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The Challenge of Communicating Reciprocal Value Promises –

Value Proposition Disparity in Buyer-Seller Interaction in Professional Services

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The Challenge of Communicating Reciprocal Value Promises – Value Proposition Disparity in Buyer-Seller Interaction

Abstract

Our study explores the communication of reciprocal value propositions in buyer-seller interaction and examines whether each party's value proposition is congruent with the value sought by their respective counterpart. Through 31 in-depth interviews with customers and salespeople from six professional service organizations, it was found that while both parties deliberately articulate value propositions, thereby initiating the co-creation process, there are some surprising disparities in the value dimensions offered by the salesperson. Although the customer's value proposition is largely consistent with the value sought by the seller, a marked discrepancy was encountered in the reverse case (i.e. between the seller's value proposition and the buyer's desired value). These findings indicate a significant misalignment between the seller's value proposition and actual co-creative behavior that can impede the subsequent collaboration and resource integration between the two parties, which could lead to customer dissatisfaction and potentially even service failure.

Keywords: Reciprocal value proposition, value, value co-creation, buyer-seller interaction, service-dominant logic

1. INTRODUCTION

Understanding customer value and how it can be engendered is a key concern of businesses, especially within service-intensive exchanges (Macdonald et al., 2011). The shifting conceptions of value and its co-creation are transforming our perception of marketing relationships (Prahalad & Ramaswamy, 2004). However, mutually beneficial value creation can only be achieved if all its inherent facets are thoroughly understood in both theory and practice. Recent marketing scholarship emphasizes that the organization cannot unilaterally deliver goods or services embedded with value, but that it can only provide customers with resources that have value potential (i.e. value propositions). These value propositions are translated into actual value (be it functional or experiential) throughout and after the service process. Consequently, all parties involved in an exchange create mutual value for each other (Grönroos & Voima, 2013; Vargo & Lusch, 2011), which suggests that the value proposition concept does not only apply to the organization itself, but also to the customer (Ballantyne et al., 2011). This notion of reciprocal value propositions still requires exploration (Lindgreen et al., 2012), as we do not know yet whether customers always deliberately co-create value (Woodruff & Flint, 2006) (i.e. offer value propositions themselves).

Research on value propositions is limited with regard to professional service contexts that bridge the B2B/B2C divide, e.g. real estate, lawyers, auction houses or financial consultants, although they not only provide significant economic and employment contributions, but also crucial input for other private and public sector organizations by seeking to engender relevant and valuable service (Harvey et al., 2016). Despite generating a significant share of their revenue in B2B markets, professional service providers operating in these sectors serve a variety of customers and thus need to understand if there are any differences in the joint value creation process depending on the type of client they are dealing with. Clarification is also needed to identify if the value propositions of both buyer and seller

necessarily always resonate with their respective exchange counterpart, or if there are any discrepancies in the perspectives of the two parties (Corsaro & Snehota, 2010; Lindič & Marques da Silva, 2011). We address these issues by exploring value propositions in the dyadic interaction between customers and salespeople in a knowledge-intensive professional service context. These refinements are highly relevant, because the salesperson's role in communicating value propositions and realizing value, as well as the benefits they can derive from the co-creative interaction, are yet to be clarified (Blocker et al., 2012; Haas et al., 2012; Terho et al., 2012).

Our study offers a number of contributions. (1) We explore the value propositions offered by customers and salespeople in the context of knowledge-intensive professional service encounters and the value dimensions both parties draw on in their interaction. This refines the insights of Hohenschwert and Geiger (2015), Nätti et al. (2014), Skålén et al. (2015) as well as Heidenreich et al. (2014) and addresses recent calls for more – particularly qualitative and segment-specific – research into the value proposition concept (Ballantyne et al., 2011; Frow & Payne, 2011; Lindgreen et al., 2012). (2) We compare each party's value proposition with the value sought by their counterpart to find out to what extent – if at all – these two perspectives are congruent, thereby extending the work on reciprocal value propositions by Ballantyne, et al. (2011). (3) We investigate whether the value proposition concept is truly reciprocal in professional service encounters, where there is frequently no clear B2B/B2C division, to explore whether customers with differing roles also actively form value propositions, thus identifying their contribution to the joint value realization process. (4) We extend research into the value processes of professional service firms and respond to calls for more detailed and focused research into specific professional services settings (Brandon-Jones et al., 2016). (5) Finally, we summarize our findings into a conceptual model and set of propositions to enable quantitative testing of our results in future research. Through

these contributions, we address the gaps in the emergent literature on value propositions and add to establishing a comprehensive body of work clarifying the implications of the concept, thereby aiming to build an understanding of the role of value propositions in mutual value creation.

In the following, we review the relevant literature on value and its joint realization, which provides a basis for the analysis of the work on value propositions. The critical roles of both salesperson and customer in value proposition formulation, as well as the discrepancies in perspective that may arise between the two parties, are examined. Subsequently, our methodology and findings are introduced and their implications discussed in relation to previous research into value co-creation and the value proposition concept.

2. CONCEPTUAL BACKGROUND

2.1 Value and Value Co-Creation

For the purposes of this work, we follow Holbrook (2006, p. 212), who characterizes value as an "interactive relativistic preference experience" as it is contingent on a relationship between an actor and an offering (service or product). Value is also comparative, as any party appraises the value of an offering in comparison to another, as well as situational and subjective (Leroi-Werelds et al., 2014). Value is not embedded in a product or service, but arises from the customer's interactive consumption experience (Holbrook, 2006; Macdonald et al., 2011). To reflect this temporal and phenomenological nature of value, the concept of "value-in-context" has been suggested (Helkkula et al., 2012; Vargo et al., 2008), and this term has been adopted for our study as it incorporates the idiosyncratic quality of value and allows for potential changes in value perceptions depending on the role of the customer (i.e. buyer or seller) and the character of the co-creative interaction (i.e. transactional or relational; in a B2B or B2C setting).

It is generally acknowledged that value is the result of a trade-off between received benefits and required sacrifices (Ulaga & Eggert, 2006a). However, the parties involved in co-creative interaction (e.g. customer and seller) do not necessarily assess value in such a systematic manner, as they try to reduce cognitive complexity by seeking to realize only a certain number of value facets of the total possible. This reduction results in different situation-specific priorities (Corsaro & Snehota, 2010). In line with the notion that interaction consists of intertwined exchange episodes which, taken together, form the overall relationship between actors, Ravald and Grönroos (1996) therefore offer a more flexible conceptualization that focuses exclusively on the temporal quality of value and distinguishes between episode and relationship value.

Episode value can encompass brand reputation, enhancing benefits of the offer (e.g. quality or additional support services) and/or reducing the sacrifices involved for a party to increase their satisfaction. Relationship value, in turn, takes on a more profound meaning of security, credibility and integrity, which stimulates loyalty (Ravald & Grönroos, 1996). In particular the latter value dimension has been a prominent aspect of the relationship marketing literature, onto whose principles S-D logic and value co-creation are based (Aitken et al., 2006). Aspects such as seller expertise, communication, dependence and relational benefits have been identified as partly unidirectional antecedents to relationship development (Palmatier, 2008b; Palmatier et al., 2006). Their relevance as part of value co-creation initiating reciprocal value propositions that are ideally congruent to the value sought by the other party, however, needs to be examined, as mutuality is one of the corner stones of value co-creation (Vargo, 2009).

Relationship marketing literature identifies that the interaction between buyer and seller is more critical to customers in business markets and knowledge-intensive service encounters (Palmatier, 2008b; Palmatier et al., 2006). As joint value realization is contingent

on interaction (Aarikka-Stenroos & Jaakkola, 2012; Grönroos & Voima, 2013), customers are increasingly seen as partners (instead of passive target groups) who create value in collaboration with the organization and enter into a dialogue with the seller (Ballantyne et al., 2011; Corsaro, 2014). It is suggested that this joint value realization engenders episode value in one-off transactions, as well as both episode *and* relationship value in relational exchange (Baumann & Le Meunier-FitzHugh, 2014). However, before such value is realized only value potential can exist, implying that the selling organization cannot deliver value unilaterally, but can only make value propositions (Vargo & Lusch, 2008).

2.2 Value Propositions

The concept of the value proposition has been interpreted from a number of different perspectives, but despite the prevalent use of the term in theory and practice, there is little published research on the topic (Ballantyne et al., 2011; Frow & Payne, 2011). The value proposition was initially regarded as a statement of advantages offered and delivered to customers as well as the price the latter are prepared to pay (Lanning & Michaels, 1988). Implemented in a supplier-led manner (Kowalkowski et al., 2012), this 'value delivery system' is strongly reminiscent of a goods-orientated paradigm and comprised three sequential steps: *choose the value* (i.e. positioning the offer), *provide the value* (i.e. developing, producing and distributing products and services), and finally *communicate the value* through marketing activities and the sales force (Lanning & Michaels, 1988). Similar to this organizational perspective, Anderson et al. (2006) identify three kinds of value proposition usually adopted by businesses: all benefits delivered to customers, benefits offered in comparison to competitors, and those truly sought and valued by customers. Although the last of these types is the most preferable (Anderson et al., 2006), all three have a clear goods-dominant focus in that value is assumed to be inherent to the offering and

delivered by the selling organization to the customer (Ballantyne et al., 2011). It is thus not surprising that some organizations still see the value proposition concept as a form of spin created for advertising purposes rather than the starting point for mutual value realization – the latter requires a strong strategic marketing mindset permeating all organizational levels and hierarchies, and the willingness to question long-established business processes (Anderson et al., 2006).

To emphasize the *co-creative* character of value, we define value propositions as "reciprocal promises of value" (Ballantyne et al., 2011, p. 205) that enable and initiate the co-creation of value by guiding the subsequent process of working together to integrate the offered resources into an equitable exchange and realize mutual benefits. This negotiation can be instigated by any party involved in the co-creative interaction, meaning that is not necessarily the seller who communicates the initial value proposition (Ballantyne et al., 2011). It has been highlighted, however, that the reciprocal value proposition is an idealized concept, which faces limitations in practice (Truong et al., 2012). This issue is exacerbated by a number of interrelated factors. Most existing value proposition research is unidirectional and focuses on the viewpoint of the selling organization (e.g. Anderson et al., 2006; Lindič & Marques da Silva, 2011). For example, Skålén et al. (2015) acknowledge that the value proposition of a firm can be co-created (e.g. by a customer), but only examine the concept from an organizational (macro) perspective and do not consider that a customer might be able to offer a value proposition on their own. They identify three aggregate practices (representational, provision, and management and organizational practices) that are interlinked and comprise the routines and sense-making activities necessary to compose value propositions: The authors call for further exploration of these aggregates, as "knowing what happens within practices, i.e. what factors determine whether or not a value proposition works well, is important" (Skålén et al., 2015, p. 154), therefore emphasizing the need to

investigate the different practices on the departmental (meso) and individual (micro) level to see how they are implemented. For representational practices, this would not only involve exploring the way that different actors communicate their value proposition, but also examining whether the so far apparently unilateral focus on the seller's perspective is justified.

Similarly, Nätti et al. (2014) do consider a triadic rather than unidirectional perspective when exploring the co-creation of value in a business services setting (property management), but mainly describe the roles of facilitation and conciliation of the mediator in the triadic relationship. While the former role includes the activity of elucidation (i.e. matching customer and service provider processes through value propositions) (Nätti et al., 2014), it remains unclear to what extent these value propositions are deliberately offered by the other two parties and are congruent with their respective value sought.

The lack of insight into the formation and consequences of *multi-directional* (i.e. at least *reciprocal*) value propositions means that viable recommendations of how to achieve them in practice are scarce. To the best of our knowledge, Ballantyne et al. (2011) is the only study that conceptualizes reciprocal value propositions initiating the realization of mutual benefits. However, it does so exclusively in business (B2B) and industrial contexts and it therefore remains unclear whether value propositions can also be reciprocal in professional service settings, where the clientele comprises not only business customers, but also end consumers and specialist knowledge is a common currency. Consequently, the B2B/B2C distinction does not necessarily apply to knowledge-intensive service sectors such as real estate, banking, architecture, auction houses or financial and legal consultancy. When following a service-orientated rationale, the division into a 'producer' and a 'consumer' of value becomes redundant, as all parties involved in an exchange integrate their proposed

resources into the co-creative process, thus engendering an equal partnership to jointly realize value for each other (Vargo & Lusch, 2011).

The final circumstance constraining the value proposition concept is the fact that it is still surprisingly difficult to encounter practical examples of value propositions that truly resonate with customers and serve as a starting point for co-creative interaction (Anderson et al., 2006). This issue has partly been attributed to the frequent occurrence of a marked discrepancy in value propositions in terms of what organizations/salespeople think they offer and the value that customers actually seek (Corsaro & Snehota, 2010; Helkkula et al., 2012; Lindič & Marques da Silva, 2011). Such incongruity in perspective between sellers and customers has been found in a number of other settings. For example, the former often tends to overestimate their own degree of customer orientation (Deshpandé et al., 1993), the significance of their personal connection with a buyer (Wathne et al., 2001), their responsiveness to a customer (Dion & Banting, 2000), as well as their level of adaptation to individual buyers (Brennan & Turnbull, 1999). Acting on such false assumptions can arguably impact negatively on the seller's interaction with a customer and potentially prevent successful exchanges and relationship development.

In the context of value co-creation, Helkkula, Kelleher, and Pihlström (2012, p. 66) have conceptualized that "while service organizations have certain perspectives relating to their value proposition, service customers possess their own approach to value, which does not always correspond with the value proposed by the company". Similarly, Corsaro (2014, p. 992) points out that "the way in which the customer approaches and sees value can differ from the way the company does." Such discrepancies in value propositions (whether unilateral or reciprocal) can be assumed to result – at least in part – from the one-sided focus of existing research on the seller's viewpoint. To gain more balanced insight into the

potential reciprocity of value propositions, it is therefore imperative that the concept is examined empirically from a dyadic perspective.

2.3 The Roles of the Salesperson and Selling Organization in Value Co-Creation

While previous research has established that salespeople are vital for influencing buyers' value perceptions and realizing value co-creation in customer interaction and relationships (Haas et al., 2012), it is less clear *how* they actually do so (Blocker et al., 2012; Hohenschwert & Geiger, 2015). It has been conceptualized that a number of strategic interaction capabilities enable a seller to co-create value-in-context by facilitating the reciprocal integration of resources, (i.e. delivering on the value propositions communicated by the involved parties) (Karpen et al., 2012). Salespeople arguably play a crucial role in the implementation of all these capabilities, especially as they do not only sell, but also provide the service in knowledge-intensive service sectors, and there is a significant shift in power over the course of a customer relationship: While the professional service provider acts as an 'initiating bridge' between salesperson and client at the beginning of their engagement, its influence is considerably reduced as the two parties establish and develop their connection (also called 'bridge decay') (Brandon-Jones et al., 2016). Therefore, the salesperson is in the best position to identify a customer's expressed and latent needs, processes and value-in-context sought (individuated interaction capability) (Salomonson et al., 2012; Terho et al., 2012), as well as to cultivate social and emotional ties and empathic interaction with the customer (relational interaction capability) (Gremler & Gwinner, 2000). In this context, relationship value elements such as expertise, improved communication and similarity to customers (Palmatier, 2008b; Palmatier et al., 2006) are also engendered by the salesperson and underpin their interaction with clients (Crosby et al., 1990). Within relationship marketing literature, there is a strong emphasis on the importance of building relational trust

with customers (Palmatier, 2008b). Salespeople can make sure that fair and non-opportunistic service processes, as well as trust, are established in their client interaction (ethical interaction capability) (Guenzi & Georges, 2010). Salespeople can enable customers to influence the character of these processes by ensuring they take place in the client's sphere and translating the customer's voice back in to the organization (empowered interaction capability) (Blocker et al., 2012; Cron et al., 2014). The salesperson personifies the firm's expertise and can thereby contribute to the customer's own knowledge expansion and learning necessary for resource integration (developmental interaction capability) (Guenzi, 2002; Weitz & Bradford, 1999). Finally, salespeople co-ordinate and involve the customer in cross-departmental activities that are part of the service process in their role as relationship managers and boundary spanners (concerted interaction capability) (Cron et al., 2014; Karpen et al., 2012). Consequently, it is safe to say that salespeople have a unique vantage point to engage with customers, communicate value propositions and jointly realize value (Blocker et al., 2012; Hohenschwert & Geiger, 2015), indicating that they play a major role in enabling the seller to *co-create* value for its customers.

2.4 The Role of the Customer in Value Co-Creation

Vargo (2009, p. 374) states that "value creation is mutual and reciprocal (i.e. service is exchanged for service) almost by definition", as through the customer's contribution to the joint value realization process, the two parties also co-create value for the salesperson and thus the selling organization (Blocker et al., 2012). In that sense, the co-creation of value "clouds who is seller and who is customer, because each is involved in creating value for the other" (Woodruff & Flint, 2006, p. 187).

Although S-D logic conceptualizes that customers actively engage in co-creation, there is very little empirical insight into the customer's perspective and whether they perceive themselves as playing such an active part (Woodruff & Flint, 2006). Moeller et al. (2013) have identified several roles that customers adopt when using different types of services to engender value. However, their study disregards the 'mutual' aspect of value creation, as the customer only provides input insofar as it advances their own value realization, rather than actively engendering benefits for the seller.

With regard to *value propositions*, existing research into the customer's perspective has so far mainly focused on clear-cut industrial marketing settings, presumably because the exchange reciprocity of the concept is intuitively more evident in these contexts (e.g. Ballantyne et al., 2011). Following this rationale, Vargo's (2009) suggestion that the seller is unlikely to require the customer's input beyond the financial means provided by the latter seems to apply primarily to consumer settings. Value co-creation, on the other hand, presupposes equality between partners and abrogates the B2B/B2C differentiation by assuming that *all* parties engaged in exchange are essentially service-providing and value-creating entities (Vargo & Lusch, 2011). Just as professional service providers can have both private and business customers, an individual client (for example when owning their own

business) can also fulfill both B2B and B2C roles simultaneously and deal with these service providers in a private capacity as well as on a commercial basis.

Further role intricacy emerges when considering that the customers of some knowledge-intensive service firms such as real estate agents, car and antiques dealers or industrial and commercial auction businesses can be buyers or sellers of the firm's offering, or both at the same time. This complexity confirms the view that the assumed B2B/B2C divide can be too simplistic and emphasizes the significance of a more balanced perspective on value proposition development, which redefines the involved parties as equal partners in value realization, rather than 'value provider' (seller) and 'value consumer' (customer) (Vargo & Lusch, 2011). It also validates the focus on value-in-context (rather than just value-in-use), as the value a party seeks to realize in co-creative interaction, and the value proposition they communicate, might vary depending on which function they fulfil at the time (e.g. private vs. business customer, or buyer vs. seller of an offering) (Helkkula et al., 2012; Karpen et al., 2012). Irrespective of the role customers play in any given co-creation process, however, the question remains whether individual customers always consciously offer value propositions, and if the value sought by each party corresponds to the value proposition communicated by the other. Addressing this gap in our understanding of value proposition reciprocity is the main objective of this study.

3. METHODOLOGY

We selected an exploratory qualitative research design to examine how value propositions are formulated in a professional service context. As qualitative data generates context-rich information to assist in uncovering meaning and creating detailed insight into emerging themes and phenomena that are not well understood (Silverman & Marvasti, 2008),

this ensures a methodological fit between the developmental state of our area of inquiry and the data collection (Edmondson & McManus, 2007).

3.1 Sampling and Data Collection

This study is part of a larger investigation into the co-creation of value in personal buyer-seller interaction in professional services. Our aim was to explore a knowledge-intensive professional service sector that had received comparatively little attention in marketing research, so we selected the fine arts auction business. Such a focused approach is in line with other studies into professional services (e.g. Boone et al., 2008; Brandon-Jones et al., 2016; McNeilly & Barr, 2006) and enabled us to engage not only with employees, but also clients – capturing this dyadic perspective was crucial as a high proportion of competitive advantage in professional services is linked to and derived from social capital, as well as customer and market insight (Nahapiet & Ghoshal, 1998). The participating auction houses (five from different European countries and one from the US) operate internationally and are major players in their respective domestic markets. Their clientele consists of both buyers and consignors of art[4], between which the auction houses act as intermediaries. Similar to real estate agencies, they receive remuneration from both actors, as their service consists of selling items on behalf of the consignor and advising buyers before making consignments available for purchase through a public auction. These two client parties are often inseparable, however, as many customers sell items to buy others in turn (Robertson & Chong, 2008). Further, customers are highly international, ranging from novices selling an inherited piece to experienced private collectors, professional dealers, museums and corporate collections (Robertson & Chong, 2008), thereby representing both B2C and B2B interactions. These roles are by no means mutually exclusive, as some customers have private

[4] We differentiate between the two types of auction house customers by using the terms ‘buyer’ and ‘consignor’ (the denotation of sellers in the auction business). The term ‘seller’ is reserved to denote the service provider throughout our paper.

collections and simultaneously act as professional art consultants, gallerists or curators, thereby constituting either end consumer or business client in different service encounters.

Customer interactions with professional auction houses range from discrete transactions to intimate, generation-spanning relationships. This diversity means that customers' desired value-in-context, as well as their own value propositions, can differ considerably, making this setting particularly interesting for our study. The customers' main point of contact and relationship managers are the specialists, who do not only evaluate pieces of art, but constitute the sales personnel of an auction house (Thornton, 2008).[5] The scope of the specialists' role is therefore similar to the orientation of other professional service providers.

While our choice of research context may seem surprising at first glance, it was deliberately chosen because we believe it shares features with other industries, making our findings applicable to and relevant for a diverse business audience. The structure and dynamics in the customer-seller relationship as described above can be found in many other professional service settings that deal with a large number of B2B clients, but can also serve end consumers, such as accountancy and tax auditing, real estate agencies, architects, law firms or wealth management. These have a need to understand the co-creation of value (particularly the communication of value propositions) from the viewpoints of all types of customers, irrespective of where they can be placed on the B2B/B2C continuum, as well as in one-off transactions and within long-term relationships, to operate successfully. Further, the auction business itself is obviously not limited to fine arts or antiques, which deal with both private and business customers, but also comprises industrial auctions. While the audience in this sector usually consists of B2B customers, the auction principles are the same as described above as equipment and machinery are consigned by and sold to a vast variety of

[5] When describing our empirical research, we use the term 'specialist' to identify the sales personnel of an auction house, as this denotation is commonly used in the auction business. The terms 'salesperson' and 'salespeople' are used when developing our paper conceptually and abstracting our findings into theory.

clients spanning industries such as construction, transportation, agriculture, material handling, energy, mining, forestry, marine and the food sector (Bichler et al., 2006).

The participating auction houses were recruited initially via a personal contact and then through snowball sampling (Bernard & Ryan, 2009). As our aim was to obtain data from both specialists and customers from the same organizations, in-depth interviews were conducted with 18 art specialists and 13 customers over a period of six months. The specialists were suggested by their respective auction house based on their availability during our fieldwork visits. We also requested contact details of in total 60 ‘representative’ customers in terms of their activities as buyers and/or consignors, as well as the nature and duration of their interaction with the specialist. From the overall list, 20 customers were randomly chosen and contacted, and 13 agreed to participate. Although it can be difficult to establish the appropriate size of a sample in qualitative studies, such research aims for ‘theoretical saturation’ (Glaser & Strauss, 1967), and there is evidence that 20-60 knowledgeable individuals are sufficient to gain understanding of any specific experience (Bernard & Ryan, 2009; Creswell, 2007). The total number of participants in the present study amounts to 31, which corresponds with this argument. Tables 1 and 2 provide an overview of the background of the respondents.

Table 1:

Overview of Respondents (Specialists)

Alias	Age	Gender	Position
Specialist 1	30-40	Male	Specialist for Old Masters
Specialist 2	50-60	Male	Head of Contemporary Art Department, Board Member
Specialist 3	40-50	Male	Specialist for Art Deco/Jewelry, Managing Director
Specialist 4	40-50	Female	Head of Modern Art Department
Specialist 5	40-50	Male	Specialist for Modern Art and Silver, Board Member
Specialist 6	40-50	Male	Head of Furniture and Decorative Arts Department
Specialist 7	30-40	Male	Head of Fine Arts and Antiques Dept., Board Member
Specialist 8	50-60	Male	Specialist for Modern Art
Specialist 9	40-50	Male	Specialist for Modern Design
Specialist 10	30-40	Female	Specialist for Photography
Specialist 11	50-60	Male	Specialist for Old Masters and Sculptures
Specialist 12	40-50	Female	Specialist for Applied Arts
Specialist 13	30-40	Male	Head of 19th Century Paintings Department
Specialist 14	40-50	Male	Specialist for Old Masters
Specialist 15	50-60	Male	Head of Old Masters Department, Managing Director
Specialist 16	30-40	Male	Specialist for Autographs
Specialist 17	40-50	Male	Head of Africa-American Fine Art Department
Specialist 18	30-40	Female	Specialist for Prints and Drawings

Please note: Denotations for departments may vary between auction houses.

Table 2:

Overview of Respondents (Customers)

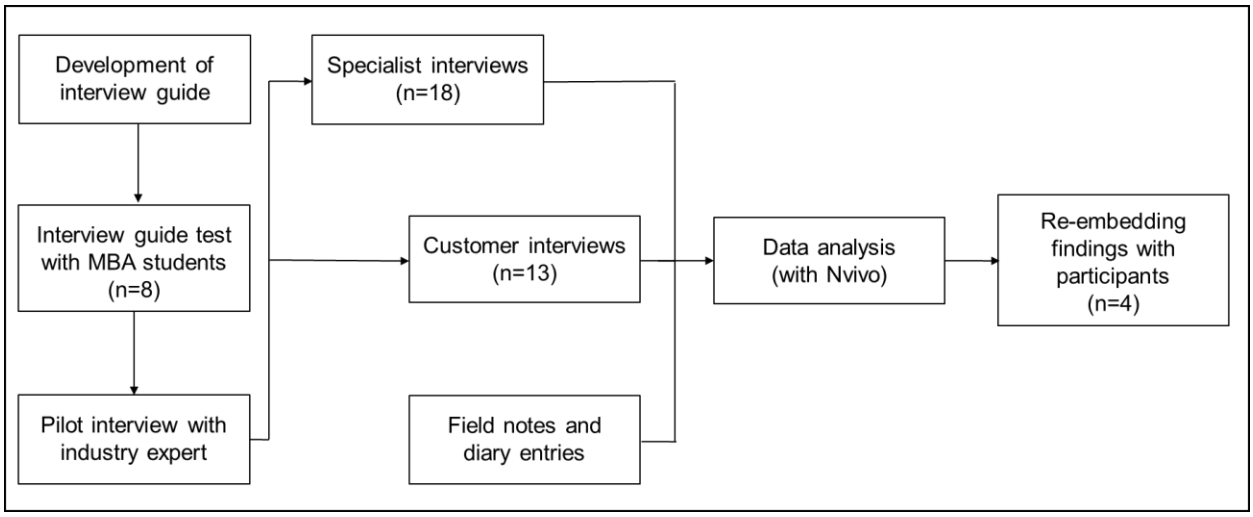
Alias	Age	Gender	Position	Interaction Type
Customer 1	60+	Male	Private collector	Regular buyer/seller for 40 years; relational interaction with specialist
Customer 2	50-60	Male	Private collector	Regular buyer/irregular seller for 26 years; relational interaction with specialist
Customer 3	50-60	Male	Unknown	Regular buyer/irregular seller for 3 years; transactional interaction with specialist
Customer 4	60+	Female	Private collector	Irregular buyer/seller for 55 years; transactional interaction with specialist
Customer 5	40-50	Male	Private collector	Regular buyer/seller for 12 years; relational interaction with specialist
Customer 6	30-40	Male	Private collector	Irregular buyer/seller for 4 years; transactional interaction with specialist
Customer 7	50-60	Male	Private collector	Regular buyer/rarely seller for 25 years; relational interaction with specialist
Customer 8	60+	Female	Private collector	Regular buyer/rarely seller for 7 years; transactional interaction with specialist
Customer 9	40-50	Male	Prof. art dealer with private collection	Regular buyer/seller for 12 years; relational interaction with specialist
Customer 10	50-60	Male	Unknown	Regular buyer/seller for 30 years; transactional interaction with specialist
Customer 11	50-60	Male	Prof. art dealer with private collection	Regular seller/buyer for 17-20 years; relational interaction with specialist
Customer 12	40-50	Male	Prof. art dealer	Regular seller/rarely buyer for 10 years; transactional interaction with specialist
Customer 13	50-60	Male	Private collector and prof. art consultant	Regular buyer/seller for 15-20 years; relational interaction with specialist

The in-depth interviews with specialists from the European auction houses were conducted face-to-face. The US- specialists and all customers were interviewed via

telephone. The combination of face-to-face and telephone interviews is appropriate as both methods generate findings of comparable depth and validity (De Leeuw et al., 1996; Emans, 2008). The interview guides used (see Appendices 1 and 2) were initially tested on eight Executive MBA students and, after a few changes to the wording, tested again in a pilot interview with an industry expert from a world-leading auction house before being employed in the actual data collection. Despite these guides, however, the informants were encouraged to determine the flow of the conversation and to share anecdotes, examples or other details. All interviews were tape-recorded. On average, the specialist interviews lasted 60 minutes and the customer interviews 35 minutes. After the data analysis, findings were reported back to two of the auction houses, thereby 're-embedding' the data and enabling us to get confirmation of our interpretations from study participants. Figure 1 provides an overview of our approach.

Figure 1:

Research Process



3.2 Data Analysis

The interview data was managed with NVivo, alongside field notes, informant contact information, reflective research diary entries on auction house and sale visits and other

relevant documents (see Figure 1). The transcripts were analyzed employing qualitative content analysis, “a research method for the subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes or patterns” (Hsieh & Shannon, 2005, p. 1278). The aim is to achieve a condensed portrayal of a phenomenon by distilling considerable amounts of text into relevant contextual groupings that arise from the data (Elo & Kyngäs, 2008). To ensure rigor, we followed the example of Truong, Simmons, and Palmer (2012) and used the platform conceptualized by Ballantyne et al. (2011) to analyze communicative interaction in value proposition development as a starting point for our coding. Two of the three suggested aspects – namely the development of value propositions and the value derived from the interaction – served as initial parent themes that branched out hierarchically into categories and codes, which were gradually refined and increased in number according to the themes emerging from the interviewees’ accounts (see Table 3). This iterative coding process ensured that the richness of the data was exhausted and knowledge of the encountered descriptions and patterns refined.

Table 3:

Examples of NVivo Codes, Categories and Themes

Themes	**1st Order Categories**	**2nd Order Categories**	**NVivo Codes**
Value co-creation	▪ Value sought by customer	▪ Episode value	▪ Consignor – exposure ▪ Buyer – coherent provenance ▪ Specialist's expertise ▪ Auction transparency ▪ Prestige
		▪ Relationship value	▪ Dialogue ▪ Personal connection to specialist ▪ Advice/exchange of ideas ▪ Learning ▪ Specialist's collector network ▪ Contacts ▪ Reduced transaction cost ▪ Relationship to specialist does <u>not</u> contain value
	▪ Value sought by specialist	▪ Episode value	▪ Consignor – artwork ▪ Consignor – provenance ▪ Buyer – financial means
		▪ Relationship value	▪ Reduced transaction cost ▪ Repurchase (repeated consignments) ▪ Customer knowledge ▪ Market information ▪ Referrals ▪ Relationship to customer does <u>not</u> contain value

3.3 Reliability and Validity

We aimed at securing analytical rigor and a high level of validity and reliability by implementing the procedures suggested for qualitative research by LeCompte and Preissle Goetz (1982) and Silverman and Marvasti (2008). *Reliability* was achieved by making the research process as transparent as possible through careful maintenance of all relevant data to facilitate its replication without compromising the participants' anonymity. *Validity* was obtained through comprehensive data treatment (i.e. repeatedly scrutinizing the interview data to ensure the findings and insights derived from them were consistent). As recommended by Silverman and Marvasti (2008), we gathered our interview data in a recursive manner to enable ongoing comparison and validation of emerging themes until theoretical saturation was reached. Particular attention was paid to the potential emergence of deviant cases – however, we did not encounter any instances of findings being sufficiently different to be classified as deviant. Further, the triangulation of the two data sets (customers and art specialists) was valuable to reflect the complexity of the investigated interaction and obtain deeper understanding of the explored phenomena (Silverman & Marvasti, 2008). Finally, our diverse sample of customers and specialists from six different organizations enabled us to see whether insights gained from employees and customers of one auction house could be refuted in another setting. We found, however, that our findings were consistent across each of the organizational contexts. The results derived from this research are reported in the following.

4. RESEARCH FINDINGS

To explore the themes identified in the literature review from the perspective of both auction house specialists and their customers, we asked the specialists which features and resources they communicate in their value propositions to customers, and the latter which of these they actually seek. Customers were also asked what kind of input they proposed to contribute and what value the specialists themselves gained from the co-creative interaction.

The emerging patterns were then compared to see if the value propositions offered by each party and the value sought by the respective counterpart were congruent or if there were any discrepancies. We summarize our findings in a conceptual model and set of propositions.

4.1 Value Propositions Offered by the Auction House Specialist

When we asked the specialists which features and resources they communicate as part of their value propositions to customers, they listed a range of elements. A prominent aspect is related to the auction house's *reputation*, as well as the *prestige* that customers can derive from dealing with the organization. All specialists cultivate the notion that selling and buying from their auction house are esteemed activities that enhance a customer's credibility and status.

> *"The international auctioneers today provide an aura, provide a high-end world that a lot of our customers like a lot. They would like to be part of that world, so telling their friends and family that they sold or bought this painting at [our auction house] means something in [this country]." (Specialist 7)*

> *"The prestige of course is very important. Our clients absolutely want to sell at [this auction house]. The dream is to sell something [here]... or even better, to say 'I bought the painting at [this auction house], here's the catalogue.' It gives extra status." (Specialist 5)*

Although reputation and prestige are important elements of the specialist's value proposition, they are only significant for customers as long as business performance is high. Therefore, most specialists emphasized that their own *expertise* forms another important part of their value proposition, as well as a high level of professionalism.

> *"In [this country], [this auction house] is associated with sort of the establishment… it's almost considered to be the royal auction house … In the long run, however, certainly we couldn't exist if we were unable to deliver satisfying results. I always say to my customers that we have the best knowledge in the various departments." (Specialist 9)*

> *"The one part [of my value proposition] is the intellectual knowledge about a piece. Then to a large extent you have to have a sense of the business. You can know all in the world there is to know about a painter or the history of a certain period, but you also need to have a sense of the auction market." (Specialist 7)*

> *"A real specialist knows what he sells, is able to give a good description, a good estimate. And it's not just the question to know what we sell, it's to know how it could sell, how much it could reach, and it is very important to offer both… the knowledge of the field and of course the knowledge of the business…" (Specialist 3)*

While the specialists communicate these features as part of their value proposition to all customers, there are also resources that are offered depending on the role of the client in a particular exchange (i.e. whether they are acting as a buyer or consignor of an item). The most important aspect directed towards the latter is the high *exposure* or visibility (to a range of buyers) of a consignment generated by the specialist – especially in comparison to a private sale via a dealer.

> *"With the public auction, you have a very good publicity, a very good promotion of the item. My catalogue is sent to 2,000 people. In a gallery, if you have a painting you know that you have only ten people to contact to sell it, but in a public auction you will have very, very [much] publicity in the whole world. It's a better chance to have a good result." (Specialist 1)*

By organizing viewings, advertising individual items and sending out the auction catalogue to potential buyers, the specialist can offer a consignor a much larger and more international audience for an item than a dealer. Such exposure increases demand and the number of interested buyers, who might even enter into a bidding war to secure an item.

> *"At auction, [consignors] achieve the highest possible prices; they get a lottery ticket where the sky is the limit. Selling to another art dealer might give them a good price, but they don't know if they could achieve a higher price than what they get – but an auction is like having a lottery ticket in their hand…" (Specialist 7)*

For buyers, in turn, an essential element of the specialist's value proposition is the *transparency* of the auction process, which provides reassurance that an item's price is determined by public demand, not the profit calculations of a dealer.

> *"One thing about auction houses is everything is sort of out there, the information is there. With galleries, it's not always accessible what things sell for… But as an auction house specialist, I am making it much more easy and open, and people are drawn to that." (Specialist 17)*

> *"The best thing for buyers at auction is to see that other people are putting bids on the same item… I always say a buyer is never more reassured than by the bids of the*

> *others. This is the point, there is real competition and the price is a real price, not a virtual price given by somebody at random." (Specialist 3)*

This transparency also comprises the specialist's own operations, as they can offer buyers an analysis of an item's quality and provenance before a sale, as well as its bidding history afterwards, so that even absent customers can trace the progression of an auction.

All these aspects can be seen as episode value that the customer and specialist can jointly realize in any successful transaction, irrespective of whether it occurs in a relational context or not (Baumann & Le Meunier-FitzHugh, 2014). What is missing, surprisingly, are any relational value dimensions, which are apparently not communicated by the specialist in their value proposition. Based on these findings, we propose:

P_{1a}: The salesperson offers episode value in their value proposition to the customer.

P_{1b}: The salesperson does not offer relational value in their value proposition to the customer.

4.2 Value Sought by Auction House Customers

When asked which features and resources they appreciated most and what kind of value-in-context they sought when dealing with the specialist, most customers listed several of the episode values discussed above, e.g. high *exposure* for a consignment, the *prestige* entailed in their auction house dealings, or the specialists' *expertise* and *transparent* manner of conducting business, which offers customers a feeling of being treated honestly and fairly when purchasing or selling an item. However, despite having varied levels of interaction with their respective specialists (see Appendix 2), the large majority of customers also sought relationship value such as the *personal connection* to the specialist.

> *"When I go in to see [this specialist], it's just like visiting family…and to me that does benefit us both because I just know that I can go there, give [the specialist] things and have a great feeling..." (Customer 11)*

> *"It is important to me [to have a personal relationship] because I hold the specialist in high regard – as a person, too… When you trust someone and know them personally, you work together and reach your mutual goals more easily as when you still have mental reservations about this individual." (Customer 2)*

Many customers not only get pleasure from this interaction, but also appreciate the specialist's ongoing *advice* on building their own collection or inventory. They use the specialist as a 'sparring partner' to exchange opinions and ideas, as such *dialogue* is an integral part of their activities as collectors or dealers and as important as the profit that can be made from an item.

> *"The focus of my collection is indeed shaped by [this specialist]. He has certainly guided me, my views and my own expertise; we really work together... I have learnt a lot from him; he has guided my collection towards a particular direction, which I completely understand today and am very grateful for." (Customer 2)*

> *"You need someone to talk to… You really need a confidant to talk about [your] plans or exchange views on an item, assess its value. Not just the value in euros or dollars, but the value inherent to the object." (Customer 1)*

> *"I benefit from the interaction [with the specialist] because of both our agreements and sometimes our differences of opinion in specific cases. I think it is very important to discuss issues properly and try to consider and respond to the views of the other person... So the connection to the specialist is not only important and valuable, but crucial for me." (Customer 4)*

Many specialists also advise customers on their other art-related activities, e.g. by accompanying them to galleries or exhibitions or even bidding on their behalf at different auctions. Further value sought by the customer relates to gaining access to the specialist's *network* of other collectors and dealers, who constitute an important audience (i.e. potential buyers or consignors) as well as create a community feeling appreciated by many customers.

Finally, customers also seek *reduced transaction costs* in terms of time and effort through tailored terms and conditions of business and more informal and shortened procedures, as they trust the specialist to be familiar with their expectations without having to re-negotiate the handling of a consignment for every transaction. Our interview data showed that this aspect was particularly appreciated when customers acted in a professional capacity

as art consultants or curators rather than when dealing with the specialist in relation to their private collection.

> *"The value in working with [this specialist] is that I have been doing it for so long that a lot of what I would need from him has sort of been established, it's much less formal. I could walk over there, drop off my merchandise and know that it's being taken care of and in good hands." (Customer 11)*

> *"Ideally I'd want the conversation to proceed just more easily, less matters are questioned. You achieve results quicker, there is less respite; sometimes decisions are made immediately." (Customer 8)*

The realization of these relationship values in their interaction with the specialist (e.g. ongoing advice and dialogue or access to customer networks) is as important to customers as the episodic value discussed previously. Therefore, we propose:

P_{2a}: The customer seeks episode value in the interaction with the salesperson.

P_{2b}: The customer seeks relational value in the interaction with the salesperson.

4.3 Value Propositions offered by the Auction House Customer

While value propositions are conceptualized as mutual promises (Ballantyne et al., 2011), the reciprocity of the construct still requires empirical support. To explore if professional service customers also deliberately engage in joint value realization and communicate value propositions to the specialist (i.e. salesperson), the customers participating in our study were asked what kind of resources they offer to contribute to the co-creative interaction. To some extent, this proposed value differs depending on whether a customer acts as consignor or buyer in a particular transaction. The latter supply – apart from the wish to build their collection or increase their gallery's stock – first and foremost *financial means* to purchase a consignment.

> *"Well, I contribute the aspiration and desire to build a collection, and I contribute the funds to do so – I'm not being funny, you need to provide money to be able to establish this collaboration [with the specialist]." (Customer 2)*

> *"Sometimes we bring money, if we are buying [an item]. We also bring bidding, certainly as auctions go the specialist wants to have bidders, and we have been vibrant bidders." (Customer 13)*

In that sense, buyers constitute the audience without which an auction house could not attract consignors. The latter, in turn, offer not only the *objects for consignment* themselves, but also important information about their *provenance* (i.e. ownership history), which is crucial for the success of a sale.

> *"On the part of the consignor, the background knowledge about a piece, its provenance, is certainly valuable for the specialist, because as a collector you can give the specialist a lot of information that they would not be able to obtain from anywhere else." (Customer 5)*

> *"When you deal with such a highly specialized area [as a collector], then of course you bring a lot of input about your pieces; usually you know everything about [this object], its history, and, if they are open for it, you can pass that on to the specialist." (Customer 2)*

> *"First of all, [I contribute] competence, being knowledgeable and able to provide information about an object and put it into context." (Customer 9)*

Several customers also highlighted that due to the collaboration with the specialist, they offer the latter willingness to make repeated consignments (i.e. *re-purchase* of their service).

> *"In a way, I wanted to show my appreciation... I could have consigned [this item] somewhere else, that would not have made a difference to me, but in buying as well as selling [this specialist] has advised me so well over so many years that I wanted to accord him the transaction and not somebody else." (Customer 2)*

> *"We often choose to use [this auction house] for consigning lots of merchandise versus other auction houses because of our relationship to the specialist." (Customer 11)*

Similarly, a number of customers stated that the items they consigned to the respective specialist improved substantially in quality over the years, thus enhancing their value proposition. Many customers further possess comprehensive *knowledge* in their area of expertise and offer to share it with the specialists, who turn to them if they require details

about a piece or artist that cannot be found elsewhere. Some customers even help to evaluate other pieces of art (consignments).

> *"[The specialist] calls me from time to time about [a specific kind of] material… When they get consignments that I know something about, occasionally they will call and say 'Can you come in and look at this? Is this something that we should take on, how old do you think it is? What do you think it is worth?'." (Customer 13)*

> *"Sometimes [the specialist] has a question for me; for example it's [an object] that he's looking at and just wants to pick my brain about it…" (Customer 12)*

Similar to the specialists, access to a wide-spread *network of collectors* also forms part of the customers' value proposition. These contacts can be invaluable for a specialist in terms of *shared market information/knowledge transfer* and *referrals* that they would be unable to gain otherwise.

> *"I've built up substantial databases about pricing [of artworks], from a whole lot of different sources including pictures of thousands of catalogs from specific auctions. So depending on what [the specialist and I] are discussing… I'll bring that up to his attention… Sometimes [the specialist] isn't aware of something, and then I can offer to look it up. (Customer 12)*

> *"Both parties complement one another, because I also know what the specialist looks for and offers in his sales. A collector naturally has very good contacts, maybe also to people whom the specialist does not know, and then you can put them in touch. And vice versa – I think it is a very fruitful reciprocal cross-pollination." (Customer 5)*

These examples show that even in professional service contexts spanning the B2B/B2C division, customers in their multiple roles as buyers and/or consignors are not passive recipients of the salesperson's value proposition – to the contrary, the interviewed auction house customers were very clear about the contribution they communicated to the specialist, therefore implying that they are indeed aware of the reciprocity of the value proposition concept and their input to the value co-creation process. We propose:

P_{3a}: The customer offers episode value in their value proposition to the salesperson.

P_{3b}: The customer offers relational value in their value proposition to the salesperson.

4.4 Value Sought by the Auction House Specialist

To enable a direct comparison with the customers' value proposition, the specialists were also asked what kind of value they sought from the co-creative interaction. In most aspects, this desired value is congruent with the resources communicated by the customer, e.g. *financial means* to acquire new items in the case of buyers, the *object offered for consignment* and *provenance information* in the case of consignors. These can be classified as episodic value, as they can be engendered by the parties in every transaction, irrespective of whether it takes place in the context of an established relationship or not (Baumann & Le Meunier-FitzHugh, 2014). Further sought value-in-context listed by the specialists appears to fall into the relational value dimension co-created in their interaction with customers, such as *re-purchases* and *referrals* of their services, as well as *reduced transaction costs* – particularly in terms of time and effort.

> *"In an ideal world, [the customer and I] have another level of discussion and negotiation, because there is no questioning of my professionalism or my knowledge about the item… so then we are only dealing about one thing: is it a good idea to sell or not… Otherwise there are a lot of things that we have not levelled out yet." (Specialist 8)*

> *"You want the interaction [with the customer] to be easier, simpler, with less negotiation or less of the dance involved – you trying to see what my interests are, me trying to sense what your interests are…" (Specialist 17)*

The large majority of specialists further emphasized that continuous learning through *sharing market information* and *transfer* of their customers' in-depth *knowledge* constitutes the most significant value obtained from the co-creation process, e.g. when dealing with experienced collectors or curators – as auction house specialists usually oversee a broad range of categories, they highly appreciate the more detailed expertise of their customers.

> *"I give them information, but I learn from [my customers] as well. You can't stay on top of what is happening… there's something happening at the museums, at the international art dealers, at the art fairs, and all the stories – who sold what, who*

bought what, what's the new world record – you can't keep on top of all that all the time, so you have to look to your clients also." (Specialist 7)

"It is fascinating for us to get to know our customers, to profit from their expertise and knowledge… There are a lot of customers… who have personally met many [artists] who are not alive anymore, and of course we are interested in profiting from their knowledge. In that instance, we are the ones who'd like to learn, and the customers like it, they are open for it. Because you simply can't know everything." (Specialist 10)

This evidence shows that the episode and relationship values, which the specialist seeks to realize in their co-creative interaction with the customer, are to a very high degree congruent with the resources communicated by the latter in their value propositions. The only difference lies in the specialists' sought value in terms of reduced transaction costs, which was not explicitly mentioned in the customers' value proposition. Therefore, we propose:

P_{4a}: The salesperson seeks episode value in their interaction with the customer.

P_{4b}: The salesperson seeks relational value in their interaction with the customer.

The significant discrepancy encountered in the reverse case (specialist's value proposition compared to the customer's desired value) is absent, which indicates that the customers have a much clearer understanding of the resources they contribute to the co-creation process than the specialists (see Table 4). This finding is illustrated in our conceptual model (see Figure 2), and the implications of these differing perspectives are discussed in the following section.

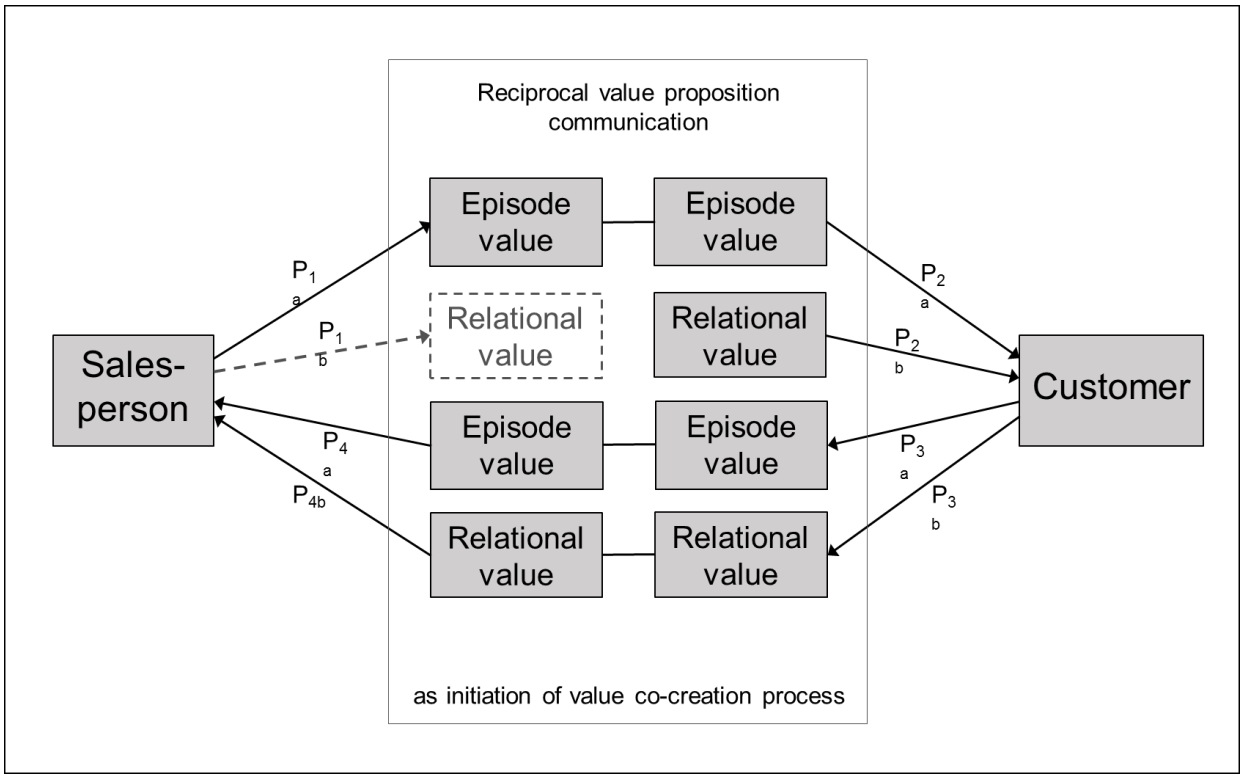
Table 4:

Comparison of Value Sought and Proposed by Specialist and Customer

Value Proposition Offered by Specialist	**Value-in-context Sought by Customer**
▪ Prestige and reputation ▪ Expertise of specialist ▪ Exposure of artwork • Transparency	*Episodic value-in-context* ▪ Prestige ▪ Expertise of specialist ▪ Exposure of artwork ▪ Transparency *Relational value-in-context* ▪ Personal connection to specialist ▪ Advice and dialogue ▪ Specialist's network ▪ Reduced transaction costs
Value Proposition Offered by Customer	**Value-in-context Sought by Specialist**
▪ Financial means ▪ Objects for consignment ▪ Provenance information ▪ Repurchases and Referrals ▪ Knowledge exchange ▪ Market information ▪ Collector network	*Episodic value-in-context* ▪ Financial means ▪ Objects for consignment ▪ Provenance information *Relational value-in-context* ▪ Repurchases and Referrals ▪ Knowledge exchange ▪ Market information ▪ Customer/collector network ▪ Reduced transaction costs

Figure 2:

Value Proposition Communication as Observed in Practice



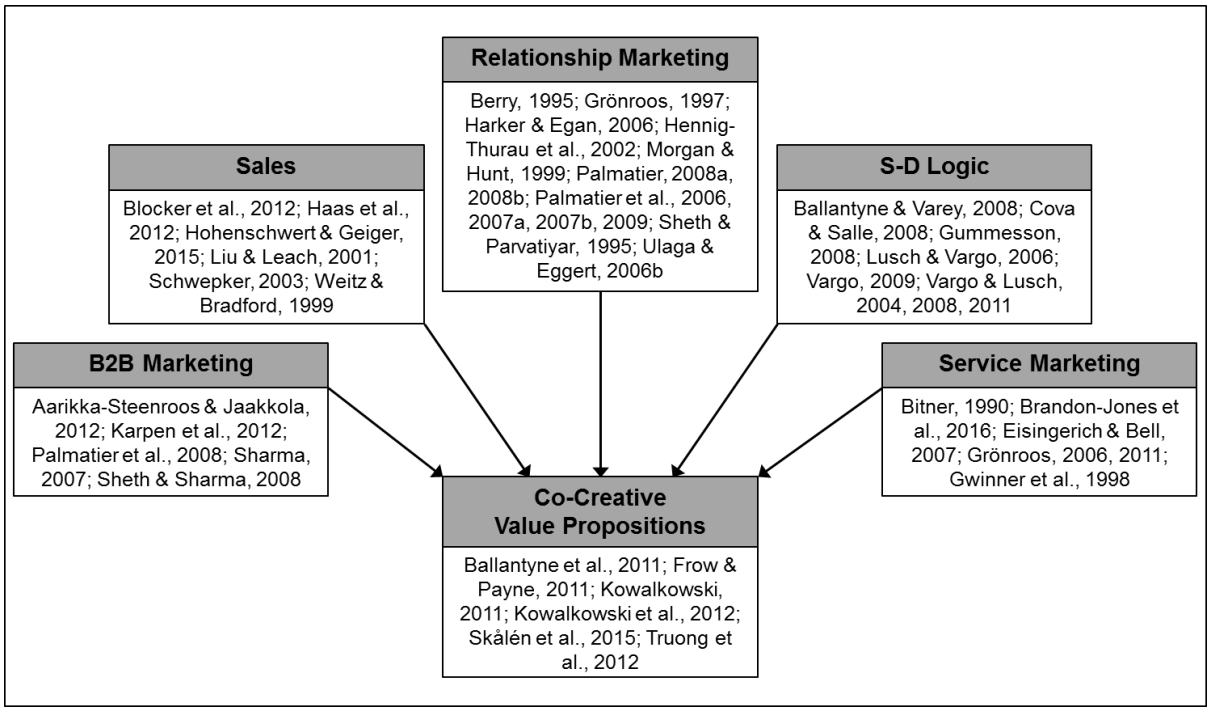
5. DISCUSSION AND CONCLUSION

This work set out to explore the concept of reciprocal value propositions in co-creative service interaction between auction house specialists and their customers, in order to investigate (1) whether value propositions are really 'reciprocal' in a professional service context (i.e. whether customers also offer resources that contribute to the subsequent joint creation of value). (2) Further, we examined if the value proposition communicated by either party corresponds to the actual value sought by the other. In doing so, our study is firmly grounded on a number of rich interlinking literature streams that have all contributed to the formation of the value proposition concept, most importantly relationship marketing, sales and service-dominant (S-D) logic (see Figure 3). As it is crucial to acknowledge the origins

of co-creative value propositions, the following section discusses the theoretical contribution of our study by contrasting our findings with existing insights from these disciplines.

Figure 3:

Conceptual Foundations of the Value Proposition Construct and Representative Literature*



*Please note: A certain overlap between these disciplines is common and to be expected

5.1 Academic Contributions

5.1.1 Reciprocity of Value Propositions

Our study identifies that customers deliberately propose to add their own resources to the exchange, thereby providing a starting point for collaboration and mutual value realization. More importantly, they do so irrespective of the function they assume during a specific interaction episode (i.e. seller or buyer, consumer or business partner), meaning that value propositions are truly reciprocal in all contexts. This goes beyond the existing literature on S-D logic, which has so far focused mainly on unilateral value propositions (from seller to

customer) (e.g. Lindič & Marques da Silva, 2011; Skålén et al., 2015), whereas the construct of value proposition reciprocity has received only little attention in exclusively industrial settings (e.g. Ballantyne et al., 2011; Frow & Payne, 2011). Further, our finding refutes the suggestion that the seller is unlikely to require the customer's input beyond the remuneration provided by the latter (Vargo, 2009) – while the customers in our study did indeed offered financial means (as episodic value), their value propositions also comprised much more comprehensive relational value-in-context dimensions that were as attractive to the art specialists as the monetary compensation. Finally, the relationship marketing and sales literature (e.g. Palmatier, 2008a; Palmatier et al., 2008; Ulaga & Eggert, 2006a, 2006b) has placed great emphasis on the benefits of relational interaction for the seller and there is certainly some overlap with our findings (e.g. in terms of financial means as exchange value, as well as referrals, repurchases and market information as relationship value-in-context). However, to the best of our knowledge, existing studies appear to assume that these seller benefits arise more or less automatically as a byproduct from the interaction with a buyer, whereas the focus is on engendering relationship value for the customer. Our contribution therefore lies not so much in the actual aspects of value-in-context identified, but rather in the fact that we have abstracted them into two temporal dimensions (episodic and relational) and found that customers indeed pro-actively form, offer and leverage value propositions along both dimensions. This means that the seller's value-in-context arising from the interaction with a buyer is not accidental, but based on a deliberate and reciprocative effort from the customer to contribute actively to the co-creative process.

Our finding also implies that not only the value sought by a customer, but also the value proposition they offer changes depending on the role they are fulfilling in any given interaction. This finding is highly relevant for professional service providers in all sectors including taxation/auditing, wealth management or legal consulting, which feature a business

clientele, but can also have private customers, and thus need to understand the perspectives of both client types on value proposition development, so that they can refine their expectations and behavior. The auction house customers participating in this study were very clear about the resources that they could commit to engender episode and relationship value and the value propositions they communicated to the specialist (salesperson). The idea of value co-creation is an extension of the relational marketing concept of engendering customer gratitude to increase trust and commitment in future interactions (Palmatier, 2008b). However, this goes beyond these relational marketing concepts because the customer is fully participative in co-creating value and enters the interaction with their own resources that are of value to the salesperson.

It is important to note, however, that a value proposition covering *both* temporal value dimensions (i.e. episodic and relational) is more likely to be formed by the customer if they are *equal* to the specialist/salesperson in terms of experience or knowledge, be it as private or professional customers (e.g. consultants or dealers). If this is not the case, significant aspects of the customer's value proposition such as sharing market information (i.e. knowledge transfer) and providing access to potential future clients through their network are more difficult to realize. Both the relationship marketing and sales literature has long since emphasized a 'partnering' approach to customer interaction (e.g. Grönroos, 1997; Weitz & Bradford, 1999), but rarely seem to have considered the requirements necessary to be in place for such an equal standing between the two parties to be created. In particular, this pre-requisite of actor equality often seems obvious in industrial contexts, and might thus have been taken for granted and not deliberated on in studies such as Ballantyne et al. (2011), but its necessity becomes apparent in professional service sectors where knowledge asymmetries arguably might occur more frequently. In addition, further asymmetries exist between the two parties, e.g. in terms of client background, sector information and emotional investment. The

question here is: Which of these asymmetries facilitate value co-creation by motivating customer and salesperson to contribute resources, and which impede the co-creative process? As the latter might limit the achievement of balanced and reciprocal value propositions between customer and salesperson, it is significant that we have developed a better understanding of the co-creative roles and interactive processes taking place between these two parties in professional services, where the customer base comprises both end consumers and businesses, e.g. financial consulting, architecture, real estate, travel agencies and auction houses.

5.1.2 Incongruence of Value Propositions

The second contribution of our study results from the comparison of each party's value proposition with the value-in-context their counterpart actually seeks to realize in the co-creative interaction. Differentiating between episode and relationship value dimensions, it was found that the customer's value proposition is largely congruent with the specialist's desired value – both the resources offered and the value sought contain analogous episodic as well as relational aspects. However, there is a marked discrepancy when comparing the specialist's value proposition with the customer's desired value-in-context (see Figure 2). Considering how much emphasis the customers placed on obtaining relationship value from the co-creative interaction (irrespective of the transactional or relational nature of their exchange), it is surprising that the specialists' value proposition consistently only articulated episode values such as prestige, exposure, transparency or their own expertise. Although these were certainly appreciated by the customers, their focus on relationship value such as advice in building a collection or gaining access to the collector community was obvious and makes the absence of this dimension from the specialist's value proposition remarkable. As mentioned earlier, several instances of such incongruences between the salesperson's and

customer's perspectives have already been documented in the sales literature (e.g. Dion & Banting, 2000; Wathne et al., 2001), and we have found another level of disparity in this study. Given that a large amount of empirical research is currently dedicated to the exploration of value co-creation and many businesses strive to realize the concept in practice, our finding shows that the route to understanding and implementation is even longer than anticipated.

At this point, it is important to emphasize that our findings refer to the significance of a match in terms of *temporal value dimensions* rather than actual value-in-context. While the two actors are likely to extract different kinds of value-in-context at different stages of their co-creative interaction, there should be a fit with regards to the episodic and relational dimensions offered between value proposition and desired value. If a salesperson seeks to realize both episode and relationship value-in-context through the co-creation process, they also need to articulate both these dimensions in their value proposition. The same applies to the customer – otherwise the potential of mutual and reciprocal value co-creation is not fully utilized and the asymmetries mentioned before are only heightened rather than balanced.

The discrepancy between the specialists' value proposition and the customers' desired value found in our study seemed to originate more in communication rather than behavior of the former party. The relationship marketing literature has identified a number of relational values that correspond to the value aspects found by us (e.g. Palmatier, 2008b) – with the significant difference that while these might be engendered in the service encounter in our study, they are not communicated by the salesperson. Our interview data clearly showed that the specialists strive to co-create both episode and the desired relationship value in their interaction with customers – but they did not articulate their intention to do so in their value proposition. This disparity may be less severe than an actual behavioral omission, as customers would certainly cease to deal with an auction house if the specialist repeatedly

failed to make an effort to jointly realize the value sought by the client. However, even such a communicative incongruence can have unfavorable consequences as it could skew and complicate the value co-creation process by protracting negotiations and making the integration of resources more difficult. Hohenschwert and Geiger (2015) identified that the salesperson shapes the customer's cognitive processes and value perceptions throughout their interaction, meaning that a communicative disparity in value proposition could influence the customer's thinking and experience in a negative manner. As Gallan et al. (2013) demonstrated, high levels of customer engagement depend to a significant degree on customer positivity (i.e. a favorable attitude towards the service process). We extend the findings of these studies by proposing that a dissonance in value proposition and value sought could dampen this necessary affective customer state and thus have a detrimental effect on the subsequent value co-creation process. If a highly co-created service fails, customers are considerably more dissatisfied than in the case of services low in co-creation (Heidenreich et al., 2014) and misaligned value propositions could trigger such failure, thereby potentially resulting in customer disappointment and negative word-of-mouth. Of equal importance is the finding that many professional services often entail less direct customer interaction than commonly assumed (Brandon-Jones et al., 2016), meaning that when such encounters do take place, the salesperson's value proposition has to address all value dimensions sought by the customer. If it does not, the customer will be left with an unfavorable impression of the interaction and the salesperson will actually influence their value perceptions in a negative rather than positive manner.

These findings indicate that the reciprocal value proposition is an idealized concept that can be constrained in practice, and could be interpreted as a divergence in the perceptions of value propositions between customers and salespeople, as the two parties obviously have different views about what the concept should entail. The fact that this omission does not

originate from the customer, but the specialist (i.e. salesperson), is particularly surprising in light of the pronounced similarity found when comparing the resources communicated in these value propositions across the participating specialists. One possible explanation is that the salesperson is acting as an employee, and may not be aware of the value that the customer places on the enjoyment of their interaction, networking and their personal connection with the salesperson. Another possibility is that the salesperson does not communicate these aspects because they consider them to be 'unprofessional' or too personal. However, concordance in episode value across service providers arguably means that the inclusion of the relational value dimension in the salesperson's value proposition could lead to a competitive advantage. Overall, these findings point to an even greater need for further research to close the gaps in our understanding of reciprocal value propositions and how they can be achieved in practice.

5.2 Managerial Implications

Our findings have a number of implications for the management of professional service providers and their interactions with existing and prospective clients.

5.2.1 For Professional Service Firms

The 'salespeople' of professional service providers are first and foremost 'fee earners' and experts in their field, do not usually have sales training in the traditional sense (e.g. negotiation or presentation skills), and do not report to a sales manager (though often to a 'product category' manager). Due to the often highly developed expertise that the salesperson imparts during the service encounter, they might not always be aware that customers need to be seen as partners in the value creation process and bring their own value proposition to the interaction (i.e. deliberately offer and communicate their own resources that are laden with

value potential for the salesperson). Consequently, there is clearly an opportunity for managerial guidance and training in this area.

As the complexities arising from the characteristics of professional service settings and customer roles (as discussed previously) arguably make the achievement of value co-creation in practice even more difficult, salespeople in knowledge intensive professional services need to pay specific attention to the profile and expectations of their clientele to ensure the full potential of the value co-creation process is tapped in each encounter. Managers need to ensure that training for these specialized 'salespeople' therefore emphasizes the customer's role as an equal partner, rather than a 'value recipient' by enhancing salespeople's understanding of the customers' input to co-creative interaction. Focusing salespeople's awareness of the customer's contribution might also improve the former's ability to address the latter's value proposition more actively and to deploy the offered resources for their own benefit earlier in the sales encounter.

The discrepancy between the salesperson's own value proposition and the value sought by the customer in turn indicates that it is necessary for professional services managers and salespeople to continuously scrutinize and adapt the resources the latter communicate to customers. Assuming they are able to divine what the latter want without entering into a reciprocal exchange can have significant consequences. Even the salesperson's highly specialized knowledge can only be transferred effectively and to the customer's highest satisfaction if the salesperson takes the time to fully understand the client's needs and desired value dimensions. On the individual level, this implies that salespeople have to hone their listening and value-sensing skills to understand what kind of value (i.e. episodic or relational) the customer seeks to co-create in their encounter, and to focus on communicating the corresponding aspects in their value proposition. This can ensure that there is congruence between communication and behavior (i.e. the resources and benefits

suggested in the salesperson's value proposition, and those actually drawn on and offered to the customer during the co-creative interaction).

In the traditional sales arena, these activities are well known as e.g. adaptive selling behavior (Franke & Park, 2006), salesperson listening behavior (Ramsey & Sohi, 1997) or rapport building (Gremler & Gwinner, 2008) and 'classic' salesforces (e.g. in industrial B2B contexts) receive comprehensive training to fine-tune them. Professional services salespeople, however, can sometimes neglect such skills based on the assumption that their specialized knowledge is sufficient to satisfy the customer, thus overlooking the latter's role as a partner in value co-creation, rather than a passive service recipient. Comprehensive guidance from managers and workshops are therefore needed to shift the salesperson's perspective on the customer's function in the service encounter.

Further, managers of professional service providers should strive to avoid 'bridge decay' (Brandon-Jones et al., 2016) by ensuring a range of customer-facing employees are involved in the interaction with the customer. In this sector, salespeople (i.e. fee-earners) can be very protective of their contacts, so it is important for the professional services firm to stay involved (e.g. through key account managers), thereby being able to observe client relationship development and gently guide the co-creative process if necessary. Managers should focus on setting up processes and systems that can create opportunities for this development. In case of some B2B clients, the identification of a key contact person within the buyer's firm, who can collate information on their value dimensions sought and resources offered in the customer's own value proposition (i.e. their expectations from and ability for co-creative interaction), could also significantly facilitate the initiation of the value co-creation process for the professional services salesperson.

5.2.2 Implications for Professional Service Clients

Our research findings also have a few implications for existing and prospective clients of professional service providers, particularly in a B2B context. When doing business with a professional services salesperson, customers should be aware of the potential discrepancy between the former's value proposition communication and actual co-creative behavior. If necessary, a client can then 'challenge' the salesperson and request refinement of the offered value proposition, which is still less time-consuming than investing additional time and effort into taking up dealings with a competitor. Further, as equal partners in value co-creation, customers also have to match their own value proposition with the value dimensions sought from the salesperson. In balanced and reciprocal co-creation, a client should not demand both episode and relational value dimensions from the salesperson, while only being willing to offer a value proposition covering episode values themselves. If they do so, customers should not be surprised if the salesperson curtails the co-creative process.

Finally, while the lesser than commonly assumed extent of direct interaction between customer and service provider might sometimes be at the behest of the former (Brandon-Jones et al., 2016), it can be in the interest of the client to try to limit the bridge decay characteristically taking place in professional services. By remaining involved with several contact points across the firm, the customer might actually be able to play a more dynamic role in the value co-creation process (if they so desire) and steer its progression more actively towards greater value realization.

5.3 Limitations and Future Research

Striving for analytical rather than statistical generalizability, we chose a qualitative exploratory design for this study. Although a mixed-method or quantitative approach might have also been beneficial, our aim was to obtain rich and meaningful insights into the concept of reciprocal value propositions in personal customer-salesperson interaction.

As this research was undertaken within a single industry, it could be argued that researching more service sectors would have further enhanced validity. The emphasis was, however, on gaining in-depth knowledge of the value sought and value propositions offered by considering the dyadic perspectives of both parties in this particular context. The practices that we have explored in the art auction setting is in line with practices in all types of auctions, including industrial and commercial ones. Consequently, the procedures that we have found are generalizable to other auction settings as well as other professional services. While the customer's actual resources contributed to the joint realization of value might differ between service sectors, we are confident that our findings are sufficiently generalizable to assume that value propositions are indeed reciprocal in a range of knowledge-intensive professional service industries. This applies in particular to those sectors that cannot be easily assigned to B2B or B2C settings (e.g. financial consulting, adult/executive education, leisure, architecture or travel agencies), as well as those that feature customers who can fulfill multiple roles as e.g. buyer and/or seller (such as real estate, car or antique dealers).

Nevertheless, future research could focus on samples from different industries to test our conceptual model and produce a basis for comparison of our findings and the advancement of the reciprocal value proposition concept in different sectors. Since our study was set in the context of a credence service, whose value is difficult to ascertain before and after its consumption, a particularly interesting area for further investigation could be an analysis of the concept's significance for experience and search services. Potential differences in the customer-salesperson interaction in these settings might have considerable impact on the formation and reciprocity of value propositions. The conditions or prerequisites under which particularly customers are able to offer value propositions that cover both the episode as well as relational dimensions of value-in-context should also be explored in more

detail to establish in which instances an incongruent value proposition might originate from the customer rather than the salesperson. Further, examining the influence of other resource-integrating partners (e.g. customer service employees) on value proposition development and the realization of mutual value might provide useful extensions to the concept. A more longitudinal research design could examine how the resources proposed by customer and salesperson are actually integrated in the co-creative process once their value propositions have been communicated. As our cross-sectional study focused exclusively on the initial stage of co-creative interaction, such a long-term perspective would significantly advance our understanding of the reciprocal value proposition. Finally, the findings from our exploratory study that we summarized in our set of propositions and the conceptual model should be tested quantitatively, as their rejection or confirmation would offer considerable contributions to the field of value co-creation in general and reciprocal value propositions in particular, as well as deepen our understanding of the concept's implementation in practice.

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Appendix A:

Interview Guide for Auction House Specialists

1. What is the role of the specialist? How would you describe your role in the relationship between the customer and the auction house?
2. Which features of the auction house and your service do you communicate in your value proposition to customers?
3. Which aspects of your service and the interaction with you do customers value most? How do you identify these?
4. How do you determine what is important/valuable to the customer?
5. Does the customer contribute to the value of your service in any way? If yes, how?
6. Do you benefit yourself from the interaction with a customer? If yes, how?
7. Is there a difference between the benefits you obtain from a long-standing customer relationship in comparison to a one-off transaction? If yes, how would you describe them?

Appendix B:

Interview Guide for Customer Interviews

1. What constitutes a relationship between you and the specialist?
2. How do you interact with the specialist?
3. Which aspects of the service offered by the specialist (and the auction house) do you appreciate the most?
4. Do you derive any kind of value from your interaction with the specialist? If yes, how would you describe it?
5. Do you contribute in any way to the realization of this value?
6. Does the specialist benefit from the interaction/relationship with you? If yes, how – what do you bring to the relationship with the specialist?
7. If you do contribute to the interaction/relationship, how do you communicate this input?

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