

# Exploring the dynamics of customer value in cross-cultural business relationships

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## Abstract

**Purpose** – A recent development in customer value research is building theory that can help the field go beyond understanding what customers currently value to exploring how customers' perceptions of value change. This paper seeks to extend this emerging theory of customer value change to a global context by conceptually exploring the role of national culture as a key moderator of this phenomenon.

**Design/methodology/approach** – The literature examining the role of national culture in business is reviewed for insights pertaining to buyers' tendencies for change in general and for clues suggesting how customers' embedded values in various cultural contexts might undergo value change in systematically different ways. Specifically, this paper employs Hofstede's cultural framework to explore how the lens of national culture might influence the value change process.

**Findings** – Based on this integrative review, several links between the cultural dimensions in Hofstede's framework and value change theory are found to be supported by the literature. These connections suggest a moderating role for national culture, given the tendency for cultural factors to shape buyers' interpretation of environmental change drivers and their resulting feelings of tension which research shows are closely associated with customers' desired value changes from suppliers.

**Originality/value** – This paper offers several theoretical propositions and conceptual models for future empirical validation. These new insights into an emerging theory of customer value change can provide the building-blocks for a number of future research directions designed to help managers exercise strategic foresight for changing global markets.

**Keywords** Consumer behaviour, Perception, Cross-cultural studies, National cultures, International marketing, Marketing strategy

**Paper type** Conceptual paper

**An executive summary for managers can be found at the end of this article.**

## Introduction

In a time when firms face intense global competition and deal with customers that continually raise the bar on supplier requirements, suppliers exercising foresight about changing market needs has been called a key to long term success (Pralhad and Ramaswamy, 2004; Stalk *et al.*, 1992). Anecdotal evidence suggests that failing to keep pace with customers' dynamic needs hinders a supplier's efforts to strengthen customer loyalty, reduce customer churn, lower customer acquisition costs, and increase long-term customer profitability – all of which are key factors that influence financial performance (Grieve and Ortiz, 2003). Although firms engage in intense rivalry based on what customers *currently* value, reliance on what is presently known about customers will not hold into the future. As such, firms seeking to thrive in the future must commit to continuous superior

value creation and delivery relative to domestic and global competitors (Slater and Narver, 2000).

New perspectives on value creation in business point toward two relevant realities:

- 1 value is perceived, defined, and co-created by the customer; and
- 2 knowledge is embedded in products/services and serves as a fundamental source of competitive advantage for the firm and entire global supply chain (Pralhad and Ramaswamy, 2004; Vargo and Lusch, 2004).

Collectively, knowledge about customers' current perceived value as well as knowledge used to *anticipate* what customers will value in the future play central roles in building and maintaining a sustainable advantage. Implications of these realities present at least two major challenges for suppliers.

First, the stage for innovation is shifting from a supplier's one-sided "make and sell" view of value creation to a shared process where customers are "co-creators" (Haeckel, 1999). Consequently, the burden often falls on suppliers to overcome "company think" and internal mental models to gain a deep understanding of the customer's perceived value experience (Day and Nedungadi, 1994). Second, customers' value perceptions undoubtedly change, and for some, this change occurs at a revolutionary pace (Flint *et al.*, 2002). Suppliers poised to embrace these new realities will find it necessary to develop a competency in anticipating these value changes as a means to prepare operationally and strategically for new market demands. Yet, this issue is compounded by the

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complexities of global competition that call for delivery of products and services across markets where value perceptions can differ widely (Overby *et al.*, 2004). While some progress has been made toward the first challenge by exploring areas like market sensing capabilities and value determination (Day, 1994; Woodruff, 1997), it is this second challenge of anticipating and tracking value changes in diverse global settings where a greater gap exists.

In response to this challenge, research on customer desired value change (CDVC) suggests that for suppliers to anticipate changes in what customers value, they must first understand the change process itself, i.e. how changes in desired value occur for customers (Flint *et al.*, 2002). By understanding how customer value perceptions change – including the complex nature of CDVC, its drivers, and its consequences – suppliers can directly observe the seeds of change and project their impact onto future market demands. But there is little indication that firms have formal processes for this activity or allocate significant resources into anticipating shifts in value perceptions. Also, evidence shows a majority of corporate strategists are repeatedly surprised by major changes in the global marketplace (Fuld, 2003).

One explanation for this gap in knowledge and practice is that theory focusing on the dynamic aspect of customers' needs has only recently appeared in the business literature. Related concepts like organizational learning and changes in customer satisfaction highlight the importance of understanding change, but do not directly address the mechanisms or process of customers changing what they value from suppliers. One reason this issue is critical is that in the business-to-business space, suppliers cannot afford to lose even a few of their key customers. So a marketer's focus must be on the needs of individual accounts and staying ahead of their changing desires or risk losing them to competitors who do. This challenge demands a deep understanding of how change occurs for customers, a knowledge far more powerful for creating marketing and product strategies than simple reaction to customers' requests as they arise.

Within the limited literature on CDVC, initial model building based on a grounded theory study in a single US industry has shed light on the phenomenon and called for a program of research (Flint *et al.*, 2002). One of the next steps in theory building calls for exploration into how value change varies across firms embedded in different national cultures (Flint, 2002, 2004). With increasing attention to global competition (MacMillan *et al.*, 2003), this approach follows a large stream of literature in marketing, strategic management, and other business disciplines that have sought an international perspective to advance theory building (Clark, 1990).

It is suggested in this paper that research in customer value change is especially ripe for a global perspective due to a likely influence that national culture can exert on customers' perceptions of value and tendencies for change. One initial question seems particularly important to explore, i.e. what role might national culture play in customers' value change processes? To address this question, we first review relevant aspects of customer value theory and then customer desired value change theory. Following those discussions, we utilize research on national culture to develop a series of propositions relevant to customer value change.

## Business-to-business customer value

### Customer value

Beyond its use in a variety of disparate business contexts (e.g. corporate values, value-added products, customer lifetime value, etc.) several definitions of customer value – as perceived and defined by the customer – have been offered. There is an emerging consensus that customer value involves a trade-off between benefits (“what you get”) and sacrifices (“what you give”) within use situations (Slater and Narver, 2000; Woodruff, 1997; Zeithaml, 1988; Ulaga, 2003, 2001). Value perceptions are subjective and often relative to other offerings (Gale, 1994). Within a business-to-business context, perceived benefits can be categorized in terms of functional and relational aspects as well as monetary and non-monetary sacrifices (Lapierre, 2000; Ulaga, 2003), supporting the idea that value perceptions involve more than simple price-quality tradeoffs (Day and Crask, 2000). This distinction will become important for our propositions regarding the role of national culture. Finally, customer value often implies evaluations of what a customer perceives he or she has *received* (i.e. received value) from a supplier in a specific use situation (Bagozzi, 1999; Woodruff, 1997) or what customers desire, i.e. *desired* value (Flint *et al.*, 2002; Woodruff, 1997). Current research suggests that customers do distinguish between desires and expectations (Bagozzi, 1999; Holbrook, 1994). Woodruff (1997) offered an integrative definition of these related customer value conceptualizations:

Customer value is a customer's perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations (p. 142).

While discussion about desired and received value is becoming predominant in the business customer value literature (Ulaga, 2003), other important comparison standards like customer expectations have been discussed extensively in consumer satisfaction research (e.g. Woodruff *et al.*, 1983) and arguably warrant greater attention. The differences between customers' desires and expectations have traditionally been overlooked, but research has shown them to be empirically distinct (Spreng *et al.*, 1996). Several researchers have suggested that differences between the two arise from the likelihood that desires draw heavily upon customers' means-end goal linkages whereas expectations stem from the information offered by sellers (Gardial *et al.*, 1994; Spreng *et al.*, 1996). Thus, although we limit this paper to further developing the concept of customers' changing desires, exploring the role of change in other comparison standards like expectations represents an important avenue for customer value research and practice.

Finally, some recent studies have explored the influence of national culture on value perceptions (Overby *et al.*, 2004; Furrer *et al.*, 2000). But these are largely limited to consumer contexts. For example, in a cross-cultural consumer context, Overby *et al.* (2004) find that national culture influences the content and structure of consumers' value perceptions through the way customers attach meaning and importance to various aspects of a firms' products.

### Customer desired value change (CDVC)

Customer desired value change (CDVC) is a conceptual extension of customer value. It refers to any alteration in what customers desire from suppliers and their relationships with them. As such, CDVC can take many forms and occur in a variety of ways. Anticipating this kind of change is distinctly different from trend analysis. Where trend analysis typically focuses on entire markets and market segments, anticipating changes in desired value here has been positioned at the individual customer level due to the extreme importance of retaining each key account. Just as customer lifetime value analysis (CLV) (Rust *et al.*, 2004, Venkatesan and Kumar, 2004) focuses on the profitability of each customer, directing attention to retaining high CLV customers, CDVC is focused on the changing desires of these specific important customers.

Theoretical understanding of how value change occurs and takes shape within customer environments is in an embryonic stage but is gaining attention from researchers (Beverland and Lockshin, 2003; Beverland *et al.*, 2004). Flint *et al.* (2002) proposed an initial CDVC process model that emerged out of a grounded theory study of individual business customer decision makers' perceptions of value change. According to this model, CDVC has two important components and is driven in part by external changes. The two components of CDVC are form variety and intensity. CDVC form variety refers to the variety of ways in which desired value can change, such as changes in desired benefits from suppliers, changes in sacrifices tolerated, changes in desired levels of supplier performance (i.e. bar raising), changes in prioritization (e.g. quality shifts to being more important than price) and so forth. CDVC intensity refers to the speed at which changes in desires occur, the magnitude of the change from previous desires, and the number of changes in desires occurring simultaneously in customer organizations. It is suggested that external environmental are key drivers of CDVC. These changes can be categorized into four relevant environmental areas:

- 1 changes in customers' customers desires;
- 2 changes in customers' competitors' actions;
- 3 changes in offerings made by customers' suppliers; and
- 4 changes in the macro-environment such as technology and regulation.

Finally, proposed CDVC theory suggests that changes in these customer environmental areas, hereafter referred to as triggers, also trigger a great deal of tension in key decision makers within customer organizations, which changes in desired value may help to reduce. Our contention here is that national culture may moderate the effects of these events on CDVC and customers' feelings of tension, because managers within organizations embedded in different cultures perceive, react to, and act upon their business environments differently due to the impact of culture on social norms. The next sections develop this notion further.

## National culture and customer value change

### National culture in business

Globalization in business has brought a heightened awareness of the need to understand national culture and its effects on interfirm relationships. A firm's national culture shapes its strategies, tactics, and practices (Tse *et al.*, 1988), and it has

long been recognized as a key characteristic that underlies systematic differences in firm behavior (Steenkamp, 2001). Classic examples of national culture's influence on business include the Japanese *keiretsu*, the German affinity for engineering, and the "laid-back", high-context atmosphere of Latin America. National culture can be described as patterns of thinking, feeling, and acting rooted in common beliefs and conventions of society (Nakata and Sivakumar, 2001). For managers, these patterns that arise from one's cultural orientation provide schemas or mental templates for interpreting situations and determining behavior (Brett and Okumura, 1998).

National culture has been utilized to explain phenomena such as new product development (Nakata and Sivakumar, 1996), brand strategy (Roth, 1995), innovation (Steenkamp *et al.*, 1999), channel design (Johnson *et al.*, 1990), the implementation of the marketing concept (Nakata and Sivakumar, 2001), and has generally been cast as an integrative construct that explains significant variance in managerial decision making (Clark, 1990). From a buyer behavior perspective, research shows that national culture can play a significant role in shaping buyer search criteria, referral behavior, formation of preferences, and consumer's perceived value (Money *et al.*, 1998, Bolton and Myers, 2003, Overby *et al.*, 2004).

It is important to note, however, that while the focus of this paper investigates the potential influence of national culture upon customer value change, the notion of culture in cross-cultural business is a multi-layer, nested phenomenon (Leung *et al.*, 2005). That is, cultural influences have been explored at a number of different levels including organizational culture dimensions, industrial cultures like high-tech versus mining, professional cultures like the ones associated with engineering or sales practitioners, as well as cultural values resting at the group or individual level (Möller and Svahn, 2004; Schein, 1992; Törnroos and Möller, 1993).

As it relates to CDVC, different layers of culture likely deflect contextual influences upon customers' changing needs. For example, buyers who operate in organizations with formal, hierarchical cultures might pay closer attention to change drivers emanating from higher levels in the organization as compared to buyers that work for companies whose cultures reflect a more decentralized and adaptive approach. Furthermore, customer change in turbulent industries (e.g. consumer electronics) is likely more intense than change occurring in more mature, evolving industries (e.g. industrial chemicals). Given the newness of CDVC theory, we focus this paper on the potential influence of national culture given that research shows it permeates all layers of society and its influence is manifested in the day-to-day behavior of people including firms and managers (Möller and Svahn, 2004; Triandis, 1995).

### National culture theory

A variety of approaches have been developed to describe national cultures. Theoretical approaches attempt to classify cultures based on members' diverse personality orientations, beliefs about human nature, anxiety levels, degree of extroversion, and relation to authority, to name a few (Kluckhohn and Strodtbeck, 1961; Lynn, 1982; Inkeles and Levinson, 1969). Most of these theories describe cultural

orientations that shape a wide range of basic human thoughts, feelings, and actions, and as such, several have been directly applied to understanding buyer behavior (Clark, 1990). Interestingly, in what may be the only extensive attempt to develop a cross-cultural theory of buyer behavior, nearly 30 years ago Sheth and Sethi (1977) wrapped a host of buyer traits and decision variables around the central construct of a buyer's "propensity to change," defined as a receptivity to changes from present consumption.

From an empirical standpoint, the most widely accepted culture theory among marketing and other business scholars is Hofstede's (1980, 1994) four culture factors. Stemming from one of the largest cross-cultural business surveys ever conducted, encompassing 117,000 subjects in 66 countries, Hofstede identified four dimensions of national culture (called Hofstede's framework) upon which to describe culture. They are as follows:

- 1 *individualism/collectivism* – the degree of distance or connectedness in social relationships;
- 2 *uncertainty avoidance* – the degree of discomfort with the unknowns of the future, flexibility-rigidity;
- 3 *power distance* – the degree to which social inequalities such as wealth/status are acceptable to society; and
- 4 *masculinity/femininity* – the tendency towards achievement, assertion, and performance.

Despite limitations in the study, current authors note the strong backing for this framework and recognize it as the dominant national culture paradigm, due mostly to weighty replication and correspondence with findings in over 30 other studies (Sondergaard, 1994; Sivakumar and Nakata, 2001). An example on how several countries vary on these dimensions is shown in Table I.

One of the key advantages of this framework over others is its ability to operationalize cultural differences. For example, on the individualism dimension the USA has a score of 91, while its neighbor to the South, Mexico, scores 30, meaning that US citizens tend to think and act in a more independent fashion than in a collective mindset. These scores account numerically for the diverse family and social structure that has long been described anecdotally. It is important to note that these dimensions describe *tendencies* within countries, and

assigning traits to all individuals in any nation is misguided. Nevertheless, national culture differences reveal wide variation, and evidence shows these differences have significant bearing on the behavior of both consumers and business decision makers (Clark, 1990; Overby *et al.*, 2004). Furthermore, the evidence showing that cultural orientation can shape basic behavior, such as interpretation of situations and decision schema, suggests that theory of buyers' changing perceptions of value can be enriched by inclusion of cultural variables. Upon the theoretical foundation of CDVC and national culture, linkages exploring new insights between aspects of value change and firms embedded across diverse national cultures are now discussed.

### National culture, environmental triggers, and CDVC

#### *National culture as a moderator*

It is proposed here that various dimensions of national culture, as operationalized by Hofstede's framework, likely moderate the strength or degree of influence a particular environmental trigger event will have on CDVC, i.e. the trigger's ability to drive changes in various forms of customer value (Figure 1). That is, given the strength and direction of moderation, various cultural dimensions might reveal an interaction effect on triggers and establish their domain of effectiveness on CDVC (Baron and Kenny, 1986).

The overriding notion here is the expected tendency for each of the cultural dimensions to moderate customers' interpretations, feelings of tension, and perceptions of relevance for environmental triggers. For the sake of clarity, exploratory propositions are offered in terms of "either-or" scenarios, however, cultural dimensions and their effects should be considered more on a continuum basis (Nakata and Sivakumar, 2001).

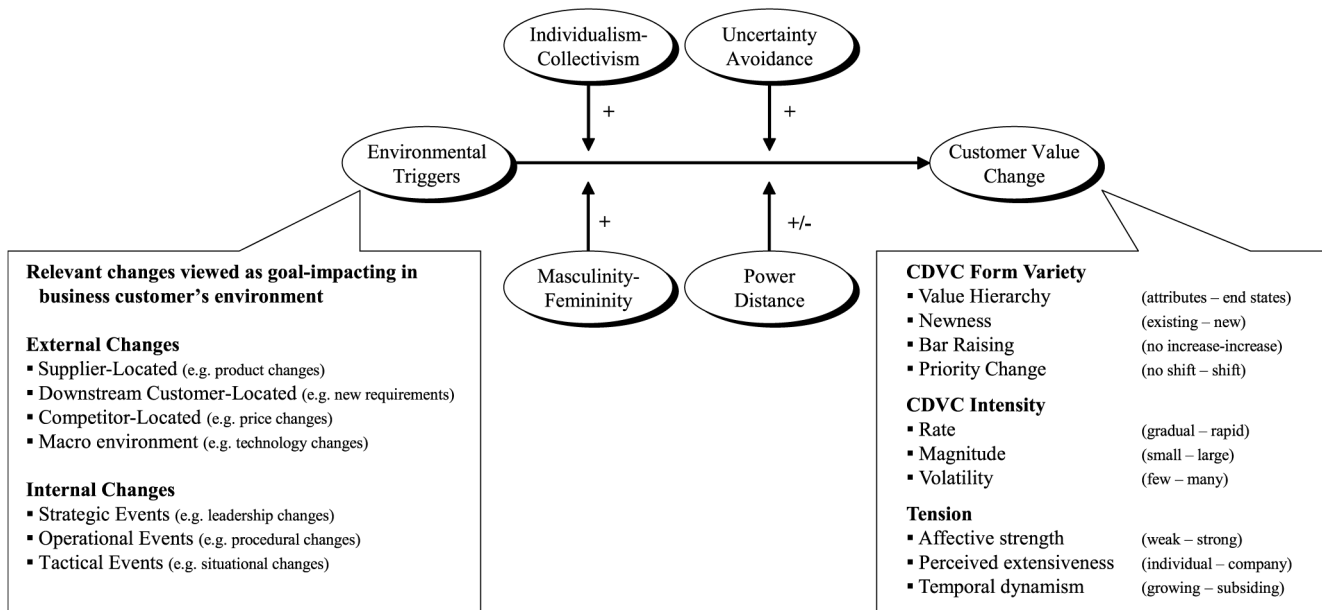
#### *Individualism*

This cultural dimension describes the degree to which people act as individuals rather than as members of groups (Furrer *et al.*, 2000). Individualistic societies maintain more independence in relationships, while more collectivist (lower end of dimension) cultures tend towards closer group relations. In collectivist societies (e.g. Mexico, Indonesia), children grow up learning to highly respect the groups to which they belong. Conversely, in an individualist society (e.g.

**Table I** Culture dimension scores for 12 countries (0 = low, 100 = high)

	Individualism	Uncertainty avoidance	Power distance	Masculinity
Arab countries	38	68	80	53
France	71	86	68	43
Germany	67	65	35	66
Great Britain	89	35	35	66
The Netherlands	80	53	38	14
Hong Kong	25	29	68	57
Indonesia	14	48	78	46
Japan	46	92	54	95
Brazil	38	76	69	49
Mexico	30	82	81	69
USA	91	46	40	62
West Africa	20	54	77	46

Source: Adapted from Hofstede (1994)

**Figure 1** Moderating effect of cultural dimensions between environmental triggers and customer value change

the USA, Great Britain), children learn very early to think of themselves as “I” instead of as part of “we”, and thus anticipate the necessity to stand on their own feet without needing a strong loyalty to the group (Hofstede, 1994).

Customers in highly individualistic cultures have a tendency to see themselves less socially connected to suppliers (Nakata and Sivakumar, 2001). So for example, when undesirable triggers occur, customers might show tendencies to interpret those changes almost entirely by how the triggers affect the customer firm's goals. On the other hand, business relationships embedded in highly collectivist cultures are interconnected and might tend to make sense of changes within the context of the inter-firm relationships. Such firms exhibit greater consideration for others and tend to “sacrifice for the work unit” to reduce chaos and competition (Nakata and Sivakumar, 2001, p. 258). These types of inter-firm relationships might be characterized by the mantra: “give as much as you can, take as much as you need” (Gassenheimer *et al.*, 1998, p. 326).

High levels of individualism have been described in terms of a greater emphasis on functional, maybe transactional, aspects versus relational aspects in business relationships (Nakata and Sivakumar, 2001). Thus, customers in individualistic societies likely place greater priority on changes having potential to impact functional aspects of the relationship (e.g. price, quality, delivery) than they do on relational aspects (e.g. personal interaction, commitment, etc.). While the reverse might not be true in collectivist societies, where functional aspects are still likely significant, it is anticipated that relational aspects would have a more significant role. Based on the proposed connection here between individualism, functional-relational aspects, and customer value, the following is proposed:

*P1.* A society's level of individualism moderates the strength of triggers on business customers' desired value change (CDVC).

*P1a.* In societies that possess a higher level of individualism, triggers that impact functional aspects of the relationship will have a greater influence on CDVC intensity and CDVC form variety than do triggers that impact relational aspects of the relationship.

*P1b.* In societies that possess a lower level of individualism (collectivism), triggers that impact relational aspects of the relationship will have a greater influence on CDVC intensity and CDVC form variety than do triggers that impact functional aspects of the relationship.

#### *Uncertainty avoidance*

Societies that have higher uncertainty avoidance (e.g. France) seek stability and predictability, avoiding risk wherever possible (Overby *et al.*, 2004). Customers within this type of culture will likely experience more tension as a result of triggers. For example, people in these cultures tend to show more anxious energy and are more concerned with reducing stress, while countries with lower degrees of uncertainty avoidance are more easy-going and flexible (Hofstede, 1994). Given a tendency to regard reliable, stable dealings with suppliers, customers with high uncertainty avoidance might invoke vigilant monitoring systems to identify and quickly deal with potential goal-impacting threats (Nakata and Sivakumar, 2001). Hence, a customer in a high uncertainty society – upon becoming aware of a goal-impacting trigger – will likely move rapidly to address it. In contrast, lower uncertainty avoidance cultures (e.g. Hong Kong) are more tolerant of the unknown. A customer in this environment might delay their full reaction to a trigger until more of the potential impact is known. In addition to tension, it is proposed that uncertainty avoidance will interact more with CDVC intensity (rate, magnitude, and volatility of value change) than CDVC form variety:

*P2.* A society's level of uncertainty avoidance moderates the strength of triggers on business customers' desired value change (CDVC) and customers' tension.

- P2a.* In societies that possess a higher level of uncertainty avoidance, business customers place greater priority on responding to triggers than do business customers in societies with a lower level of uncertainty avoidance.
- P2b.* In societies that possess a lower level of uncertainty avoidance, business customers place lower priority on responding to triggers than do business customers in societies with a higher level of uncertainty avoidance.

#### *Masculinity*

Societies high in the masculinity dimension (e.g. Japan) reveal strong tendencies for achievement, challenge, and performance (Hofstede, 1980). In these achievement-oriented cultures, many people develop their identity and self-worth based largely on their occupations and personal success (Overby *et al.*, 2004). For customers in these cultures, this trait translates into a higher degree of rational analysis of suppliers and environmental changes. Customers are performance-driven in their relationships and try to make sound business decisions based objectively on how suppliers contribute to their own firm's success. Customers in these cultures might show tendencies to experience high levels of tension if standards go unmet and performance is impacted. Moreover, supplier relationships are viewed with a stronger eye towards their instrumental (i.e. economic) worth to the firm relative to a social worth that might play a greater role under a partnering paradigm.

Societies low in masculinity (e.g. The Netherlands) show greater degrees of concern for improving quality of life, developing warm relationships, and helping others. Scholars characterize these traits (often called femininity) as following patterns of altruism, moral concern, and emotional interests (Nakata and Sivakumar, 2001). Customers in these cultures are more likely to develop interpersonal friendships with suppliers and interact based on mutual business concerns. A greater emphasis on social drivers versus purely economic drivers of value might also be evident.

In connecting masculinity to CDVC, it is likely that (similar to individualism) customers in cultures high in masculinity will place a greater relative importance on changes that impact functional/transactional environmental triggers on the relationship than do customers in cultures low in masculinity. Conversely, customers in cultures low in masculinity might place a greater relative importance on changes that impact relational aspects of the relationship than do similar customers in a higher masculinity culture:

- P3.* A society's level of masculinity moderates the strength of triggers on business customers' desired value change (CDVC) and customers' tension.
- P3a.* In societies that possess a higher level of masculinity, triggers that impact functional aspects of the relationship will have a greater influence on CDVC intensity, CDVC form variety, and customers' tension than do triggers that impact relational aspects of the relationship.
- P3b.* In societies that possess a lower level of masculinity, triggers that impact relational aspects of the relationship will have a greater influence on CDVC intensity, CDVC form variety, and customers' tension than do triggers that impact functional aspects of the relationship (exploratory).

In a similar comparison, Overby *et al.* (2004) found empirical support on a contrast between functional and social attributes between countries on this dimension.

#### *Power distance*

This dimension considers how a culture views gaps in social equality, defined as differences in social power, wealth, etc. (Furrer *et al.*, 2000). These perceptions likely carry over into power relations in business relationships. Cultures high in power distance (e.g. Arab countries) are more accepting of these gaps and, consequently, are more likely to tolerate them as customary. In such settings, there is a clear distinction between the "haves" and "have-nots". Furthermore, there are considerable differences between the behaviors of powerful customers and weak customers. Weak customers residing in these cultures might exhibit less resistance and value change when dominant suppliers exercise coercive power (Furrer *et al.*, 2000). However, the opposite might be true when a powerful customer interacts with a weaker supplier. These firms might show an increased tendency to make changes with little regard for the potential impact on suppliers and expect weaker suppliers to comply "or else".

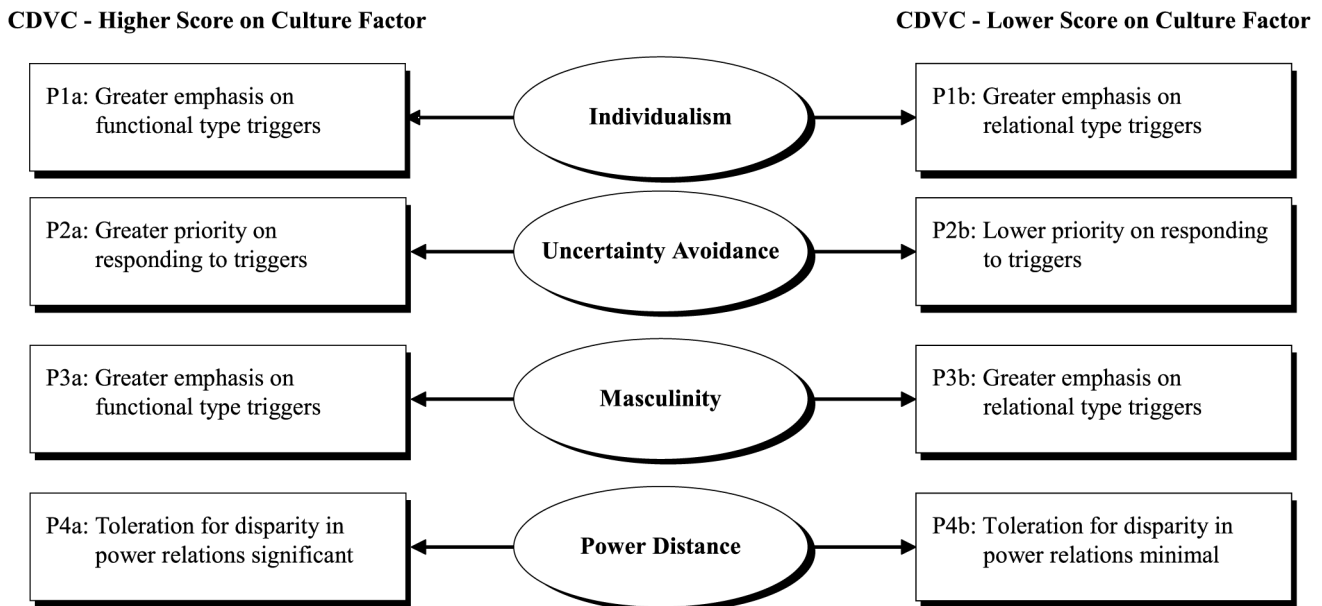
Conversely, in low power distance cultures (e.g. the USA, The Netherlands) inequalities among people are not as well tolerated and attempts are made to minimize these gaps. In such situations, triggers that may result in changes in desired value that significantly disadvantage a relationship partner might be strongly opposed:

- P4.* A society's level of power distance moderates the strength of triggers on business customers' desired value change (CDVC) and customers' tension.
- P4a.* In societies that possess a higher level of power distance, powerful customers will be more willing to respond to environmental triggers by changing what they want from weaker suppliers as compared to powerful customers in societies with a lower level of power distance.
- P4b.* In societies that possess a higher level of power distance, weaker customers will be more reluctant to react to environmental triggers and change what they value from stronger suppliers as compared to weaker customers in societies with a lower level of power distance.

While the proposed strength and direction of influence on CDVC for each dimension here is tentative pending future empirical verification, national culture theory suggests that these societal dimensions play an important role in customer decision making, preferences, and overall buyer behavior. A summary of the specific propositions is found in Figure 2. It is unlikely that desired value and value change would be uniquely immune from this influence. What is not known is the degree of variation in CDVC that can be captured across global markets, when national culture is considered.

## **Discussion**

The purpose of this paper is to extend customer value change theory by exploring how environmental triggers might influence customers' desired value change when compared across a global environment shaped by diverse national cultures. This is the first known attempt to extend value

**Figure 2** Moderating effect of national culture on strength of environmental triggers and CDVC

change theory to consider the impact of culture in global contexts. Additionally, this paper follows various calls for greater understanding of this phenomenon and a belief that understanding how value perceptions change in various contexts is one of the critical challenges marketing strategists face in global supply chain management (Flint, 2004). Unlike customer value and value change, research into the effect of national culture on business behavior has been studied for decades. By employing the most prominent national culture theory of the day, in Hofstede's framework, this paper extends the current thought on the budding theory of customer desired value change (CDVC) and offers a tentative model for future empirical validation.

### Managerial implications

Potential managerial implications prior to empirical investigation are speculative. However, as suppliers seek to exercise foresight about the changing needs of global markets, an awareness of diverse national cultures and their influence on customers' changing perceptions of value should be taken into account. Specifically, suppliers might want to be cognizant of the different ways in which customers across various global markets interpret and react to environmental changes. Managers in supplier organizations serving global markets might also consider tracking customers' value perceptions over time to look for clues that changes are occurring. Comparing these findings across global segments might reveal potential inter-market segments. Specifically, as intensity levels of value change are compared, firms might gain insight for allocation of resources deployed to these regions. Regions where value change is relatively slow might be best served by standard approaches to marketing intelligence. On the other hand, regions where value change occurs at a revolutionary pace might warrant entirely new strategies to keep up with customers and competitors. By taking a proactive stance to recognize value changes in

different global markets, firms might actively influence changes in desired value by helping customers to interpret events, responding effectively, and potentially avoiding undesirable changes. Our contention is that CDVC is not uniform globally. As such if business marketers are to develop effective intelligence processes and marketing strategies, they must understand differences in the ways customers' desired value perceptions change.

### Future research

Developing foresight about dynamic customer value perceptions in the global environment presents a tremendous opportunity for research. A first priority could be to test the theoretical propositions and conceptual models presented here using a survey methodology across a number of cultural contexts. Given extensive use of Hofstede's framework in various studies, the most challenging part here would be development of measures for the value change and environmental trigger constructs. There is also a need to explore the interaction of these cultural dimensions and resulting influence on CDVC. For example, might a combination of high scores on uncertainty avoidance and individualism lead to different or a stronger influence than either dimension on its own? Suppliers currently have to deal with the confluence of all these dimensions in their dealings with customers. It would seem that future empirical testing could explore these interactions. Additionally, triggers seldom act in isolation. For example, an overture from a supplier's competitor might be related to changes at the macro-economic level which are related to consumer preference changes, all of which prompt a customer to devalue its current perception of an existing supplier relationship. Expanding the scope to examine the interaction among a variety of triggers would also extend the relevance of this research.

Future research might also link specific change drivers to changes in particular sources of value. For example, when and

how might a supplier's price increase trigger a customer to want more for the price they are paying (i.e. improved quality or delivery)? This brings an entirely new level of complexity needing to be explored. Another opportunity includes identifying other moderating factors. For instance, examining organizational culture or other layers of culture along with national culture might reveal some interesting influences on CDVC. Furthermore, other important contextual factors might include: inter-firm power-dependence relations, corporate strategies, purchase situation, or other characteristics of the buying situation.

Another potential avenue for the study of customer value change is in the area of market segmentation. Value change research suggests that customers could be segmented based on degree or type of change (Flint *et al.*, 2002). The underlying assumption needing to be tested is that buyers and firms exhibit relatively stable patterns of change over time. The logic here is that patterns or profiles of "change-types" could be identified, possibly through clustering techniques. For instance, a certain cluster of industry types and national cultures might reveal a set of customers showing a tendency for chaotic changes. Suppliers could link this with information on the costs to serve these types of customers and allocate resources more effectively. Some insights might reveal segments that are too unattractive to serve altogether. The discipline of segmentation currently suffers from instability of segments because of constant value change. Moving towards segments based, in part, on value change could be a significant move to hedge against this dilemma.

Additional qualitative work is still clearly needed. It is quite possible that decision makers in organizations embedded in different cultures perceive and experience change quite differently, calling into question the original CDVC theory. Exploring the CDVC phenomenon more deeply within organizations around the globe that reflect significantly different national cultures according to the Hofstede framework could be accomplished through additional grounded theory, ethnography, or phenomenological traditions.

### Conclusion

In summary, there is an abundance of research addressing the creation of cost efficiencies within the firm and across supply chains. However, there is a dearth of literature on how suppliers should anticipate changing needs as an effective means to operationally and strategically prepare for new market demands. Beyond this, leading strategists claim that, due to the speed of technological innovation and diffusion, ongoing strategies to squeeze cost savings out of the value chain are becoming homogenized and are reaching a point of incrementalism (Hamel and Prahalad, 1994; Prahalad and Ramaswamy, 2004). Developing a competency in foresight about markets, and specifically customers – as a means to foster radical innovation and effectiveness throughout value chains – will be a key source of future growth. Within this framework, building and extending generalizable theory to anticipate customer desired value change will serve to push the practice and skill of foresight forward.

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### Executive summary and implications for managers and executives

*This summary has been provided to allow managers and executives a rapid appreciation of the content of the article. Those with a particular interest in the topic covered may then read the article in toto to take advantage of the more comprehensive description of the research undertaken and its results to get the full benefit of the material present.*

The British have a sense of "fair play" and are – in their prudish, stuffy stand-offish way – basically honest. Americans are more opportunistic, go-ahead and gung-ho with a boastful "there is nothing I can not achieve" attitude. The French can be a bit inward looking, petrified that embracing any "foreign" idea might somehow dilute their "Frenchness". As for the Germans, well we all know they're efficient, but a bit boring and bureaucratic – and arrogant with it. What can you

say about the Swiss, apart from they're about as orderly and organized as the Italians aren't?

And the folk from Latin American, African, Arab, Australasian and Scandinavian countries haven't been mentioned yet. They, too, have their own slightly warped view of "foreign" cultures, and in turn are victims of other people's unsophisticated opinions of them. All of us have our stereotypes and most of them – whether emanating from ignorance, bigotry or just a sense of humor – are just plain wrong. But that doesn't mean to say we aren't all different and that our differences shouldn't be remarked upon.

Genome research might demonstrate scientifically what many of us already believed – that the people of this planet have many more similarities than differences – but those differences are important. Not only because an awareness and appreciation of global cultural differences can enrich our own culture, but because it could help the bottom line of organizations whose business relationships cross not just continents, but cultures.

Understanding how those differences impact on value change, customer value perceptions and the like might be a daunting prospect for managers. But recognizing the need to do so is essential in an environment of global competition with customers continually raising their requirements and expectations and demanding suppliers be pro-active and sensitive to those requirements and expectations.

Having a willingness and capacity to act fast in hindsight might not be enough to deter customers embracing competitors. Foresight is what's needed, yet evidence shows a majority of corporate strategists are repeatedly surprised by major changes in the global marketplace.

Christopher P. Blocker and Daniel J. Flint note that, collectively, knowledge about customers' current perceived value as well as knowledge used to anticipate what customers will value in the future play central roles in building and maintaining a sustainable advantage. Two major challenges need to be faced. Firstly, the stage for innovation is shifting from a supplier's one-sided "make and sell" view of value creation towards a shared process where customers are "co-creators". Secondly, customers' value perceptions do change – sometimes at an alarming pace. While some progress has been made in exploring areas such as market sensing capabilities and value determination, less has been done to face the challenge of anticipating and tracking value changes in diverse global settings.

Related concepts like organizational learning and changes in customer satisfaction highlight the importance of understanding change, but do not directly address the mechanisms or process of customers changing what they value from suppliers. One reason this issue is critical is that in the business-to-business space, suppliers cannot afford to lose even a few of their key customers. So a marketer's focus must be on the needs of individual accounts and staying ahead of their changing desires or risk losing them to competitors who do. This challenge demands a deep understanding of how change occurs for customers, a knowledge far more powerful for creating marketing and product strategies than simple reaction to customers' requests as they arise.

The most widely accepted culture theory among marketing and other business scholars is "Hofstede's Framework" which describes four dimensions of national culture: individualism/

collectivism (degree of distance or connectedness in social relationships); uncertainty avoidance (degree of discomfort with the unknowns of the future, flexibility-rigidity); power distance (degree to which social inequalities such as wealth/status are acceptable to society); and masculinity/femininity – tendency towards achievement, assertion, and performance.

For instance, individualistic societies (e.g. United States and Great Britain) maintain more independence in relationships, while more collectivist cultures (e.g. Mexico and Indonesia) tend towards closer group relations. Customers in individualistic societies are likely to place greater priority on changes having potential to impact functional aspects of the relationship (e.g. price, quality, delivery) than they do on relational aspects (e.g. personal interaction, commitment, etc).

Blocker and Flint say: “Managers in supplier organizations serving global markets might also consider tracking customers’ value perceptions over time to look for clues that changes are occurring. Comparing these findings across global segments might reveal potential intermarket segments. Specifically, as intensity levels of value change are compared, firms might gain insight for allocation of resources deployed to these regions. Regions where value change is relatively slow might be best served by standard approaches to marketing intelligence. On the other hand, regions where value change occurs at a revolutionary pace might warrant entirely new strategies to keep up with customers and competitors.”

*(A précis of the article “Exploring the dynamics of customer value in cross-cultural business relationships”. Supplied by Marketing Consultants for Emerald.)*