interviews to professionals operating in the HVAC industry, more specifically, heating system installers that have a long history with Purmo products. The method intends to approach and penetrate the case to resolve the research questions and achieve the overall objective.

The initial step was to contact the installers via email; a total of 217 installers were contacted and this connection was possible thanks to Purmo's data bases, which hold the information of hundreds of HVAC professionals

all over Finland. In the message, the installers were asked to collaborate with the project by providing a telephone interview to talk about their views on Purmo products and the HVAC industry. The academic (non-commercial) nature of the request was explained by underlining the collaboration between Purmo and LUT. The first 70 emails were highly unsuccessful, having no responses at all. After a discussion with the company, the email was modified to clarify the request to the receivers. In the second version of the email the role of the installer was highlighted by mentioning the importance of their presence not only in the research but in the HVAC industry in general. This was done in an attempt to motivate the respondents, uplift their self-image and encourage them to make part of the research. The new message was sent to the remaining 147 installers, resulting in a positive response by 5 HVAC professionals, which translates into a 2,3% response rate.

The interviews were carried out via telephone with the help of an interpreter, who would re-introduce the research to the installer and read the questions in Finnish language. The role of the translator was of vital importance due to the author's limitations with the language; not only would the translator read out loud but also make sure that the interlocutor understood the questions and gave adequate answers to them. In occasions, the installer would ask questions back which were then answered by the author and translated into Finnish.

The specificity of the sent email facilitated the interview being that the installers were aware of the type of questions they would be asked and also had scheduled enough time for the interview.

The audio of the interviews was recorded and later transcribed. The transcription was done directly into English, also with the help of translators. The data analysis led to the characterization according to value proposition and relationship marketing parameters. This will help in understanding the different needs that actors with different perceptions of Purmo have

and is the key to getting to know from their own words how Purmo can make a difference in their relationship with them and by extent, with the end-user. Being an inductive reasoning study, it is acknowledged that no specific result was expected or unexpected from the interviews.

## 1.8 Structure of the study

This thesis is structured in six chapters, starting with the current introductory one. Chapters 2 and 3 form the base of theoretical topics and subtopics that are collected with the purpose of contextualizing the reader. The text goes on to the methodology, which contains details of the method used in the field work, as well as the data analysis. Chapter 5, "empirical analysis and findings" combine the previous chapters into a breakdown of the information gathered in the field work in terms of the research's theory. As it is expected, "discussion and conclusions" are drawn at last to wrap up the case and the research project. *Figure 2* is a graphical representation of the structure of the study.
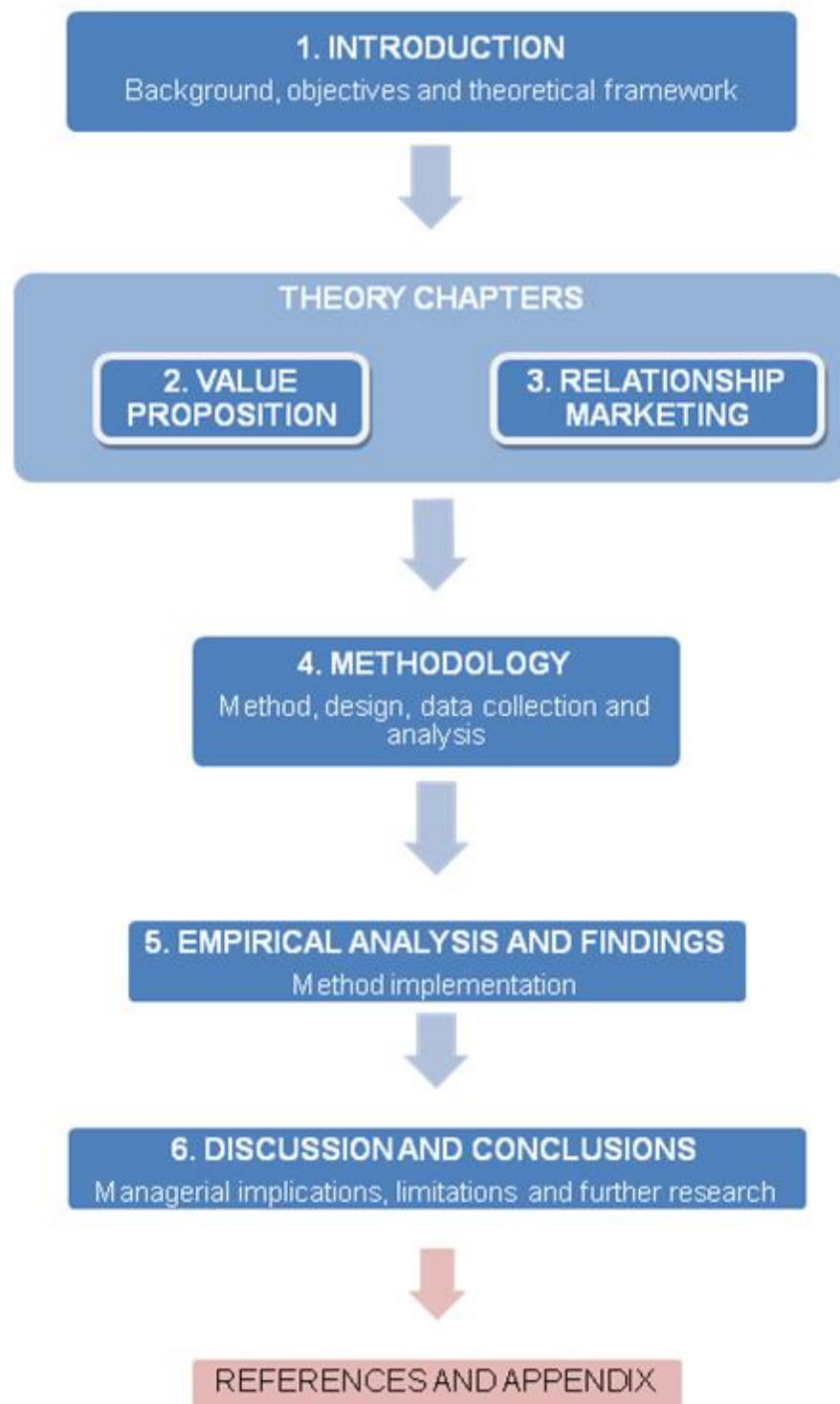
**Figure 2**. Structure of the study

## 2. VALUE PROPOSITION IN B2B SETTINGS

In this chapter the theoretical characterization of VP that was started on section 1.4 (literature review) continues. The chapter deepens the subject by providing a thorough depiction of VP's applicability and it also broadens it by providing multiple perspectives and empirical studies of the subject.

VP is a marketing concept that is closely related to the research questions of this study, as it has an important influence on vendor-customer interactions. VP seems particularly relevant today considering the high levels of competition that characterize the current economic reality; this is because customers are not only more price-sensitive, but also more value-sensitive, something that is fed by the wide availability of information that they posses. A VP lets companies verbalize or externalize in some way the value promise of their products and services creating a window between customer needs and solutions, not only through selling strategies and advertising but also with branding efforts (Manning and Reece 2007, 159)

In the following text VP is broken-down and analyzed in different scenarios. Special attention is particularly paid to its function in business markets, branding, sales management and industrial design, referring majorly to the works of Anderson *et al*. (2006), Aaker (1996 A, 2009) and Postrel (2004).

### 2.1 Business markets

Although the basic principles will normally apply, B2B marketing differs considerably from B2C as customers are believed to be "more rational and less emotional" when making purchasing decisions. Notwithstanding, often companies will stop looking at cost saving characteristics only to engage in more complex and attractive VPs.

A critically acclaimed text concerning VPs in business markets is Anderson *et al.* (2006, 90-99), a Harvard Business Review that describes, explains and categorizes VPs. According to Anderson *et al.* (2006, 91), VPs are not easily conceptualized but can nonetheless be told apart from uncalculated marketing attempts from afar. The difference lies in the fact that many suppliers can actually provide superior value but only few can back up these claims with documentation and demonstrations of the actual value of their products. While the earlier will be dismissed by customer managers because of their supposed "marketing puffery", the later will have enough arguments in their hands to conduct business successfully. Customer managers have significant responsibilities and cannot base their decisions in suppliers' assertions. According to Manning and Reece (2007, 298), an effective VP is there to offer a mix of key benefits to meet the needs of the customer. Next, the depiction of the "key" aspects is portrayed.

In order to create a powerful VP the supplier (or the actual salesperson) must understand what is being charged and why is being charged. In a practical example Anderson *et al.* (2006, 92), explains how industrial supplies salespeople tend to compare to their competitors looking at costs units and losing complete focus of what their customer may be looking for, which could be quality, brand, warranty, after sales service or even previous experiences with the supplier.

The empirical studies of Anderson *et al* (2006) aimed at understanding in practical terms what a VP should be and how it could be persuasive to B2B customers. Part of their research findings include a classification of VP types, according to what they found VP was understood as in business markets suppliers. Most suppliers express their view of VP by listing all the benefits they believe their product brings to customers, and the more benefits they can name the more satisfied they feel about their VP. This group's perspective on VP was classified as the "all benefits", a construct that in reality lacks important knowledge such as understanding of cus-

tomers and competitors. The evident disadvantage of this type of VP is that it does not present a reasonable explanation at why such perceived benefits generate value and most likely some of the items in the list will be useless to the customer. A second pitfall, concerning competitors' offerings has to do with points of parity, which are "*elements with essentially the same functionality as those of the next best alternative*" (Anderson *et al* 2006, 94); when a supplier or vendor names as many benefits as its possible it will mention multiple characteristics that do not set the product apart from the rest. Opposite to this are suppliers that can effectively differentiate highlighting their strengths through points of difference and points of contention. Points or parity are "*elements that make the supplier's offering either superior or inferior to the next best alternative*" (Anderson *et al* 2006, 94) while points of contention are "*elements about which the supplier and its customers disagree regarding how their performance or functionality compares with those of the next best alternative*" (Anderson *et al.* 2006, 94) in which case the vendor should prove the superiority of the offering and stand by the product.

Anderson's *et al.* (2006) second VP type is based on the recognition of competitors and their offerings. The basic premise is that put in a position where two or more suppliers are competing over the same customer they should intent to base their VP not on their offering alone but on their offering compared to their competitor's. This naturally requires reliable information not only about the customer's needs but also about the competitor's alternative. Points of difference are naturally the best way of overcoming competitor's offerings as long as the customer is kept in focus at all times as points of difference that provide no value only complicate the VP. (Anderson *et al* 2006, 95)

Referred by its authors as the "golden standard" in VP, the third and last classification is "resonating focus". The resonating focus VP consists of prioritizing the few elements of the offering that are valued by the customer, communicating them in their own language and also documenting and

demonstrating their performance. The resonating focus does not only puts the suppliers effort where they matter, it focalizes them in such practical way that managers with purchasing decision responsibilities are not burdened by what they don't need to hear and are rather happy to save time and effort. In other words it is different from the points of difference scenario in the sense that more is not better in VP and that it centers around the one or two points of difference that generate (and have more future generation potential) instead of the whole lot. (Anderson *et al* 2006, 94).*Table 1* makes a practical comparison of the three types of VP in terms of their basic characteristics, purposes and disadvantages.

In conclusion B2B VP cannot be taken as a way of spinning the marketing department into advertising efforts, as this fails to effectively contribute to business performance. VPs should create awareness on what an offering is worth to customers, which can only be done if companies are determined enough to see what the customer values more, which is where the limited resources should be focused. VPs with resonating focus are not easy to find but they have proven to be a powerful management tool, and this conception, together with Anderson's *et al*. general take on VP is central to this research project.

*Table 1*: Value proposition typology and features (adapted from Anderson *et al.* 2006, 93)

| Value Proposition | All Benefits | Favorable Points of Difference | Resonating Focus |
|---|---|---|---|
| Consists of: | All benefits customers receive from a market offering | All favorable points of difference a market offering has relative to the next best alternative | The one or two points of difference (and, perhaps, a point of parity) whose improvement will deliver the greatest value to the customer for the foreseeable future |
| Answers to the customer question: | "Why should our firm purchase your offering?" | "Why should our firm purchase your offering instead of your competitor's?" | "What is most worthwhile for our firm to keep in mind about your offering?" |
| Requires: | Knowledge of own market offering | Knowledge of own market offering and next best alternative | Knowledge of how own market offering delivers superior value to customers, compared with next best alternative |
| Potential pitfall: | Benefit assertion | Value presumption | Requires customer value research |

## 2.2 Branding perspective

Considering the goals of this thesis, it is important to understand the VP phenomenon from a perspective different to the traditional vendor-customer relationship approach; this is why utilizing the VP concept from the branding logic seems appropriate. Branding guru David Aaker (1996 A, 95) has stated that VP is present in branding as brands are meant to communicate with customers and highlight product attributes. He defines the VP of a brand as the statement of benefits delivered by the brand that provide value to the customer. Similar to the relationship marketing and satisfaction topics explored in this work, brand VP seeks the strengthening of relationships between a company and its customers, but more specifically between the brand and the customer. On top of this, Kotler and Pfoertsch (2006, 3) have furthered the purposes of branding claiming that it has an extensive number of uses and its equally applicable in B2B and B2C markets, all which clarifies its inevitable connection to VP:

> "*Brands facilitate the identification of products, services and businesses as well as differentiate them from the competition. They are an effective and compelling means to communicate the benefits and value a product or service provide. They are a guarantee of quality, origin and performance, thereby increasing the perceived value to the customer and reducing the risk and complexity involved in the buying decision*" - Kotler and Pfoertsch (2006, 3).

In Aaker's (1996 A, 96) branding VP there are three types of benefits that brands offer to customers: functional benefits, emotional benefits and self-expressive benefits.

### 2.2.1 Functional benefits

These are directly related to the functions that the product or service performs (Aaker 1996 A, 96) and to the basic brand promise, meaning the logical attributes that it is expected to provide. Functional benefits are usually implicit or easy to explain but fail to "touch customers' hearts" as they are acquired for rational reasons. Examples of these are: a dishwasher liquid that has a nice aroma, an absorbent welcome mat or a notebook with hard covers. All known brands cover functional benefits quite well. Some brands that could be purchased based on this logic are Gatorade to replace fluids lost in sport activities and BMW for a well handled drive.

There are a number of disadvantages to products that offer only functional benefits: they are easier to copy, hard to differentiate and they limit strategic flexibility. This makes functional attributes especially inadequate for brand awareness building; most likely no customer will remember the brand of "that one perfume that smelled good", "that one jacket with a silver zipper" or "the yogurt that comes in different flavors". Without favorable points of difference a product cannot satisfy any needs that competitors don't satisfy as well (Anderson et al., 2006). Memorable benefits should be as unique as possible; this helps creating a brand identity and directs the customer to the benefits instead of to the price (Aaker 1996 A, 326). Furthermore, marketing literature and even logic dictates that products relying on functional benefits will in all likelihood base their competitively on price only; nevertheless exceptional brands have been able to build their brand and become market leaders with them. For decades (and since the 1950's) the Crest toothpaste and their anti-cavity attributes were number one in the United States market. This straight forward brand promise was simple but effective enough to put late coming competitors in an awkward situation as they had to create a brand based on secondary attributes such as whiter teeth and fresh breath. (Aaker 1996 A, 96)

### 2.2.2 Emotional benefits

Emotional benefits create positive feelings in the purchasing process and user experience, thus they answer to the question "what do you feel when you buy/use this brand?" (Aaker, 2009). Evoking feelings is one of the oldest and most effective ways to strengthen a brand image, and it can be stated that today's strongest brands provide evident emotional benefits. When consumers have positive feelings while using certain product is becomes clear that the product is creating value beyond their functionality. Examples abound, branding efforts help consumers feel energetic drinking Coca-cola, safe driving a Volvo (Aaker 1996 A, 97), elegant wearing La Coste, cool owning an iPhone, self-determined sporting Nike or melancholic eating from their Moomin dishware.

Emotional benefits of a VP clearly represent a level superior to functionality and are therefore the real first step in constituting brand equity. The simplest products can provide emotional benefits, and a proof of this is the brawniness of Evian's brand. Nothing can be simpler than plain water, but Evian found in health an opportunity to deliver extra value. With their slogan "another day, another chance to feel healthy" the brand is communicating that hydration comes second to feeling good after a workout (Aaker 1996 A, 97). This supports the notion that products indeed offer more than meets the eye, and the value this benefits bring is not entirely on the products features but rather on the assimilation of the product by the end-user and the matching of this image with his/her own needs.

### 2.2.3 Self-expressive benefits

Self-expressive benefits are last in the list. This type of benefits complements the phrase "when I buy/use this band I am _____" and are vehicles for customers to express themselves. Customers driving a Lexus express their success and GAP shoppers how hip they are (Aaker, 2009).

"*We are what we have*" (Knapp, 1996) is the perfect sentence to understand self-expressive benefits in the sense that our possessions are an extension of ourselves when they talk for us. In this vein consumers can be many things. This type of VP benefit plays a part in consumer roles; a woman can be a stylish lawyer wearing Prada but also a nurturing mother feeding Quaker oats cereal to her children (Aaker 1996 A, 100).

A way in which self-expressive benefits can be delivered is with the use of endorsers; a soccer aficionado may find joy and satisfaction in using his Adidas football shoes, but the satisfaction is likely to be bigger if the same model of shoes is used by professional athlete Lionel Messi. In the previous case the costumer could think of himself and his hobby more seriously by acquiring the value of a self-expressive benefit.

Aaker (1996 A, 100) stresses the importance of telling self-expressive and emotional benefits apart; while it may be hard to determine if a customer is rugged or feels rugged when wearing Levi's jeans, it all comes down to his/her value perception, that is, what is the need behind the attribute. Another way of differentiating these two is that self-expressive benefits are characterized by their presence in public settings; for instance the owner of a Lincoln vehicle will show he/she is important (self-expressive) rather than feel he/she is important (emotional) as the car is displayed publicly. In contrast, emotional benefits do not need to be displayed as the brand is only interacting with the end-user and not necessarily the outside.

Aaker's discourse regarding VP can be summarized to the affirmation that in order to create the most value it is important to go beyond the functional benefits, as customers have reasons to buy that go beyond the merely rational (Aaker, 2009). Branding is then a way of satisfying the needs evident needs but also not so obvious ones, like emotional or self expressive. It helps VP not only in carrying a message but also in enabling customers to find ways of satisfying their needs in their own way.

## 2.3 Value proposition in selling

It could be said that the case that is being studied in this thesis does not represent one of sales management per se, still in their roles as retailers and considering the interaction and persuasion potential that they have towards end-users, installers can be seen as salespeople too. For this reason VP is also analyzed from the perspective of personal selling.

Personal selling has been affected by the digital era and is considered by many as a dying trend. Others, on the contrary, consider it the oldest, yet ultimate way of selling and appreciate the part it has played in economy history seeing the roles of salespeople as ever-changing but also as never-ending. Current conditions are evidently more challenging for salespeople; customers are more educated, informed and demanding and global competition more fierce which has bounded sales' character to be redefined.

Personal selling is referred by Manning and Reece (2007, 5) as "*the process of communication between a sales person and a prospect, which involves a series of sub-processes such as relationship development, discovery of needs, product-needs matching, communication of benefits and persuasion*". Personal selling is usually seen as a tool of promotion but in reality, from a marketing perspective is seen as a process that adds value in the sense that it can identify needs and match products to them to convert them into solutions. Still today personal selling is widely used and it's often "*the major promotional method used, whether by people employed, total expenditures or expenses as a percentage of sales*" (Manning and Reece 2007, 10)

VP plays an imperative part in selling, as salespeople of today understand the importance of avoiding marketing myopia by concentrating in the customer and his/her needs above the rest, and as it can be seen, a good VP

starts with research about customer needs and ideally it leads to selling. According to Manning and Reece (2007, 297), salespeople that successfully position their product with the use of a solid VP are prompt to closing a sale. Sales forces should highlight important features instead of listing all of them, which is in accordance with what Anderson's *et al.* propose with their resonating focus approach: less is more, as long as it is well implemented. In this sense, selling has definitely gone a long way since the 1980's. McDonald and Leppard (1988, 114) identify the purpose of selling as the conversion of product features into problem solving, but clearly fall short in describing a way to do so with a VP approach as punctual as Anderson's et al. resonating focus. They claim that benefits should be listed as extensively as possible and that this creates a plus in the proposition. McDonald and Leppard (1988, 116) also express how selling the name of a company based on their experience and assets is just as important as selling a product based on its features, revealing the weight that branding started gaining in that decade, even in industrial markets.

 VP shows how while being two different areas, marketing and sales share goals and rely on each other when keeping in focus customer needs, in other words being customer oriented. In the same sense, salespeople should be aware of other basic marketing concepts such as the marketing mix, product life-cycle, segmentation and targeting and all of their implications for their task (Jobber and Lancaster 2003, 19).

This sales inclination towards marketing was named "customer-oriented selling" and studied by Saxe and Weitz (1982, 345) with their SOCO (selling orientation-customer orientation) scale and later validated by Periatt et al. (2004, 51). According to Saxe and Weitz  (1982, 345), customer-oriented selling is characterized among other objects by the desire of salespeople to help customers to make satisfactory purchase decisions, assessing their decisions with trustworthy information for the sake of providing a solution to their problems. In their study, a strong positive relationship between customer-oriented selling factors and overall sales perfor-

mance was proved. The two most important determinants of customer orientation in selling were quality of salesperson-customer relations and ability to help with problem-product assessment. A thoroughly revision of the scale by Periatt et al. (2004, 51) successfully summarized the original 24 item measurement to only 10 items, finding that statements such as "I try to find out what kind of products/services will be most helpful to a customer" prevail over traditional sales approaches like "I decide what product/service to offer on the basis of what I can convince customers to accept, not on the basis of what will satisfy them in the long run" on the light of customer orientation.

In this way, sales prove to be closer to marketing than ever, not only providing practical insights to what VP should have but emphasizing the importance of customer orientation "in the field". This is in accordance to McDonald and Leppard (1988, 114) who claim that successful salespeople do not burden with technicalities (to try demonstrating his/her expertise about the product) but rather translate them into customer benefits, once again beating marketing and myopia reclaiming the many times maligned name of selling.

## 2.4 Role of design

Last but not least, this text steps away from the marketing area to give way to an alternative that is more tangible and less explored from VP's standpoint. Sometimes overlooked in a predominantly technically oriented industry like HVAC, design plays an important role in consumers' lives. When it comes to domestic decoration it is clear that aesthetic quality in interior design has never been as present as now. Design has changed not only the way we look at products but also our way of living.

Consumers these days are highly visual but ironically, the multiple and constant stimuli from online and offline information, which today's world

exposes them to, makes it difficult for companies to catch their attention. One thing is certain though; to catch the consumers' attention companies have to catch their eye first.

Virginia Postrel (2004, 4) has studied the rise of aesthetic value and its implications in commerce in her book "The substance of style". Postrel posits that consumers of the XXI century are not only demanding of products in a utilitarian way but are also expecting to find beauty in what they buy without having to look for it exhaustively. In her own words "*we want our vacuum cleaners and mobile phones to sparkle, our bathrooms faucets and desk accessories to express our personalities. We expect every shop, mall and city block to offer designer coffee, several different cuisines, a copy shop with do-it-yourself graphics workstations, and a nail salon for manicures on demand*".

Although consumers' fascination for beautiful products is more evident in our era, Elmo Calkins (1927) had already talked about the preponderance of beauty in new products over 80 years ago, claiming that manufacturers could not afford to keep on making functional but ugly products and anticipating that use of beautiful designs was becoming a source of competitiveness and a must in the future. Calkins explained that utopically innovations should combine genius engineering but also artistic beauty, naming Leonardo Davinci's works as the best example of such fusion.

Design's concept in the market is something that is moving from the pretentious premium priced items to the "must" of everyday objects. With some exceptions, consumers are not interested in the name of the designer but in the actual aesthetics of the design. According to Brown (2004, 5) in people's minds, if a product has a good design or not is an abstract question and this is why for designers it is much more important to be recognized by getting a simple and immediate "I like that" when they show their designs. This is a transition from expertise to personal taste that has affected consumer behavior directly (Postrel, 2004, 37). In other words,

most of us may not know what good design is, but we can recognize it when we see it.

Aesthetics, just like design, is a concept that is more likely to be recognized than to put into words. Is a form of communication that uses senses instead of verbality (shows rather than tells) and causes reactions through the look and feel of people, places and objects (Postrel, 2004, 6). Recent times have remarkable examples of the role of aesthetics in marketing. From Volkswagen's re-invention of the Beetle to Ikea's affordable designer furniture, aesthetics represent a great value tool. It just takes thinking where the iPad would be without its elegance, handiness and implicit message of sophistication. It is not a coincidence that Apple is one of the companies that have understood and that better embodies the importance of aesthetics today. For well over a decade now, Apple has shown the value of aesthetics in electronics. The release of the iMac –a desktop computer with a never-seen-before slick design- at the end of the century was Apple's first iconic statement that the outside is just as important as the inside. Over the years Apple reinforced its commitment to aesthetics and design oriented creations with products such as iPod, iPhone, MacBook and iPad, all with periodical releases of upgraded versions.

Starbucks is another success business story that has used aesthetics to its favor. This growing corporation is probably most remembered by its seemingly overpriced coffee, this is because many seem to fail in recognizing Starbucks' value. Starbucks doesn't simply offer beverages; it offers a complete multisensory aesthetic experience which customers value and are willing to pay for undoubtedly. For this reason, Starbucks doesn't hold back in designer expenses to take care of its design language: color palettes, upholstery texture and fresh look. The experience therefore goes beyond image; according to CEO Howard Schultz, Starbucks emphasizes in all that is sensorial: the artwork, the music, the surfaces and the taste has to be best-of-class to create the ultimate aesthetic experience. (Postrel, 2004, 20)

These are some of the reasons why Purmo believes in decorative radiators. While some may consider that radiators are a disadvantaged heating solution because of their visibility (compared to the substantial discretion of underfloor heating), designers at Rettig ICC intend to play this in their favor by making radiators that play a role in interior design.

The revision of the multiple facets of VP allows an understanding of its important and role in a B2B scenario like the HVAC industry. A thorough examination of these theoretical arguments applied to the marketing case of this thesis and following the methodology (chapter 4) has permitted the solution of the research questions.

# 3. RELATIONSHIP MARKETING APPROACH

This last conceptual chapter will explore RM, the second theoretical standpoint from which the research will be analyzed. The chapter includes a conceptualization which furthers the topic's introduction in section 1.4 (literature review), emphasizing more specific concepts utilized in this marketing current and contextualizing it in the light of empirical researches from around the world. This chapter then sets the basis for the analysis of the supplier – retailer and retailer – end-user relationships that the Purmo case presents.

Relationship Marketing (RM) is "the concentration of marketing efforts and resources on developing and maintaining long term, close relationships with its customers and other stakeholders" (Godson, 2009), but this concept involves so many interorganizational aspects and has been re-evaluated in so many scenarios that a single definition has not been agreed upon. RM is pertinent to this research as its strategic implementation is applicable to product and service markets in both B2B and B2C settings (Egan 2001, 1). Egan (2001, 23) considers that the essence of RM is better captured not looking at a definition but understanding its objectives, which do not only include identifying, establishing, maintaining, and enhancing relationships with customer and stakeholders but also managing them in a way that they are terminated if the profit and objectives of all parties involved are not met, in other words if the mutual exchange and fulfillment of promises fails. This points out that RM focuses in the preservation of relationships amongst stakeholders in the long term more than profitability resulting from short term interactions and this is its true meaning. Relationship building, just like brand building (briefly explained in the previous chapter) is a non-tangible asset that is set long-term and therefore its purpose is not to boost sales in the short-term (Kotler and Pfoertsch 2006, 8). This coincides with Cater and Cater (2010, 1321) who understand the purpose of not only relationship management but of the

whole industrial marketing area as the building of durable relationships with customers.

## 3.1 Relationship marketing as an alternative perspective

RM is commonly seen as an alternative view to the so-called traditional marketing, for it does not necessarily fit widely accepted concepts such as the marketing mix. This is mostly claimed because of its apparent incompatibiliyt with consumer marketing (Egan 2001, 6). Godson (2009, 13) says that RM taps into the very basic on marketing by way of caring about customer's needs which would be comparable to traditional marketing if it wasn't for the narrow "one size fits all" approach of the latter. Supporters of RM also claim that traditional marketing has failed to move forward theoretically like other business fields (Godson 2009, 14)

Industrial marketing and service marketing, both generally distant from the traditional "tangible" marketing grew closer to RM as the concept emerged. Egan (2001, 13) explains that the alignment of these fields to RM occurred when B2B marketing saw the existence of human interaction in business relationships as a great value, similar to the value perceived by the service industry which consequently made them fall closer to RM than to traditional marketing.

RM's reception in the business world has been so important that in the early century it was labeled as the new face of marketing, similar to what consumer marketing was in the 1950's, industrial marketing was in the 1960's, non-profit organization marketing was in the 1970's and service industry marketing had been since the 1980's (Egan 2001, 4-5). Sheth and Parvatiyar (1995), assure that emphasizing relationships over transaction based exchange is what makes RM a re-definer of marketing.

In the 2010's it is no secret that RM has been getting especial attention because of its internet applicability; one that is magnified by important trends such as electronic marketing communications, social networking and e-commerce (Ergun and Shams, 2011). These are novel ways of utilizing tools of RM and in today's world they may be the first thing some think of when asked about organizational relationships, but they do not capture the gist of RM as a whole. RM goes beyond mere form; it deals with marketing topics that have proved to be vital for firms for decades, for instance partnerships, business networks, internal marketing and governmental relationships as well as customer issues such as satisfaction, involvement, trust, CRM, service quality and loyalty.

## 3.2 The "six markets" model

Companies are usually involved in relationships with multiple actors, and not only with their customer. The six markets model, proposed by Christopher et al. (1993), explains the many heterogeneous connections that the organization holds with stakeholders; connections that are understood as markets by RM adepts. These actors are an important part of RM but lie behind the big picture; the relationship with the customer, which makes them part of the process rather than the objective. *Figure 3* is a graphical representation of the model.

According to Payne et al. (2005, 857), other branches of marketing have recognized the relevance of relationships with stakeholders, (e.g. Kotler (1992, 3) and RM Grönroos (1994) and Gummerson (1994)), but the six markets model is the one that talks about stakeholder relationships in the most direct way.

The way in which the model can be implemented is by identifying the participants of each market and the segments represented to then evaluate their needs and expectations and formulate a relationship strategy accor-

dingly. The idea is to create organizational learning and new market opportunities based on the strengthening of relationships so the results can be better than expected (Payne et al. 2005, 866).



*Figure 3*. "Six markets" model. Adapted from Payne et al. (2005, 860)

Sometimes knowing who the stakeholders are may not be as obvious to the management so their identification and segmentation can be the most challenging step. In a follow up to their own previous work Payne et al. (2005, 861) recapitulate their characterization of the different stakeholders in the model (first described in Christopher et al. (1993)) and create subcategories in each of them. Their depiction goes as follows:

### 3.2.1 Customer markets

It's a group conformed by wholesalers (buyers), intermediaries and final consumers. It is understood as the classical downstream view in the supply chain, where the number of intermediaries varies depending on the

circumstances. The model centers on the customer markets as the most important relationship to develop and maintain and considers not only customers but also prospects.

### 3.2.2 Referral markets

Include all types of actors that talk about the company without seeking a reward. They can be customers, namely "advocacy referrals" when they communicate spontaneously and "company-initiated referrals" when the company asks to be referred to benefit its name, or other non-customer players such as staff referrals, incentive-based referrals or general public referrals. Advocacy is an important term to this study and it will be deepened in a latter section of the current chapter.

### 3.2.3 Supplier and alliance markets

These groups include traditional suppliers as well as organizations that have the potential of becoming partners. The diversity of relationships that can exist in these markets is wide, on one hand suppliers provide physical resources and are therefore (depending on the case) vital to the company's business, and on the other hand, alliance partners contribute intangibly with resources such as competencies and capabilities. The relevance of keeping good relationships with suppliers has been recognized in organizational theory for decades while the constitution of alliances has also been long considered a powerful tool in managerial strategy (Sheth and Parvatiyar 1995, 412).

### 3.2.4 Influence markets

Unions, financial and investor groups, industry organizations, regulatory bodies, environmental groups, consumer organizations, governmental entities, media and even competitors are all segments of the influence

market; they can all affect the company from the outside environment and for this reason relationships should be managed and maintained.

### 3.2.5 Recruitment markets

Are all potential employees of the organization and also third party access channels. They can be segmented by function, job, geography or any distinctive feature of the type of employee required. The channels used in this market job agencies, advertising and employment centers. Employer branding is one way in which relationships between the company and its potential employees can be strengthened.

### 3.2.6 Internal markets

As it can be guessed from the internal marketing logic, internal markets deal with members of the organization such as internal departments and staff in general. Similar to recruitment markets, the segmentation is done by function, location or hierarchy within the organization, prioritizing those staff members that have contact with the customer.

According to the concept's authors (Payne et al. 2005, 859), the model can easily be discarded by managers as yet another theoretical tool that has no use in the real world. Nonetheless, implementing relationship market with different stakeholders is not only possible but very positive; first, as it has been stated so many times before, the customers market has to be the center of all relationship marketing actions and second, the diagnostic review that the model provides helps identifying the most important stakeholders to the organization so a prioritization of the relationship management should lead at nurturing the relationships that prove more valuable.

## 3.3 Customer Loyalty

When one explores RM is inevitable to encounter the term customer loyalty, a term that tells about the relationship intensity between vendor and customer. Customer loyalty has been simply defined as "*a commitment by a costumer to a supplier that is based on choice*" (Godson, 2009). It could be said that it belongs in the "nurturing" process that is part of RM by definition. Loyalty suggests that the highest level of relationship between two entities is emotional (Egan, 2001), this is the reason behind their closeness, which hints that manufacturers and suppliers are looking for more than transactions in their business together.

The benefits of customer loyalty have been widely studied and confirmed, mainly that attracting and maintaining loyal customers has as a result in a higher profitability in the form of a steady stream of revenues (Reichheld and Teal, 1996; Rauyruen and Miller, 2007). Being so and considering the resources and constancy that customer loyalty requires, it can be seen as a long-term investment and the base of a marketing strategy. In the case of B2B, relationships are usually long-lasting and the exchange represents large amounts of resources, these are two valid reasons to strengthen the business relationship through customer loyalty.

### 3.3.1 Loyalty categorization

According to Christopher (1993) suppliers can achieve genuine loyalty from their customers in a progressive manner. The ladder of loyalty (*Figure 4*) is a representation of the degree of customer loyalty and relationship quality that shows us the paths and differences between skeptic customers and more loyal ones. *Figure 4* depicts the stages of the relationship quality between a firm and its customers; the three bottom steps represent the least loyal actors and, consequently, the three top steps represent higher quality relationships.
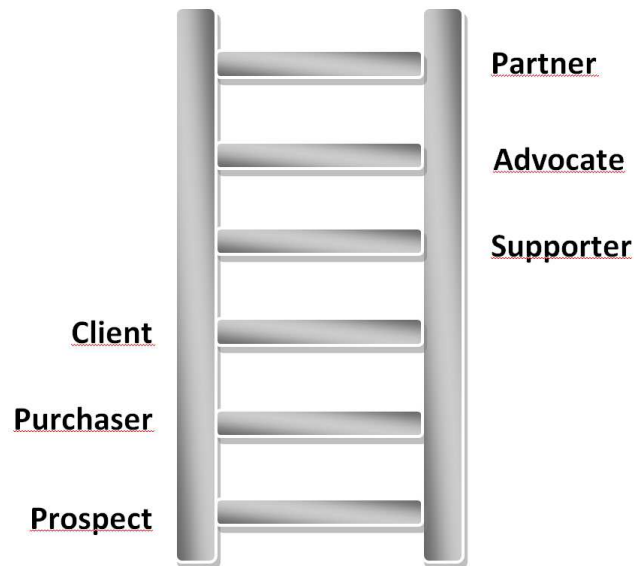
**Figure 4**. The ladder of loyalty. Adapted from (Christopher *et al.*, 1993)

In the ladder of loyalty, the earlier steps are "customer catching" phases while the latter are "customer keeping phases", which references RM's objective of developing and maintaining connections. Godson (2009, 108) briefly describes each of the ladders steps as shown in *Table 2*.

The leap between clients and supporters is the most crucial in the loyalty scale as it represents the transition between transactional marketing and relationship marketing. In other words, it sets apart those customers interested only in the products/services and those with interest in the relationship. The main difference is that the earlier would switch to another supplier if presented with a cheaper offer while the latter would find this hard as a deeper bond with the firm exists. The conversion of supporters into advocates is a long process that requires consistency in delivering positive experiences to customer; for the most part, the relationship nurturing that allows an upward climb in the ladder is achieved with constant and long lasting customer satisfaction.

*Table 2*: Types of actors in the ladder of loyalty. Adapted from Godson (2009, 108)

| Actor | Description |
|---|---|
| **Prospect** | Potential customer that may be persuaded of the firm's offerings. It is commonly referred as a "lead" in sales management. |
| **Purchaser** | Customer that has done business with the firm once. Does not have a significant experience that would let him/her develop feelings towards the company. |
| **Client** | Someone who does business with the firm but its either neutral or even negative towards it. Due to its consistency with the company it's seen as a target to further loyalty. |
| **Supporter** | Customer that likes the organization but provides only a passive support. His/her feelings towards the company are more satisfaction related and are not perceived as relevant enough. |
| **Advocate** | Actor that actively recommends the company to others and does marketing for it. Supports the company spontaneously and without seeking monetary rewards. |
| **Partner** | Party that holds an agreement with the company and therefore acts in accordance to it and motivated for its own benefit. |

In most cases it takes more than customer satisfaction to make supporters become advocates; positive feelings towards the brand need to emerge in

order to promote referrals and word of mouth effects. It is also worth mentioning that branding doesn't only help creating those feelings, but it can do it without the use of human interaction unlike other ways of doing RM. (Godson 2009, 108)

### 3.3.2 Behavioral and attitudinal loyalty

According to Rauyruen and Miller (2007, 22) "*creating a customer base is not only about maintaining numbers of customer overtime, but it is also about nurturing the relationship with business customers to encourage their future purchase and level of advocacy*". This duality in the purpose of customer loyalty is most likely the reason why two different types of loyalties (attending two different fronts) have been agreed upon by several authors. These are: behavioral loyalty and attitudinal Loyalty (Egan, 2001).

Behavioral loyalty is based in the number of purchases and purchasing frequency of a customer, meaning that the level of loyalty is measured in a transactional basis (Egan, 2001; Rauyruen and Miller, 2007). Attitudinal loyalty on the other hand is based on the customer's preferences and disposition towards the brand (Egan, 2001). It's defined as "*the level of customer's psychological attachments and attitudinal advocacy towards the service provider/supplier*" (Rauyruen and Miller, 2007).  This definition reminds the role of advocacy in RM not only being present in the ladder of loyalty but also materializing its purpose through attitudinal loyalty. Both, attitudinal loyalty and advocacy have the initiative to recommend and encourage others to use products of a certain firm.

The concepts can be easily distinguished by looking at the ladder of loyalty, which shows behavioral loyalty in the more transactional, less attached bottom steps and attitudinal loyalty on the upper steps, signifying a stronger customer-vendor relationship (Egan, 2001). The two types of customer loyalty differ so much from one another that Jones (1994, 48) went

as far as making an analogy between them and cats and dogs. He argues that customers with behavioral loyalty are much like cats in the sense that they are spurious, self-centered and act motivated on their own benefit, which in the comparison means that they switch suppliers quickly if they get a better offer. Opposite to this, there is attitudinally loyal customers, which hold positive feelings or emotions towards the other organization, reminiscent of the genuine and unquestioning attachment of dogs to their owners (Godson 2009, 100). For the purpose of this study the importance of the attitudinal loyalty is predominant over behavioral loyalty; one of the interests of the research is to find out what retailers feel and say about Purmo, and on the same token, the qualitative nature of the methodology does not allow studies quantitative studies of purchasing behavior.

### 3.3.3 Antecedents of customer loyalty

Several studies have talked about attitudinal loyalty in B2C markets, most relating it to established concepts of branding. B2B market studies on the contrary, have just started to understand the applicability of the concept in scenarios such as supplier-vendor relationships. Rauyruen and Miller (2007) for example, studied B2B customer loyalty with quantitative re-search analyzing relationship quality as its predictor. They proposed four main drivers of B2B customer loyalty (trust, satisfaction, commitment and service quality) that were found to influence positively on attitudinal loyalty and it was performed after a sample of 306 Australian SMEs respondents. Also, their study found that loyalty is affected by organizational bonds and not personal level relationships.

In the brand equity perspective Aaker (1996 B, 105) loyalty belongs in the core of brand equity and as such relationships between customer and brand are affected by it. It also represents "a barrier of entry, time to re-spond to competitor innovations and a bulwark against deleterious price competition". Aaker (1996 B, 106) also argues that loyalty is explained by price premium, because a costumer loyal to the brand may be willing to

pay a higher price for certain product, choosing it over a different brand that offers basically the same. In the branding perspective loyalty is also explained by customer satisfaction and purchasing intention, both commonly being constantly measured and monitored in B2C industries (Aaker 1996 B, 108).

Commitment is a term that generally surrounds and is associated with loyalty. It's intrinsic to RM by being defined as an "*enduring desire to maintain a valued relationship*" (Cater and Cater 2010, 1322). While it is commonly mistaken and considered a synonym of loyalty, the concepts separate from each other in the sense that commitment is the motivation and attitude to keep a relationship while loyalty is an attitude and behavior (as seen in its two categories) more related to repeat patronage and advocacy. Regardless of this, affective commitment, a subdivision of the previous term, is an expression that is closer to loyalty and advocacy; it means "*a desire to develop and strengthen a relationship with another person or group because of familiarity, friendship, and personal confidence built through interpersonal interaction over time*" (Sharma et al. 2006, 65). Cater and Cater (2010) studied the antecedents of attitudinal loyalty in the industrial market by gathering information of 477 manufacturing firms in Slovenia. The research considered variables such as affective commitment to the supplier, which turned out to be the biggest determinant of attitudinal loyalty. According to the researchers, in the context of the study, affective commitment stands for the emotional bond and identification that firms feel for their suppliers, thus assuring that the positive affect towards suppliers guarantee the prevailing of the relationship because customers are willing to keep it, which undoubtedly sustains attitudinal loyalty (Cater and Cater 2010, 1322).

The last empirical study that is discussed here helps us connect the current topics with the following section (customer satisfaction). Chang *et al* (2012, 940) studied the determinants of B2B customer commitment looking at variables such as trust, customer and interaction satisfaction, in a

sample of 522 Taiwanese timber distribution companies. One of the main findings of the study dictated that high satisfaction levels not only reduce costs of customers such as information searches, comparison and monitoring but also has a positive effect on affective commitment, which once again, is a driver of attitudinal loyalty.

## 3.4 Customer satisfaction in B2B

Customer satisfaction is a term widely used in marketing and in the business context in general, by definition it is "*how customers view and organization's products and services in the light of their own experience with that organization*" (Szwark, 2005). It plays an important role in RM as theory dictates that satisfaction translates into customer retention and (if done right) higher quality relationships (Godson 2009, 80), which is followed by positive word of mouth, higher profits, reduction of the complaints and the costs related to it so it can be said that the gain that customer satisfaction provides is somewhat undeniable and it has the potential of becoming a source of competitive advantage (Sanayei and Shaemi 2011, 982). Customer satisfaction is one of the most used and validated parameters in RM literature used to predict relationship quality in B2B cases (Cater and Cater 2010, 1323; Rauyruen and Miller 2007, 22).

Most people unwittingly associate customer satisfaction with B2C markets as B2B satisfaction is less spoken about and has been considerably neglected in literature, once again based on the argument that B2C is more emotional than its counterpart, B2B, where factors such as satisfaction come down to the quantifiable. One of the reasons for this lack of attention is that in industrial marketing settings, the buyer and seller have long-term relationships, and the commercial conditions are usually customized to the customer, which means that customer satisfaction in B2B scenarios is "relationship specific" (Sanayei and Shaemi 2011, 941). Customer satisfaction is nonetheless as important in B2B as it is in B2C markets. According

to Kotler and Pfoertsch (2006, 238) there is an increasing concern for systematically measuring customer satisfaction, with companies such as IBM tracking how satisfied are their customers are with each IBM employee they interact with and referring to this "satisfaction score" for compensating their employees with bonuses.

Another aspect that makes B2B customer satisfaction considerably complex is the fact that while on B2C markets purchase decisions are usually made by an individuals and this purchase will mainly affect them as end-users, while on B2B there are multiple actors involved in the purchasing process and many more directly affected by the purchased products. Lastly, the logic of customer satisfaction in B2C is based in a concept called the "disconfirmation of expectations" which as its name suggests compares what the customer initially expected of the product or service with what he/she purchased. Disconfirmation of expectations then turns out to be a complex term in B2B as different areas of the organization will understand expectations and fulfillments from with different points of view prioritizing the aspects that they are familiar with. Also studies have shown that in some companies it's common to have engineers in charge of purchasing responsibilities while others have a purchasing manager in charge and while the earlier will generally ignore overpricing from sellers the latter will tend to compromise quality and be attracted by discounts. (Sanayei and Shaemi 2011, 942)

In general terms there are three common determinants that can be found in customer satisfaction in B2B. Much like in consumer markets, the product features have a central role, as the product itself is the protagonist in the exchange. Products in industrial markets tend to be complex and characterized by endless technical features and the fidelity of this information is a key to customer satisfaction. A second determinant is the commercial aspect; conditions on technical services such as maintenance and repairs, financial services such as credit policy, warranty and all diverse after sales services can make an important difference in B2B customer experiences

and logically in satisfaction. The third and last key determinant of customer satisfaction in B2B is reliability, which in this case is everything from practicalities like order generation and order receipt to the actual delivery of goods (fulfillment). Reliability is a driver of customer satisfaction as companies put their business in the hands of suppliers and therefore are vulnerable to their non-compliance. Suppliers have the responsibility of be reliable and deal with inconveniencies and complaints with agility and professionalism. (Sanayei and Shaemi 2011, 943-944)

# 4. METHODOLOGY

This chapter serves as the continuation of section 1.7 (Research method), it breaks down the system of methods explained in it. The methodology does not only clarify the nature of the methods utilized in the empirical research, but also furthers how these methods work as a set and why the scheme was chosen for this particular research.

## 4.1 Qualitative research approach

According to the American Marketing Associations' (AMA) designation, this thesis exemplifies a case of marketing research. The AMA defines marketing research as "*the function that links the consumer, customer, and public to the marketer thought information. Marketing research specifies the information required to address these issues, designs the method for collecting information, manages and implements the data collection process, analyses, and communicates the findings and their implications*" (Aaker, Kumar and Day 2004, 7). In this case the information gathered about consumers (and to some extent the public) will be gathered through the retailers. The research can be classified as exploratory in the eye of marketing research for various reasons. First, not much is known about installers' perspectives in topics such as value proposition and their advocacy to the end-user which implies that there are no expected results. Second, the qualitative character of the study suits exploratory research considering that the methodology is more flexible and there are no stated preconceptions. Lastly, there is no use of hypotheses (Aaker, Kumar and Day 2004, 75).

In case studies, the primary goal is to acquire knowledge from the studying of certain instance (under certain conditions). Qualitative research is no stranger to case studies like the one in this thesis, but they are nonetheless not necessarily associated every time. On one hand, a case study

does not represent a methodological choice but rather a choice of what to study, while on the other hand qualitative research is indeed the "how" of the research. (Stake 2005, 443)

Qualitative case study researchers have particular responsibilities, they are faced with the difficult task of designing a research, collecting and interpreting the data and communicating it just like any other researcher, but should also acquire material strong enough that other researcher could interpret and use to get to the same conclusion (Mays and Pope, 1995). Their first conceptual responsibility is bounding the case; this is, conceptualizing the object of study, understanding the fundamental difference between the case (E.g., The Finnish health system) and the problematic (E.g., Finnish health system coverage). Secondly, selecting the phenomena, themes or issues to be studied is required. This selection is followed by close observations of the phenomena, not only first hand but also captured by others. Documenting is time consuming and difficult and should be paid attention to principally as it is the way in which data is gathered in qualitative case research. Next is the triangulation period, a process that verifies repeatability of the observations and interpretation of the researcher. Triangulation is a way to rule out a possible bias by the researcher, who may (consciously or unconsciously) manipulate methods or data to obtain results closer to his beliefs or desires. As a result of this, the researcher is entitled to select alternative interpretations that depict the reality closer to what it was first obtained. Lastly, developing assertions (or generalizations according to the case) and effectively communicating them concludes the tasks in qualitative case studies. (Stake 2005, 458-463)

Qualitative studies' topics often emerge from observations from multiple sources, such as tacit theories, political commitments, interest in practice, scholar interest and even own experiences (Marshall and Rossman, 1999). The topic selection must be directly linked to the purpose of the study, a concept that is related even closer with the research question. According to Marshall and Rossman (1999), the purpose of the study

should fall in one of four categories, these are: Exploratory, explanatory, descriptive and emancipatory.

Exploratory purposes mean to approach topics of which little is known and create hypothesis about them for further research. The emancipatory type tries to empower public by creating opportunities and the will to engage in social interaction, while descriptive purposes of study are limited to simply document and describe a studied phenomenon (Marshall and Rossman, 1999). The study here presented belongs to the explanatory category as it intends to explain patterns of the phenomenon in question, which in this case is the relationship between Purmo and its retailers in the multiple theoretical standpoints presented in this thesis.

Qualitative research is often looked upon by critics who believe that compared to conventional, quantitative and even experimental methods, this type of research lacks scientific rigor. This is often backed up by the argument that qualitative research is an "assembly of anecdotes and personal impressions" and that its character is too exposed to creating biases by the researcher. Generalizability and reproducibility, the property of achieving the same results time after time under similar circumstances and to have a different researcher reach the same results are also questioned in qualitative research (Mays and Pope, 1995). In any case, these arguments fail to understand that qualitative research cannot be compared to quantitative research as they are significantly different in essence. Mays and Pope (1995) explain that science is not a particular set of techniques and that all research is selective (the literal truth is impossible to find). Just like quantitative data analysis may or may not be justifiable, qualitative work relies on the judgment and skill of the researcher which will determine what is the question to answer and how can it be answered. In its integrity, the qualitative researcher must avoid following a personal interest by creating a bias in the study and this is one of his/her biggest, most valuable challenges (Marshall and Rossman, 1999).

In a nutshell, qualitative research is known to be suitable for explaining human behavior, it seeks information from attitudes, feelings and perceptions (Aaker, Kumar and Day, 2004, 192) and since the study's underlying goal is to understand the installers' perceptions and behaviors towards Purmo's convective heating products, utilizing interviews as the methodology seems fitting. Due to the nature of the study the validity is approached from a "softer" standpoint, striving for what Aaker, Kumar and Day (2004, 221) refer to as commonsense validity.

## 4.2 Purpose of the empirical design

The reason for choosing this methodology is that it is the best way to explore the problematic deeply enough to find valuable answers. The use of qualitative data is adequate to get an initial understanding of the problem before proceeding to a more analytical stage. Qualitative methods' most prominent characteristic is that they are meant to get deeper and greater richness of the context which normally have a potential to new insights and perspectives. These methods are also less structured and rigid than standardized questionnaires and help defining the problem in more detail as well as collecting data that cannot be observed and measured directly, as in the case of the installers' perspective on Purmo's value proposition. Additionally, qualitative methods such as interviewing help persuading respondents that would otherwise avoid touchy subjects as the interviewer has the power of rephrasing/softening the question achieving a more sincere response. (Aaker, Kumar and Day 2004, 188)

### 4.2.1 Interviewing as a data collection method

Individual in-depth interviews are meant to get the interviewee to open up and give as detailed answers as possible (Aaker, Kumar and Day 2004, 191), this is ideal to acquire information about the installer's relationship

with the end-user as every aspect of their dialogue is important to this research.

Qu and Dumay (2011) see the interview research as one of the most important qualitative data collection methods and a widely accepted process in the gathering data in a form of study pre design. According to Peräkylä (2005), the reason why interviews are the most common method for qualitative research is that they allow us to reach information (like people's subjective experiences and attitudes) that would otherwise remain hidden in the interviewees' minds. This is a method that should not be underestimated as easy or quick; the interview as a method in itself requires a set of special skills from the researcher, such as careful planning, field expertise, listening abilities and oratory, additionally it also involves decision making and time consuming processes such as who to interview, how many interviewees to have, what type of interview to conduct and how to analyze the data (Doyle, 2004).

Interviews can be structured, semi-structured or unstructured. This particular research utilized structured interviews as a data collecting method. Structured interviews, also known as "standardized" interviews, ask a number of pre-established questions which will remain unchanged in order and content regardless of the respondent, often restraining the answers to a few response categories (Qu and Dumay, 2011). Nonetheless, the interview in this study wasn't designed to limit the answers to a number of pre-expected responses (like in more quantitative methods such as surveys) but rather to let obvious answers unhinted. The questions in the interview procured to be as open as possible, often requiring deep thinking from the interviewees. Fontana and Frey (2005) point out that not only it is important to keep the order and content of the questions in a structured interview but also the pace of the interview and the attitude towards the interviewee should remain impartial; something that was especially put in practice in this field work. The reasons behind the selection of this type of in-

terview over the other two are better explained in section 6.3 (Limitations and further research).

Structured interviews tend to be better at minimizing biases due to the more limited interactivity with the interviewee which also means a null possibility of manipulating the interview course to obtain desired answers. Notwithstanding, the research should be careful not to fall on the bias game through the design of the interview, which in this type of interview is the most defining stage (Doyle, 2004). Such characteristics identify structured interviews with the neopositivism view, which strives for the objectiveness of data, by way of explanation "the neopositivist is more concerned about discovering a perceived objective reality out there". In neopositivism, interviewers have the task of finding the truth through trust and sincerity in the interaction with interviewees, which are seen as producers of facts and knowledge that have a compromise to the research and are therefore faithful and honest. (Qu and Dumay, 2011).

The SAGE handbook of qualitative research (Fontana and Frey, 2005) gives a number of "do's and don'ts" required to successfully carry out structured interviews. Deviating from the study introduction, question wording or questions sequence is to be avoided at all costs. Allowing interruptions, letting a third person to answer on behalf of the respondent, giving your own opinion or improvising in any way are also ways of jeopardizing the integrity of a structured interview. On the other end of the continuum, interviewing in casual and friendly way, rewarding the interviewees participation by being a good listener and sincerely thanking the respondent for his/her participation are all ways of securing more faithful results in a structured interview.

As it can be guessed, unstructured interviews differ substantially from structured ones. The underlying assumption is that interviewers ignore all the necessary questions that will be asked and that the wording, pace and direction of the interview is up to the interviewer to decide on the spot. One

of the intentions of unstructured interviews is to fit the context and individual situations in a way that a more conversational type of interaction takes place. This creates a friendlier environment in which the interviewee can relax and feel more welcome (Qu and Dumay, 2011). One of the less obvious, but most important differences between structured and unstructured interviews is that the former focuses in the capture of codabl0065 data while the later has no intentions of categorizing the information and therefore approaches the interviewee from a more behavioral, less rigid scientific perspective (Fontana and Frey, 2005).

Between the continuum's endpoints semi-structured interviews is found; the most common of all qualitative research methods, most likely due to its flexible, accessible and intelligible character. Semi-structured interviews are constituted by a clear selection of prepared questions within a theme interposed with improvised questions arising from the respondent's answers. While the scheme of prearranged questions are asked systematically to address the research's objectives, the additional questions aim at deepening the topics or arguments brought to light by the interviewee, which results in covering the matters from general themes to more specific, deeper issues. While semi-structured interviews have the organization, clear objective and to some extent, quantifiabilization of structured interviews, and the pace, wording and length flexibility for the interviewer, the level of use of a script or looseness of the interview is up to the researched to decide. (Qu and Dumay, 2011)

## 4.3 Interview design

As clarified before, structured interview was the selected type of dialogue for the fieldwork, nevertheless, the questions were mostly open with sub-questions that procured to emulate the style of semi-structured interviews, where subjects are asked to further explain their ideas or deepen their views by answering the same question with more specificity. The interview

questions and composition were designed to address the research problematic from both practical and theoretical standpoints, in this way, it not only summarized the vast recollection of theories assessed in section 1.4 (Literature review) but it also represented the concerns of the company as well as possible. The interview model was first written in English and later translated into Finnish. Five versions of the draft were discussed with the company where length, content, terminology and method of approach were worked out to satisfaction. A copy of the final version in both English and Finnish can be found in the appendix.

The interview was divided in 8 small sections that were meant to tap into different topics, both practical and theoretical. At first, respondents were reminded about the nature of the interview and the possibility to respond the questions anonymously. They were also told to keep in mind that since the research was mostly concerned about the replacement market, they should answer questions thinking about replacement scenarios instead of bigger project/contractual situations. The first section included basic background questions, where the installers were asked about their experience in the HVAC industry, their role within their company and also some introductory inquiries about their previous experience with Purmo radiators.

Section 2 focused on Purmo's best selling product, the Purmo *Compact* radiator. Installers were asked their general views on the product, affinity and criticism. They were also asked what they thought the end user appreciated and disliked about that particular radiator model. Section 3 contained the same questions as section 2 but concerning Purmo's most suitable representative model of the designer line, the Purmo *Planora*.

Section 4 was the first section to directly tap into theoretical concepts assessing the value proposition from Anderson's, Narus' and Van Rossum's (2006, 92) perspective. By asking the perceive differences between the offerings (the two previously mentioned products), I meant to acquire in-

formation regarding points of parity, points of difference and points of contention.

In section 5, various themes related to the advocate role that installers have by talking about Purmo, their products and their trademark characteristics (such as energy efficiency) were brought to the conversation. This corresponds to the advocacy topics studied from the relationship marketing perspective. Once again, the Purmo *Compact* and the Purmo *Planora* models were analyzed head to head by the experts.

The following two segments asked about attitudinal loyalty and affective commitment. The questions were adapted from Cater and Cater's (2010,1328) questionnaire which dealt with customer commitment and loyalty in B2B scenarios. The sixth section talked about what installers recommended about Purmo in a professional setting, for example what they said to colleagues in relation to Purmo as a supplier. The seventh section focused on the installers' feelings towards Purmo as a company and also how they would feel if they were associated to Purmo by being their customer.

The eight and last section was not planned for initially, but rather suggested by the company in the last stages of forming the interview model. This section differs substantially from the others in the sense that it challenges the respondents to evaluate the current way in which marketing is done in the HVAC industry and this proved to be very difficult to them considering that the rest of the questions had been easier for them because of their field of expertise. Purmo specifically wanted to know whether turning away from B2B and focusing their marketing efforts in the end user would be a good idea. Installers were also asked how the retailer network should look like in the hypothetical case of doing B2C.

## 4.4 Data collection

The data collection was achieved through the telephone interviews with HVAC experts from mid June to early July 2013. The interviews had no setbacks, misunderstandings or major demands by any of the parties. The respondents embraced the project openly and disposed sufficient time for the calls, providing a careless environment that proved beneficial for the sincerity and authenticity of their responses. *Table 3* shows a general run-down of the interviews.

## 4.5 Data Analysis

Just like interviews as a research method represent a "softer" scientific approach compared to quantitative methods, data analysis in quantitative methods is arguably less orthodox than traditional methods as well.

In the data analysis not only the content of the interviews is examined on its own but it is also mirrored with the base information gotten from the initial interview with the company, company material and as it is expected in a research of this source, with the theoretical content of the study.

Malterud (2001) considers qualitative data to be large amounts of information that may require abstraction and some degree of generalization when analyzing. According to the author, the analysis of qualitative data involves two processes, decontextualization and recontextualization. Decontextualization is to take pieces of information and examining them in isolation, as opposed to seeing them as part of the general picture. This process also compares similar ideas from the qualitative data and intends an understanding based on the comparison of their commonalities. In recontextualization, the previously decontextualized data is brought back to the context of the subject matter and harmonized with the general ideas *"making*

*sure that the patterns still agree with the context from which they were col-lected*" (Malterud 2001, 486).

Regarding ways of systematically analyzing qualitative data Miller and Crabtree (1999, 7-10) propose three different analysis styles considering that all projects are different and conditions call for diverse methods also. First is the Immersion (intuitive) analysis, where the text is analyzed close-ly and the most important ideas are brought out. The second is the editing (data-based) analysis style, in which the researcher categorizes the ideas found in the text. The text is then reorganized in the researcher's catego-ries making the ideas (and their communication) clearer. The last style proposed by Miller and Crabtree (1999, 7-10), the template (theory-based) approach reflects on the editing (data based) one as it also categorizes pieces of information to clarify the message, but in this case the categories come from a theoretical background and are meant to reflect theoretical or logical categories.

It can be said that these methods are not exclusive of each other and in some degree they were all applied in this thesis. In order to draw conclu-sions from the analysis a process of decontextualization and recontextua-lization was necessary. For example, each answer was analyzed indivi-dually but also as a part of the context and the reality not only drawn by the interviewees but also by the narrative of the company and the theory concepts. In the same sense, Miller and Crabtree's analysis styles helped me "read between the lines" by highlighting main and secondary ideas from the interviews. The data-based analysis style reminisces the pairing of the opinions given by different installers about common topics; similar to what the data based approach did through the reflection of the theoretical framework and the qualitative material.

**Table 3:** Summary of interviews

| Name | Company | Position | No. of Employees | Experience in HVAC | City | Date | Duration | Translator |
|------|---------|----------|------------------|--------------------|------|------|----------|------------|
| Janne Haapanen | Turunen LVI Piste Oy | Owner | 8 | 20 years | Turku | 13.06.2013 | 20 min | Maikki Sirkiä |
| Mika Piittisjärvi | Toijalan LVI Palvelu Oy | Owner | 7 | 18 years | Toijala | 17.06.2013 | 17 min | Mia Lehto |
| Anonymous | - | Owner | 60 | 35 years | Helsinki | 20.06.2013 | 17 min | Petrus Sipinen |
| Joel Hägglund | LVI-k.a. Stendahl-Vvsel Ab. Oy | Chief of installing | 23 | 16 years | Porvoo | 25.06.2013 | 19 min | Mia Lehto |
| Jukka Laamanen | Lähiputki Yhtiöt Oy | Manager | 75 | 30 years | Helsinki | 09.07.2013 | 16 min | Mia Lehto |

# 5. EMPIRICAL ANALYSIS AND FINDINGS

This chapter will give answer to the research problem established on section 1.2 (Research objectives and questions) through the empirical analysis of the case, the collected data and the support of the theory revised in chapters 2 and 3. The analysis and findings here drawn are the basis of the definite conclusions in the thesis.

The current chapter is subdivided into 4 sections which coincide in order and content with the subjects covered in the interview (Appendix 1). As explained in the previous chapter, this material represents the most important tool in the resolution of the case problematic.

## 5.1 Experience with Purmo radiators

Purmo's long experience and leadership in the industry has put it in a position where it is considered the standard in heating solutions. Heating experts expressed their appreciation for Purmo by saying that in their long experience with Purmo products (of up to 35 years) they always found them "*…reliable and durable and with very good availability*" (Hägglund, 2013) and also claimed their experience with the supplier had been "*good*" and "*very positive*" (Piittisjärvi, 2013; Hägglund, 2013). Jukka Laamanen (2013), manager at Lähiputki Yhtiöt Oy, said he had worked with Purmo products since he was a young installer and continued to work with them ever since, sticking to them even from his managerial position.

### 5.1.1 Purmo Compact

Purmo *Compact* is one of the two radiator models that were chosen as a representative sample of high-end and low-end radiator lines. Purmo *Compact* is the most basic, yet most sold radiator in Purmo's catalog, accounting for a vast share in the company's sales (Högkvist, 2013).

It features a plain-classic radiator look and Purmo's latest energy efficiency technologies. It is also Purmo's most inexpensive radiator (Purmo, 2013). *Figure 5* is a photograph of Purmo's *Compact*.



*Figure 5*. Purmo *Compact* radiator. Taken from Purmo (2013).

Installers agreed with Purmo's figures about the *Compact*, confirming that it is their most installed product. The product is used in installing firms in at least a weekly basis, as confirmed by 4 of the 5 respondents. Not only it is installed frequently but also almost exclusively; "*We install Compacts every week and 90% of the radiators we install are Compacts. Very rarely we install other models*" (Hägglund, 2013).

Installers showed satisfaction with this model, not only in terms of quality but also because of its easy-installing features; "*The radiator is easy to install and it looks neat after it is installed. It's a safe product*" (Laamanen, 2013); "*It's easy to install, easy also because I'm used to installing them. I have installed many similar radiators. It is very simple to fit*" (Piittisjärvi, 2013).The *Compact*'s distribution was very valued by the installers and it was mentioned as one of its advantages; "*I like the basic look and the availability of the product. The wholesalers always have them on stock and the price-quality ratio is good*" (Hägglund, 2013).

Interviewees in general are satisfied with the Purmo *Compact* and would not change anything about it, except for a negative remark; "*transporting and packing is probably the biggest problem because it's so fragile – gets easily scratched*" (Haapanen, 2013)

When asked about the opinions that end-users may have about the *Compact* model, Janne Haapanen (2013), owner of Turunen LVI Piste Oy, said that end-users appreciated the little maintenance that the product required, as well as its neat look, which was also mentioned as an advantage to the end-user by two more respondents. As it was expected, the affordability of this basic model was also mentioned as plus in the eye of the end-user (Laamanen, 2013). None of the respondents believed that this radiator provides benefits other than heating. Last but not least, all respondents said that in their opinion, end-users feel that the Purmo *Compact* does is a radiator that is not missing anything.

### 5.1.2 Purmo Planora

The same questions were asked about the Purmo *Planora*, a model suggested by the company as an ideal representative of the more designed-oriented radiator lines. As shown by Purmo's figures, the *Planora* is evidently not as commercially successful but its manufacturers believe in the potential that it has in the replacement market. The model features a non-traditional flat front that is meant to make it more aesthetic and discrete than most radiators. Figure 6 shows the Purmo *Planora*

Heating specialists were less familiar with the *Planora*. Four installers said they installed *Planoras* only a couple of times per year. Phrases like "*I know the product but I don't have a lot of experience with it*" (Anonymous, 2013) and "*Yes, I know the model but it's less familiar to me. Sometimes I have bump into those*" (Piittisjärvi, 2013) made evident their distance from it. One of the interviewees even said that he wasn't in the position to an-

swer questions about *Planora* because he didn't know enough about it (Laamanen, 2013).



***Figure 6***. Purmo Planora radiator. Taken from Purmo (2013).

Purmo *Planora's* smooth surface and "fashionable style" were the features that installers liked the most, as well as the features they believe the end-user liked the most, commonly getting positive feedback about it. On the down side, one installer believes the *Planora* "…is more fragile, so no that installer friendly… you have to handle carefully". Apart from that, interviewees think the *Planora* is not missing anything that they or the end-users may want. Although they acknowledged its design, none of the experts believed that the *Planora* provided benefits other than heating.

## 5.2 Points of parity/difference

In this section, heating experts where asked for their views on the two previously mentioned radiator models. The goal of this section was to address Anderson's (2006) value proposition analyzing points of parity and points of difference in a comparison of *Planora* and *Compact* radiators. The analysis did not contrast offerings from two different companies as it is proposed by Anderson (2006) but rather compared products from different lines of the same manufacturer.

Installers agreed that the main difference between the two models is their appearance, with the *Planora* having a more appealing look. Opposite to this they found common characteristics in the two, like easy installing features and general technical features (Haapanen, 2013). When asked what made a *Planora* superior (or inferior) to *Compact*, most installers said that *Planora* simply looked better, while others thought it was up to the end-user to decide why; "*It's not up to the technical features. It comes down to the looks; some people want a slicker look and some other an old-school look. It's a matter of taste really*" (Haapanen, 2013). Piittisjärvi's (2013) answer came went beyond the appearance and it tapped into more practical problems; "*I think it (the Planora) could be easier to keep clean (than the Compact)*". Hägglund (2013) actually found a negative point of difference on the *Planora*, expressing that the availability of the product was not very good and nowhere near *Compact*'s.

According to Hägglund (2013), the *Planora* model is situated in a type of limbo for two reasons, first the *Compact* is much more popular in the replacement market and second, *Planora* doesn't really have a space in new building markets where many prefer underfloor heating systems to radiators.

To the question "If you are replacing a basic model such as the C*ompact* which radiator do you suggest?", Mika Piittisjärvi, owner of Toijalan LVI Palvelu Oy admitted:

> "*At the moment we are still replacing them with Compacts. I have kept installing less advanced models… I guess I should start changing that myself. Usually the retailers decide the model that we should install. Mainly we will replace an old Compact with a new Compact. I think that if it's going to be changed, it should be our initiative. I don't think that the people check different models even online yet. When there is the same model everywhere it tends to be that the next one will be the same*" (Piittisjärvi, 2013).

On the other hand, Haapanen (2013) admitted to offer a model like *Plano-ra* before suggesting *Compact* to the end-user. The rest of installers said that they didn't feel in the position to suggest a particular model but let the end-user decide by him/her self.

## 5.3 Relationship Marketing

RM concepts were indirectly asked from the interviewees to get a better understanding of the relationship quality that they have with Purmo and analyze their interaction with end-users. Unlike the previous sections of the interview, no reference is made to a particular radiator model; instead, general questions about their day to day operations were made.

### 5.3.1 Attitudinal loyalty

Attitudinal loyalty was first explored from the professional advocacy concept and then from the advocacy to end-users perspective. Respondents were asked if they usually did positive (or negative) word-of-mouth with their colleagues from other firms about Purmo and its products. Installers said they that recommending Purmo products to other HVAC experts was never necessary, as generally everyone in the industry is well aware of the products of this leading brand. They did, nevertheless, discuss technical details when products were updated (Haapanen, 2013).

A series of questions aimed at finding out whether installers carried out Purmo's brand message and product attributes to the end user. The basic premise was finding out what was said about Purmo. Answers contained a number of topics that were part of the conversation with the end-user, where installation issues (such as placement) were primordial (Laamanen, 2013). Installers also tell their customers about practical matters such as delivery and installing times (Hägglund, 2013). At times, when the radiators to be replaced are very old, installers explain that one of the benefits

of low-temperature radiators is that they are smaller but do the same job as the older, bigger ones (Haapanen, 2013). Two of the installers believed that there was nothing to say about the products as the general public is aware of their functionality and maintenance.

Purmo's latest campaign and brand message intends to attend to green macro trends by focusing in highlighting the energy efficiency of their radiators, from *Compact* to *Planora* and every model in between. Their message has been to show that heating radiators and domestic insulation have evolved in a way that the heating output is minimal, which logically reduces consumption and expenses. This has been achieved by improving heat encapsulation inside the house which results in radiators being more effective with less output (Högkvist, 2013). Purmo therefore considers vital to count on retailers to pass on this message to the end user. When asked "what do you know about Purmo radiators' energy efficiency characteristics?" and subsequently, "how much of this information do you pass on to the end-user?", an anonymous respondent with 35 years of experience in HVAC said that his firm receives Purmo's corporate communication often but admitted to only tell about 20% of this information to the end-user. Similarly, Laamanen (2013) said that he has also received numerous brochures with this information, and has learned about the improved convective features of low-heating radiators, nevertheless, he does not pass this information to the end-user because the end-user doesn't request it. Two more installers said that they simply didn't know enough about the new characteristics in the products so they didn't advocate these technologies.

Another aspect that is primordial to Purmo is expressing the importance of their products industrial design, which they try emphasizing through the look and feel of their products. Regarding the role that design/aesthetics play in heating, Porvoo based Joel Hägglund, chief of installing at LVI-k.a. Stendahl-Vvsel AB, said that these factors play an important role, but in-

stead of expressing these ideas, he lets the end-user figure out the role of design for him/herself:

*"… I don't tell that much about that, sometimes I think that the customers know more than we do, at least our customers are sure of the model they want… we just need to go to the location to check the conditions. So if we install a Planora is because the customer has asked for it specifically"* (Hägglund, 2013)*.*

Haapanen (2013) also believe that the importance of the design is up to the end-user to decide, for this reason, he only install "designer" radiators when the customers with the most initiative come to his shop with a clear idea of what model they want and why they want that model in a certain room. Other heating experts believe that design plays no role whatsoever in the industry, and for this reason they don't talk about this with the end-user at all (Piittisjärvi, 2013; Anonymous, 2013).

An important part of advocating a company and its products is advocating its brand. Installers were asked what information they gave their customers about the Purmo brand. Two of the respondents said that they didn't tell anything about the brand, because for a product like a radiator the brand was not relevant for the end-users and apart from this, Purmo was the only brand considered (Piittisjärvi, 2013; Hägglund, 2013). On this note Laamanen (2013) said that he doesn't talk about the Purmo brand either because end-users know about the product they are purchasing, and in other scenarios they are advised by their architect/designer, which coincides with another expert who answered:

*"The customers don't really ask about Purmo. When the customer comes to buy a radiator he/she doesn't know enough to ask about brands, they are not interested in such matters"* (Anonymous, 2013).

Haapanen (2013) in contrast, does brand advocacy and acknowledging the fact that end-user may not be aware of the brand, he uses the country-of-origin effect on his favor emphasizing that being a product made in Finland it has excellent quality and warranty.

### 5.3.2 Affective commitment

With the affective commitment related questions the intention was to reveal how HVAC actors felt about their radiator manufacturer as a company and as a supplier, verifying also if they identify their own organizational values with Purmo's. In the opening question respondents were asked about their feelings towards Purmo as a company. Installers in general expressed their appreciation for Purmo (Rettig ICC) as a company having mainly positive reviews on their customer service, flexibility, financial stability and long tradition. On this matter Laamanen said:

> *"It's an excellent, old and solid partner that we have worked with for as long as I can remember. I have nothing negative to say about Purmo. Everything works as it should; we get a lot of information in printed form and also by email"* (Laamanen, 2013)*.*

Anonymous (2013) also has positive feelings towards the company but contrary to his colleagues, he took the opportunity to complain about what in his opinion is Purmo's weakness:

> *"(Purmo) is a very well functioning company, but delivery times that take as long as 6 weeks for some models are unacceptable. If we tell this to customers they won't be satisfied. That's definitely a downside"* (Anonymous, 2013).

When asked about their feelings towards Purmo as a supplier the answers were quite similar, always expressing great customer satisfaction. Laama-

nen (2013) even went as far as saying that not only he had been happy with Purmo as a customer during his 30 years of HVAC experience, but that even his parents who also worked in HVAC were satisfied with Purmo long before he took over the business.

The section concluded with the question "how do you feel about being associated with Purmo?" in an attempt to understand how Purmo's name could affect (positively nor negatively) the retailer's own name. Responses ranged from neutral to positive with phrases like "*that's fine, we are happy to sell their products*", "*well, that's just good*" (Haapanen, 2013) and "*I think there is nothing bad about that*" (Piittisjärvi, 2013). Finally, Laamanen (2013) acknowledged the specific advantages of brand association by saying "*That's fantastic! I think that is how it should be and I'm sure that it improves our brand as well*".

## 5.4 Views on B2C Marketing

As explained in chapter 4 (methodology), in the beginning of the project the company expressed their wish to know what the thought of heating experts was about focusing marketing efforts B2B as opposed to their traditional B2C marketing approach.

The first question of the topic was "what do you think of Purmo focusing their marketing directly to the end-user?". Installers liked the idea in general and believed the change could increases in sales, help promoting high-end radiators by educating the end-users and relieving retailers from marketing campaigns that small businesses couldn't afford (Anonymous, 2013; Piittisjärvi, 2013; Hägglund, 2013). Laamanen (2013) on the contrary, did not like the idea and explained himself as follows:

> "*It's not necessary, because the end user doesn't always understand these things like he/ she should. It may bring too many ques-*

*tions from the end user, irrelevant questions which they would have to discuss with the architect anyway. Selling through contractors and HVAC shops is the only way"* (Laamanen, 2013).

HVAC Experts were also asked what the retailer network should look like in this hypothetic case. All of them agreed by saying that HVAC specialty shops are the best route to reach the end-user, and they are afraid that if Purmo designed a network where superstores (such as Kesko) are the retailers then hundreds of small firms like their own would collapse as they wouldn't be able to compete with big corporations' prices. Also they feel that the selling should be accompanied by installing services since leaving the installation up to the users would not help anyone. Because of this, hardware stores would also be an erroneous as they don't have the service expertise or installing knowledge. (Anonymous, 2013; Piittisjärvi, 2013; Hägglund, 2013; Laamanen, 2013; Haapanen, 2013)

## 5.5 Summary of findings

*Table 4* (pages 70 and 71) presents a summary of the general and most relevant points that each installer made regarding the eight main topics of the interview.

***Table 4***: Summarized Data

|  | Anonymous | Janne Haapanen | Joel Hägglund | Jukka Laamanen | Mika Piittisjärvi |
|---|---|---|---|---|---|
| **Experience with Purmo** | - Positive<br>- Satisfied | - Neutral<br>-Satisfied | -Positive<br>-Satisfied | -Highly positive<br>-Satisfied | -Highly positive<br>-Satisfied |
| **Purmo Compact (continues)** | - High familiarity<br>- Satisfying to installer | - High familiarity<br>- Satisfying to installer | - High familiarity<br>- Satisfying to installer | - High familiarity<br>- Satisfying to installer (installability) | - High familiarity<br>- Satisfying to installer (installability) |

| | | | | | |
|---|---|---|---|---|---|
| **Purmo Compact** | - Satisfied to end-user | - Satisfied to end-user | - Satisfied to end-user (availability) | - Satisfied to end-user (affordability) | - Satisfied to end-user |
| **Purmo Planora** | - Low familiarity<br><br>- Less satisfying ( It's more fragile; it needs to be handled carefully ) | - Familiar<br><br>-Highly satisfying (brings good feedback from users) | -Familiar<br><br>- Satisfying<br><br>- Fashionable appearance | -No familiarity | - Low familiarity<br><br>- Satisfying |
| **Value Proposition** | -Models present the same functionality<br><br>-Planora is superior in design<br><br>-Products don't offer benefits beyond heating | -Planora may be superior in design but is up to the user to decide<br><br>-Products don't offer benefits beyond heating | -Models present the same functionality<br><br>-Planora lacks availability<br><br>-Products don't offer benefits beyond heating | - | -Models present the same functionality<br><br>-Planora is easier to keep clean<br><br>-Products don't offer benefits beyond heating |
| **Advocacy** | -Advocates energy saving features in 20%<br><br>-Suggests either model to replace an old Compact | -Advocates low-temperature heating<br><br>-Advocates country of origin effects | -No advocacy (not needed)<br><br>-Suggests either model to replace an old Compact | -No advocacy (not needed)<br><br>-Is up to users and architects to request information or choose models | -No advocacy (not needed)<br><br>-Suggests Compact to replace an old Compact (recognizes failure) |
| **Attitudinal Loyalty** | -Not necessary (known brand) | -Not necessary (known brand) | - Only recommendable brand | -Not necessary (known brand) | -Not necessary (known brand) |
| **Affective Commitment** | -Affective commitment towards Purmo<br><br>-Dissatisfied with delivery times | -Neutral feelings towards Purmo<br><br>-Likes being associated with Purmo | -Affective commitment<br><br>-Likes being associated with Purmo | -Very high affective commitment<br><br>-Likes being associated with Purmo | -Affective commitment<br><br>-Likes being associated with Purmo |
| **B2C Marketing** | -Supports it<br><br>-Should be done through HVAC shops | -May support it<br><br>-Should be done through HVAC shops | -Supports it<br><br>-HVAC shops work as they are | -Does not support it<br><br>-HVAC shops work as they are | -Supports it<br><br>-Should be done through HVAC shops |

# 6. DISCUSSION AND CONCLUSIONS

The final chapter of this thesis presents all the considerations and conclusion of the case. This section returns to the research questions and objectives and provides appropriate answers justified with the theoretical background previously reviewed. For this reason, the main findings section is divided into independent subsections that address each of the research objectives.

## 6.1 Main findings

This thesis has centered on the role and perceptions of retailers of the HVAC industry, by studying mainly their value proposition and product advocacy to the end-user and also their relationship with their main supplier, a radiator manufacturer. The findings here presented arise from a qualitative study with the cooperation of five heating experts from all around Finland.

The field work and analysis has allowed a perspective change by seeing the problem from the installer's point of view instead of the company's. In general, the interviewees demonstrated a wide experience and knowledge not only about product and service technicalities but about HVAC industry and its value chain. The main findings refer to VP and RM related issues existent in Purmo radiators' case and are presented as follows:

### 6.1.1 Satisfaction

Purmo retailers were found to be satisfied with Purmo's products and services. Their satisfaction is not only present today but has been a constant for decades, just like their positive image of Purmo which was in some cases even generational. As their main supply, they are very demanding of the radiators they install and for this reason they appreciate the quality and

warranty of Purmo products, having no doubt that they are the only radiator brand they would work with. Purmo's stable satisfaction delivery has represented important trends in customer retention and it sets a solid base and favorable environment for relationship quality improvement as suggested by Godson (2009, 89). Its customer retention, tradition in the Industry and privileged market position represent a valuable competitive advantage, which coincides with Sanayei and Shaemi (2011, 982).

Regarding the satisfaction generated by the two radiator models that were discussed in the interviews, heating experts provided mostly positive feedback. Purmo's *Compact* radiator, the undisputable favorite of installers, is well constructed, good looking, durable and easy to install. It is not only the most affordable radiator model but also the one with the best availability, something that proved to be very valued by installing companies. Installers did not only seem happy with the product but also expressed the appreciation that the end-users have for it, who in their opinion consider the *Compact*'s affordability, availability and easy maintenance as its strengths.

Purmo *Planora*, the most design-oriented model was far less used and therefore less familiar to the interviewees. In most of the studied cases, the *Planora* is only installed a couple of times per year in the replacement market. Despite this, installers recognized the model's design and smooth surface as an advantage and said that ultimate consumers also value these characteristics. Like the *Compact*, the *Planora* model is not missing anything considerable in the eye of the installer.

In Purmo's case, customer satisfaction has had a positive effect on the company's image. Heating experts in the HVAC industry hold Purmo as a traditional, reliable and financially stable firm with a special concern for installers and their needs. Still, there is always room for improvement and heating experts believe that Purmo should consider some flaws like the distribution, availability and delivery times of *Planora* radiators.

### 6.1.2 Retailer's current Value Proposition

While installers agree that a model like *Planora* is superior to a model like *Compact*, they think of the products and compare them based on the physical features and not considering the potential value that end-users find in it. This is a typical case of marketing myopia, with the installers focusing on what the radiator is and does instead of what the customer needs are and how they can be solved by offering products and services. Installers operating in the HVAC industry believe that end-users base their decisions on taste, and that their decisions are definitive. In their opinion, it doesn't matter what they think of the products as professionals because end-users know what they want. This is why installers tend to stay distant from the decision making processes that ultimate consumers go through. This contradicts the basic principles of VP in the selling scope, where the sales person should go through a number communication of processes like relationship development, discovery of needs, product-needs matching, communication of benefits and persuasion to successfully do his/her job (Manning and Reece 2007, 10).

Apart from not intending a proper product-need match, installers are far from offering a VP with resonating focus; this is, a VP highlighting a couple of positive points of difference of the product (therefore capturing the features that delivers the most value), communicating the VP in a direct and compelling way and keeping the customer's needs above the products technicalities (Anderson et al. 2006, 91). While most VPs fail to have a resonating focus because they name too many benefits and cannot highlight which ones deliver the most value, in the HVAC retailers' case is the lack of benefit naming what makes their VP weak; installers cannot see value in the radiators beyond heating, and this is obviously what they end-up communicating.

Installers found their services highly valuable and radically rejected the idea of changing the distribution network of the HVAC industry. According

to these interviewees, the end-user does not have the knowledge or interest to purchase a radiator from a mega-store and face installation on his/her own, not to mention that bigger players represent a threat to small and medium enterprises in the installation business. On the same token, other types of businesses such as hardware stores do know have the know-how required to service HVAC customers.

### 6.1.3 Perception of benefits

A central notion to VP is the type of benefits that an offering has. In the convective heating case, functional benefits such as warming up the indoor climate are obvious and expected. Nonetheless, other types of benefits could also be part of radiators' offering; for example, radiators can create comfort and provide emotional benefits such as feeling home and being safe. Furthermore, a sophisticated looking radiator can present self-expressive benefits for a user who wants to show his personality through his home's interior design.

Although interviewed heating experts recognized that the *Planora* model had a better appearance than the *Compact*, they failed to see the potential self-expressive and emotional benefits that a high design product has and claimed that regardless of the offering, end-users get only one benefit from radiators: heat.

Because of the one-dimensional view of benefits that the respondents expressed, where no self-expressive or emotional benefits were recognized, its inferred that installers see more importance in the points of parity than in the positive points of difference between both of the radiator models studied, in other words they prioritize what they have in common over what makes them different. Being so, it is easier to choose the more familiar, affordable and popular *Compact* model than a radiator from a higher product line like *Planora*. It can be said then that this is why retailers of the

HVAC industry see more disadvantages than advantages in trying to sell expensive radiators instead of standard models. Some installers are aware of the advantages of pushing "top of the line" radiators but do not take action to change this pattern.

### 6.1.4 Installers' advocacy

Advocacy is a term that was constantly highlighted throughout the RM related passages of this work. In this research, advocacy was assessed through variables that have commonly been associated with it such as customer commitment, loyalty and satisfaction, as well as factors affecting relationship quality in general.

Professional advocacy, that is, positive word of mouth practices with colleagues and other HVAC professionals, does not seem important in Purmo's case. The reason behind this is that Purmo is widely known in the industry and as the market leader for so many years it has become the standard. In other words professionals find useless to recommend products that everyone is already aware of.

More importantly, Purmo considered essential to evaluate the advocacy practices that installers had with their customers to see how far the Purmo branding message and VP made it. Heating experts said that not only their talk with the end-user was usually limited, but that it was mainly focused in practicalities such as discussing the installation space and servicing times. Installers only go on to explain the features of this generation of products when the replaced radiators are antiquated. On the same notion, respondents claimed to often get product information from Purmo (in printed and digital form) that highlighted Purmo products' energy efficiency features, but admitted to pass barely any of this of this information on to the consumer.

Purmo's also values the design of their products, and would benefit from the advocacy of superior design on behalf of installers. Similar to what is discussed in the previous section, interviewees said that while design played a role in radiators it was the customer who should determine how or why, as only customers explicitly looking for models like *Planora* cared about those matters.

Purmo's brand itself is not communicated to ultimate consumers. Installers were asked what they told end-users about the Purmo brand to determine their advocacy in that sense. Installers majorly agreed that talking about the Purmo brand to ultimate consumers is not necessary; the reasons being that only professionals such as architects and designers would be interested in it, and these actors would be the ones that would eventually promote the brand to the end-user (if needed). Installers also said that products like radiators do not have branding influence for end-users and even if they did, Purmo does not have serious competitors so there isn't need for such differentiation. An important counterpoint made by one installer did highlight the importance of telling end-users that Purmo radiators were Finnish and talked about the positive country-of-origin effects that this can create.

In conclusion, installers do not advocate Purmo's brand or product features (neither energy efficiency nor superior product design) and believe that instead of being proactive multiplying actors they have a passive role. This means that they expect the customer to take initiative on requesting information about Purmo, its brand, its radiators and their respective features.

## 6.2 Managerial implications

The analysis and conclusion drawn here describe the situation and explore the retailers' role from different theoretical perspectives. Conversa-

tions with HVAC experts have left important insights that can evolve into managerial actions. The following are my practical observations and professional advice to Purmo.

The superior value that Purmo presents is not only claimed, but also proven and documented through scientific research that supports mainly the energy efficiency of their products (Purmo, 2011), this makes it ideal to take advantage of a VP with resonating focus, where the end-user gets concise, relevant and reliable information about their radiator choices (Anderson et al. 2006, 93). As we see in the study's results, the reality is that installers don't even have a structured VP and understand the benefits of Purmo products differently. Future marketing communications could include a brief guide of how to provide an effective VP to the end-user by focusing in a couple of features that make Purmo or a certain radiator model, superior and unique.

Installers have their own vision of what Purmo products are to them and to the end-users. Regarding the *Compact* model, not much new information was found; installers have shown great satisfaction with this radiator and it is clear that it's Purmo's most successful product. Installers choose *Compact* radiator almost as default, for example, when an old *Compact* radiator needs to be replaced, installers will most likely replace it with a *Compact* too. I can conclude that the *Compact* has everything an installer could want, but it is uncertain if it has everything that a great majority of replacement market customers need.

Purmo's *Planora*, the model that represented all advanced models in the research, tells a different story. The *Planora* model is still recognized as the eye-catching model, but it can provide value beyond its looks. It has positive points of difference when compared to other radiators and even other heating systems. For example, its smooth surface makes it easier to dust and clean (Piittisjärvi, 2013). This is a clear functional advantage over other radiators like the *Compact*. Also, according to Purmo's marketing

management, radiators are commonly looked upon by under floor heating customers because they are prompt to collecting dust and this represents a deal breaker (Högkvist, 2013), which makes the *Planora* and its easy to clean surface a competitive alternative. This would be a point worth researching from the user's perspective, where the value of such practicality was analyzed and it could eventually make part of the VP.

The importance of stock availability and efficient delivery times are pretty much standards in industry markets (Sanayei and Shaemi 2011, 982); they can boost customer satisfaction figures and furthermore, represent a source of competitive advantage for suppliers. Complaints were made about the delivery times of some of Purmo's radiators (namely the *Planora* model), where long delivery times were not only the cause but also the consequence of installers widely preferring models with a better availability such as the *Compact*. It is therefore advisable to re-evaluate the *Planora*'s distribution by involving departments beyond marketing; this may well be central reason why advanced radiator models have not become popular amongst retailers.

On a different note, installers feel that they could benefit from Purmo's B2C marketing efforts in the sense that marketing communication could be better transferred to ultimate consumers if it's done directly by the manufacturer. This would mean that getting the message and positioning to the end-users would not rely so heavily on installers' advocacy, which in the industry expert's opinion would not only increase the awareness of Purmo's products but it would unfetter installers from brand advocacy duties that they are not happy with or are effective at.

HVAC Installers demonstrated to have an affective commitment towards Purmo; they appreciate the company, its history and reputation and are happy to have it as a retailer. Also, installers find being associated with Purmo as a considerable advantage. Nonetheless, this affective commitment does not resonate enough to create attitudinal loyalty patterns such

as advocacy to the consumer. In the same way, the positioning that installers have of the retailer may differ from Purmo's branding efforts as they do not share the same opinions about the importance of communicating product features such as advanced design and energy efficiency. Some installers believe that their message about Purmo hasn't changed because in their opinion the product hasn't changed either and only a fundamental change such as a technical innovation of some sort would make them see the product differently.

This thesis could be used as a strong base to evaluate also the end-user's perceptions of value and customer needs; only by fully understanding what ultimate consumers need and expect from the product a better, more structured VP could be delivered. Perhaps just like installers, end-users are looking for previously overseen factors like faster delivery times or products that are easier to clean.

## 6.3 Limitations

Most of the theoretical concepts here studied such as value proposition, relationship marketing, customer loyalty and commitment, branding and the importance of product aesthetic design have commonly and widely been studied from the B2C perspective. This thesis intended to recapitulate and contextualize this knowledge and its applicability into a B2B scenario. Apart from being set in B2B, the HVAC case here presented also had the particularity of an industry where a more technical actor (such as the installer) is in charge of selling products and providing services to the ultimate consumer, and act as an important gate keeper in the middle of the supply chain. All of these characteristics shaped the Purmo case and evidenced its uniqueness and at the same time made it especially challenging because the availability of information about comparable cases or even industries is limited.

The ilk of the study made it prompt to the common limitations of qualitative methods, mainly having to rely on a considerably small sample that may not be as representative and projectable as desired. Another common limitation in business research is the bias that researchers and company managers could make out of qualitative results, interpreting them according to their preconceptions. This can happen even in the methodology design phase when the researcher could unconsciously bend the questions to seek for certain answers. (Aaker, Kumar and Day 2004, 210)

Once again, the specificity of the case gives us no real antecedents for a research like this. Although the theoretical background is very supportive of the aim of the study, especially in its conceptualization, this research had little base information to start from; until now the company had been able to determine some aspects of their brand positioning in installers' minds but had not resolved or even explored other concerns related to installers' needs.

As my native tongue is not Finnish I always expected to encounter some inconveniences regarding language barriers. One of the alternatives considered at the planning phase was to find respondents that would be comfortable speaking English, but due to the deepness that the interview needed to reach and the company's opinion about the issue, I opted for post-interview translations and transcriptions, which put the language barrier on my side instead of leaving it on the interviewees' side. This allowed me to control and minimize the language inconvenience as well as possible. Nonetheless this hurdle shifted the research's methodology even further; as explained earlier in this text, had I known the local language, the interview would have probably been semi-structured and not structured. These difficulties are no strangers to qualitative methods, and have been recognized in academic literature; Patton (1990) identifies language barriers as one of the biggest setbacks of qualitative interviewing in the international context, affirming that since the data obtained from qualitative research are words, there is too much at risk due to the number of transla-

tion errors that can occur. The use of a translator is in most cases necessary but it is anyway fraught with difficulty. Interpreters often want to explain and summarize the answers, which can once again result in the loss of information or the misinterpretation of the interviewee. On the same token, some words are simply impossible to translate directly from one language to the other, in which case contextual explanations are needed.

Another particular challenge of not being the direct interlocutor in the interviews was the incapability of managing the pace of the interview. In the second interview, my translator settled for short answers and avoided silences by moving forward with the following questions. According to Doyle (2004, 11) the interviewer should not be impatient and should learn how to deal with silences; while silences may seem like a waste of time, they are allowing the interviewee to think through the questions, which will naturally resolve in longer, deeper and better answers. After this incident I was able to guide translators to give the interviewee as much space as needed to respond to or complement each answer which led to richer answers and a calmer pace.

The fact that the interviews were done by phone was also a defining and perhaps restraining research characteristic. It is believed that telephone interviews can be less daunting than face-to-face interviews as some people feel less intimidated when they don't have to be personally approached by the interviewer (Aaker, Kumar and Day 2004, 221). In my experience though, telephone interviews have this advantage but are far from ideal for deeper, longer interviews such as the ones intended. The reasons for this are that the nature of the communication in telephone interviews is less personal and the time is more pressuring; interviewees may not like to spend as much time on the phone as they would on a personal interview and interviewers can never really sense if the interview is intrusive and interruptive which can create an urgency of being as brief as possible.

## 6.4 Possible further research

This thesis has focused in the perspective and opinions of installers, which has broadened our view of the market phenomena. Notwithstanding, it provides no primary source and limited secondary source information about ultimate consumers and their preferences, needs, expectations, product satisfaction and voice in general, which is a compelling argument to conduct research that could lead to a better characterization of this actor. Acquiring this information could empower the company, giving it a holistic view of the VP compared to the markets' needs.

Considering retailers' keenness on Purmo's eventual B2C marketing strategies, it is advisable to look deeper in the implications that such managerial move could imply. It can be supposed that installers would not have to do much outside of their technical tasks anymore, and this "relief" from marketing activities would most likely be seen as their biggest advantage, which would possibly translate into a higher marketing freedom for Purmo. In any case, the pertinent information to evaluate and measure would be the costs and other major shifts that the strategy implementation would result in.

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# APPENDIX

**FINAL INTERVIEW MODEL**

## 1. Background Questions

Name:_____ Company:_____

Years of Experience:_____ Position:_ _____

Industry: _____ Number of Employees: _____

Year Established: _____

**Esittely:** Kuten tiedätte, tämä haastattelu on osa yliopistotutkimusta, joka käsittelee sekä Purmoa sekä Purmon tuotteiden asentajia. Jos tahdotte, voitte vastata kysymyksiin nimettömänä. Kysymykset liittyvät työhönne, tarkemmin ilmaistuna nimenomaan pieniin korjaustöihin ja asennuksiin, kuten esimerkiksi yksittäisten kotitalouksien tilaamiin töihin. Kysymykset eivät siis liity esimerkiksi urakoitsijoiden kanssa tehtyihin suurempiin asennusprojekteihin.

## 1. General Questions

1.1 What is your experience with Purmo radiators?
- Mitä kokemuksia Teillä on Purmo radiaattoreista?

1.2 How often do you install Purmo radiators?
- Kuinka usein asennatte Purmo radiaattoreita?

## 2. *Purmo Compact m*odel

2.1 Are you familiar with the "*Purmo Compact*" model?
- Onko "Purmo *Compact*"-malli Teille tuttu?

2.2 What do you like about that particular model?
- Mistä pidätte kyseisessä mallissa?

2.3 Is there something you don't like about them?
- Onko kyseisessä mallissa joitain ominaisuuksia joista ette pidä?

2.4 How often do you install this radiator model?
- Kuinka usein asennatte "Purmo *Compact*"-mallin radiaattoreita?

2.5 What do you think the end user likes about the *Compact*?
- Mistä ominaisuuksista luulette että loppukäyttäjä pitää kyseisessä mallissa?

2.6 What do you think this model is missing in the eye of the end user?
- Puuttuuko kyseisestä mallista joitain ominaisuuksia, joita loppukäyttäjä mielestänne kaipaisi?

## 3. *Purmo Planora* Model

3.1 Are you familiar with the "*Purmo Planora*" model?
- Onko "Purmo *Planora*"- malli Teille tuttu?

3.2 What do you like about that particular model?
- Mistä pidätte kyseisessä mallissa?

3.3 Is there something you don't like about them?
- Onko kyseisessä mallissa joitain ominaisuuksia joista ette pidä?

3.4 How often do you install this radiator model?
- Kuinka usein asennatte tätä radiaattoriamallia?

3.5 What do you think the end user likes about the *Planora*?
- Mistä ominaisuuksista luulette että loppukäyttäjä pitää kyseisessä mallissa?

3.6 What do you think this model is missing in the eye of the end user?

- Puuttuuko kyseisestä mallista joitain ominaisuuksia, joita loppu-käyttäjä mielestänne kaipaisi?

## 4. Regarding value proposition

4.1 What do you think these 2 models have in common?
- Mitä yhteistä näillä kahdella mallilla on teidän mielestänne?

4.2 What makes them different?
- Mitä eroa näillä kahdella mallilla on teidän mielestänne?

4.3 What makes *Planora* superior (or inferior) for the user?
- Mikä tekee *Planora* mallista paremman (tai huonomman) sen loppukäyttäjälle, verrattuna Purmo *Compact*iin?

4.4 Do you think the end user gets benefits other than heating with these radiators?[i]
- Luuletteko, että loppukäyttäjä saa tuotteesta muuta hyötyä, tuotteen tuottaman lämmön lisäksi?

## 5. About advocacy

5.1 What do you tell the end user about the Purmo radiator he/she is having installed?
- Mitä kerrotte Purmo radiaattoreista asiakkaalle niiden asennusvaiheessa?

5.2 What do you know about Purmo's energy efficiency characteristics?
- Mitä tiedätte Purmon energiatehokkuutta lisäävistä ominaisuuksista?

5.3 How much of this information do you pass on to the consumer?
- Kuinka paljon tästä informaatiosta kerrotte asiakkaallenne?

5.4 In your opinion, what role does design/aesthetics play in heating?
- Millainen rooli designilla/tuotteen estetiikalla on teidän mielestänne lämmittämisessä?

5.5 How much of this information do you pass on to the consumer?

- Kuinka paljon tästä informaatiosta kerrotte asiakkaallenne?

5.6 What information do they get about the Purmo brand?

- Minkälaista tietoa asiakkaanne saavat Teiltä Purmon brändistä?

5.7 If you are replacing a basic model such as the *compact* which radiator do you suggest?

- Jos olette vaihtamassa radiaattorin perusmallia (sellaista kuten *Compact*) uuteen malliin, minkälaista uutta radiaattoria suosittelisitte?

## 6. About Attitudinal Loyalty

6.1 Do you recommend Purmo to colleagues in other firms?

- Suositteletteko Purmoa kollegoillenne muissa yrityksissä?

6.2 In that case, what do you say about Purmo?

- Jos suosittelette, miten kuvailette heille Purmoa?

## 7. About Affective commitment

7.1 What kind of feelings do you have towards Purmo as a company?

- Mitä mieltä olette yleisesti Purmosta/Rettigistä yrityksenä?

7.2 And as their customer?[ii]

- Entä heidän asiakkaanaan?

7.3 How do you feel about being associated with Purmo?

- Oletetaan että asiakkaanne assosioivat (yhdistävät mielessään) Purmon lämmitystuotteet yritykseenne. Mitä ajattelisitte tästä?

## 8. About B2C marketing

8.1 What do you think of Purmo focusing their marketing directly to the end-user?

- Mitä mieltä olette Purmon markkinoinnin keskittämisestä suoraan loppukäyttäjiin?

8.2 If Purmo would go for end-user marketing, would you be a good retailer for Purmo?

- Jos Purmo siirtyisi markkinoimaan tuotteitaan loppukäyttäjille, mikä olisi sopiva jälleenmyyjä?

8.3 How should the retailer network look like?

- Millainen jälleenmyyjäverkoston tulisi olla?

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