Value creation across organizational borders: towards a value gap theory

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Abstract

Purpose – This study aims to explore and theorize value gaps within value chain management (VCM) by extending the service quality gap model to the context of global manufacturing value chains.

Design/methodology/approach – Drawing upon a case study of a small, family-owned Swedish furniture wholesaler, Alpha, this research adapts the service quality gap model and integrates it into the VCM framework. The investigation examines the value creation and delivery processes across a network of actors, highlighting how various gaps emerge at different stages of the value chain.

Findings – The study identifies and describes several value gaps, including those related to consumer understanding, manufacturing capabilities and coordination across the value chain. Value creation gaps arise from poor communication about consumer needs and product features, whereas value delivery gaps are mainly tied to manufacturing capacity and material restrictions. These gaps can result in misalignment between consumer expectations and the delivered value.

Research limitations/implications – Although this study provides insights into the emergence of value gaps, further research is needed to determine the magnitude and reduction strategies for these gaps. In addition, understanding how consumers evaluate new products remains a critical area for investigation.

Practical implications – The research highlights the significance of a coordinated approach to managing value creation and delivery processes. It underscores the need for companies to capture accurate consumer data, consider manufacturing capabilities and engage in effective coordination with various actors in the value chain.

Social implications – By addressing value gaps, companies can enhance consumer satisfaction and minimize potential dissatisfaction caused by misalignment between consumer expectations and delivered value. This, in turn, can lead to improved relationships with consumers and other actors within the value chain.
This research offers a novel perspective on value gaps in VCM, extending the service quality gap model to the realm of manufacturing. It underscores the importance of managing both value creation and delivery processes for enhancing competitive advantage in a global market.

**Keywords**  
Value chain management, Value gaps, Value creation, Value delivery, Coordination, Service gaps, Supply chain management

**Paper type**  
Case study

1. **Introduction**

As industries mature, consumers tend to have more alternatives to choose from Kotler et al. (2009), and for firms to thus stay competitive, three primary strategies have been promoted:

1. competition based on the lowest price;
2. competition based on value; or
3. competition based on a combination of both (Porter, 1979; Jüttner et al., 2007; Khan et al., 2016; Lii and Kuo, 2016).

The decision between these strategies has been the center of much research, including how to match strategy with market. Internally at the company, the strategies need to be supported by activities on tactical and operational level, to make sure that there are not inefficiencies caused by poor alignment (Tamas, 2000; Eriksson and Hedenstierna, 2012). Whichever strategy is chosen, companies need to be able to respond to external changes, which relies on well-functioning and integrated sourcing (Dubey et al., 2018; Ketchen and Craighead, 2020).

Choosing strategy and developing the suitable value proposition is a central part of attracting consumers (Bustinza et al., 2015). In highly volatile markets, companies need to develop responsive capabilities, which relies on deep consumer knowledge (Cooper, 2011; Hansen and Grunow, 2015). The ability to understand the market and translate this understanding into product offerings is crucial for identifying and maintaining a competitive advantage within the market. In these efforts, companies focus on two main value-chain processes, here discussed in terms of value creation and value delivery (Hilletofth, 2010). Value creation and value delivery is part of value chain management (VCM). In much research, VCM is often conducted within a focal-firm perspective.

Broadening the level of analysis to a supply chain or network levels allows for a different understanding (Miemczyk et al., 2012). As VCM processes cut across organizational borders, it is important to understand them from such a perspective. Research with this approach do exist, for example, Prahalad and Ramaswamy (2004) discussed customer involvement, Wu (2021) focused on supplier involvement and Kang et al. (2021) looked at both customer and supplier involvement. Despite some notable examples, there is still a need for more qualitative research focusing on interorganizational new product development (NPD) strategies (Yan and Azadegan, 2017). Such research can help to better understand how companies form strategies, and how the strategy is realized across organizational borders, specifically across multiple organizations. There is also an opportunity for new research to increase understanding by not taking a focal-firm perspective and going beyond the dyad or triad levels (Seno et al., 2019) seen in earlier research.

A notable case that has been published focuses on Zara. The research highlights the importance of alignment across and between value creation and value delivery processes. Alignment allows the company to reduce time-to-market and avoid stock-outs, thereby gaining a competitive advantage (Walker et al., 2000; Ferdows et al., 2004; Lee, 2004;
Christopher et al., 2006). However, Zara, part of the Inditex group, is a large company that also controls its retail outlets, putting it at an advantage over less integrated firms. Apart from this example, there is limited insight into the importance of an aligned value chain that truly captures the voice of the consumer and that transforms it into product offerings garnering greater perceived consumer value and increased sales performance. Insight is needed for smaller companies and across value chains where the actors operate more independently.

The Swedish furniture industry is an example of a mature market where some companies seek to compete based on best value. One way to develop premium product is through an increased focus on consumer preferences, especially during the early stages of NPD (Cooper, 1990; Hilletofth and Eriksson, 2011; Chen et al., 2021). Having such an approach makes coordination between NPD and sourcing and distribution critical. In the Swedish market, except for two large players, IKEA and Jysk, most of the Swedish industry consists of wholesalers and retailers that are much smaller and independent. In many instances, these companies have outsourced manufacturing to low-cost countries, necessitating a focus on sourcing and VCM.

Current research on VCM predominantly focuses individual firms or examines interactions in limited dyadic or triadic relationships. Although this provides insights into direct interactions, there is a critical gap in understanding how strategies and value creation processes are executed across broader, more complex networks. Particularly in mature industries, where smaller players and outsourced manufacturing are prevalent, the need to explore how strategic alignments and value creation are managed across extensive organizational boundaries is acute. This gap is especially noticeable when considering how companies respond to consumer demands and how these responses are integrated across the entire supply chain to enhance competitive advantage and operational efficiency.

Moreover, the prevailing literature often lacks depth in discussing how smaller companies, unlike giants such as Zara or IKEA, manage their value chains when they cannot control every aspect of their operations from production to retail. Insights into how these companies navigate value chain complexities, synchronize inter-organizational efforts and optimize product development through collaborative strategies remain limited. The purpose of this research is:

To develop a framework for identifying and managing value gaps across value chains.

The purpose is researched through three research questions:

RQ1. What value gaps can be identified in the value creation?

RQ2. What value gaps can be identified in the value delivery?

RQ3. How do these gaps influence the value chain?

These questions are examined through a longitudinal single case study of a Swedish company in the furniture industry (Alpha). Data was gathered using in-depth and semi-structured interviews with key personnel representing senior and middle management, as well as secondary data from Alpha, including public financial reports, strategy documents, meeting protocols, historical cost data, collaborative forecasts performed with retailers and more.

2. Literature review
Throughout the research, literature was reviewed based on the principles of systematic combining (Dubois and Gadde, 2002; Eriksson and Engström, 2021), which is an approach...
geared toward a continuous reconfiguration of the framework as the case evolves. New literature was reviewed and used as a grounding for the investigation, with the primary goal to support the iterative research process. Although the literature search was initially focused on demand creation and demand delivery, it later expanded to include the literature on service quality gaps, which are recontextualized as value gaps. The literature review was thus structured to follow the theoretical progression of the research, commencing with VCM, the coordination of value creation and delivery, followed by the identification of a model and culminating in a conceptual model that was later used in the research.

2.1 Value chain management
To create a sustainable competitive advantage, firms need to “exploit their internal strengths, through responding to environmental opportunities, while neutralizing external threats and avoiding internal weaknesses” (Barney, 1991, p. 99). Competitive advantage can be created by offering consumers a superior value, which can be accomplished by providing the same benefits as competitors but at a lower price (cost advantage), by providing benefits that exceed those of competing offerings at the same price (value advantage) or a combination of both (Porter, 1996). The motivation for these approaches is founded in their ability to differentiate from the competition (Nilsson and Dernroth, 1995; Christopher, 1998), which can be achieved by organizing the firm around cost-efficient consumer value creation processes, cost-efficient consumer value delivery and the coordination of these processes (Ellinger, 2000; Hilletofth, 2011; Salmela and Huiskonen, 2019; Trentin et al., 2020). Even though these ideas are not new, they are probably more important today than they have ever been (Chang et al., 2016; Gregory et al., 2016; Paolucci et al., 2021).

Croxton et al. (2001) view value creating and value delivering processes as those that span across the entirety of the chain between raw material and customers. A value chain is defined as a network of autonomous or dependent entities involved in the activities necessary to create value by responding to consumer wants and needs (Rainbird, 2004; Jüttner et al., 2007; Esper et al., 2010; Eriksson et al., 2013). Specifically, value creation is responsible for the processes necessary to understand, create and stimulate consumer demand (Walters and Rainbird, 2004; Jüttner et al., 2007; Charlebois, 2008). In contrast, value delivery consists of a network of autonomous or dependent entities involved in the processes necessary to fulfill consumer demand through sourcing processes (Lummuus and Vokurka, 1999; Mentzer et al., 2001; Gibson et al., 2005). This framework puts value delivery as responsible for the processes necessary to fulfill demand.

The separation between value creation and delivery is useful as it facilitates a finer-grained investigation into firms’ processes. Although there is not necessarily a major difference between value creation and delivery when it comes to the network of firms involved, the two management direction encompass different processes (Jacobs, 2006), requiring different management and coordination approaches to enhance their respective effectiveness and efficiency (Lambert and Cooper, 2000; Croxton et al., 2001; Walters, 2008).

2.2 Value gaps
Kotler et al. (2009) define customer perceived value as a customer’s evaluation of the benefits and costs of an offering, whereas Parasuraman et al. (1985) define the quality of a service offering as the ratio between perceived service and expected service, denoting this as a service quality gap. The nature of these two definitions is similar, as both are based on the intangibility and inseparability of product and service and the importance of focusing on consumer perceptions. Combining these two notions, the value experienced by a consumer can be defined as the ratio between consumer-perceived value and consumer-expected value.
What this does not capture is that consumer satisfaction may be the result of joint efforts by a chain of companies, which is, however critical, as firms do not compete in a vacuum by themselves (Christopher, 2000).

Related research on value gaps includes Rajagopal (2006), who investigated value creation in retail, concluding that value gaps can occur if strategic positioning, product delivery and new product launch are not properly coordinated. Such gaps are created by a mismatch between the expectation of consumers and the value offered by companies. Moreover, value gaps can also occur due to conflicting goals internally (Van Hoek et al., 2014), rendering the issue both intra- and interorganizational.

Based on the definition of value, it may seem straightforward to convert consumers’ value expectations into associated offerings. However, Parasuraman et al. (1985) note that the process of identifying customer expectations and then translating them into aspects that are appreciated by customers is hurdles with obstacles. The authors captured this in a service delivery model, which serves as the foundation for our work to assess value gaps. Specifically, Parasuraman et al. (1985, pp. 44–46 for detailed description) present five gaps that can lead in a reduction of service quality (Table 1).

From a VCM perspective, the gaps are influenced by several actors in the chain and are not confined to the intraorganizational domain. It is important to understand what type of value is needed to be able to deliver this value and to continue identifying new needs (Flint et al., 1997; Veryzer and Borja De Mozota, 2005).

Service quality gaps focuses on service delivery in one company. As argued, VCM includes multiple companies and to fully understand how to best manage the value chain, a network perspective is necessary. The complexity inherent to a network of actors can impede value creation across the value chain (Handfield et al., 2015), generating potential value gaps. This can for instance be reflected in limited resource availability in sourcing (Kraljic, 1983) or the competition among manufacturers and retailers when both interact directly with consumers (Kim et al., 2015).

3. Methodology
To gain deeper insights into the alignment of VCM, an in-depth case study, including 29 companies, centered around one main case company, was undertaken. The main company is

<table>
<thead>
<tr>
<th>No.</th>
<th>Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Consumer expectation – management perception gap</td>
<td>Executives and managers do not fully understand what is considered good quality and what is desired by consumers</td>
</tr>
<tr>
<td>2</td>
<td>Management perception – service quality specification gap</td>
<td>Inability to specify the service based on management expectations due to issues such as resource and market constraints and lack of management commitment</td>
</tr>
<tr>
<td>3</td>
<td>Service quality specification – service delivery gap</td>
<td>Errors in service delivery, largely dependent on the human factor</td>
</tr>
<tr>
<td>4</td>
<td>Service delivery – external communications gap</td>
<td>Communicating high quality increases the initial quality expectations and decreases the perceived quality if the company under-delivers. This can also work in an opposite way if the service quality is higher than what is communicated</td>
</tr>
<tr>
<td>5</td>
<td>Expected service – perceived service gap</td>
<td>The final determinant of how the consumer experiences the service is dependent on the initial expectations and if the service delivered is perceived as lower, equal or greater</td>
</tr>
</tbody>
</table>

**Source:** Table is made by authors
a Swedish wholesaler in the furniture industry. A longitudinal case study helps to better understand underlying research issues, as suggested by Eisenhardt (1989) and Miles and Huberman (1984). Whereas the case study methodology has been shown a strong following, the application of longitudinal case studies is scarce due to their resource intensity (Barratt et al., 2011).

The case study was initially intended to be a “snapshot”, but the case kept evolving and the need for more empirical data to understand newly emerging phenomena became apparent. The main benefits of the longitudinal approach here is that it provided researchers with a greater familiarity of the company, including the context and the associated processes. In addition, it was possible to capture KPIs of multiple companies within the focal firm’s ecosystem across several years, enabling more holistic and comprehensive insights (Dubois and Gadde, 2002).

A further benefit of exploring a single case study with multiple supporting value chain partners was that more time could be invested in researching and understanding the issue. Ragin (1992) notes that a case is the result of a process called “casing”, which is the delimitation of the empirical data included in the investigation. A case is delimited based on the interest of the research and what is practically feasible. As such, this case grew to provide a detailed description of the studied company, its supply processes and the context in which focal company (Alpha) is operating (Dyer and Wilkins, 1991; Eisenhardt, 1991). In this context, a continuously evolving framework, case, theory and frame of reference is called “systematic combining” (Dubois and Gadde, 2002) and is a central part of the abductive research methodology (Kovács and Spens, 2005; Eriksson, 2015). This approach is frequently used within a critical realist research ontology (Aastrup and Halldórsson, 2008) and has been applied in recent studies (Rotaru et al., 2014; Eriksson and Svensson, 2016).

The main methods of data collection and sources of data, as well as the efforts to increase reliability and validity (Lincoln and Guba, 1985; Eriksson, 2014) are presented in Tables 2–4.

The research was initiated in 2009 when the company, due to its efforts to change strategy, was introduced to the researchers. The specific goal at that time was to map the early stages of the NPD process. Semi-structured interviews with the CEO and managers were conducted alongside the study of documents produced by Alpha and interviews with consumer scouts during five NPD projects. The interviews and documents resulted in several flow charts describing information and material flows, enabling a good understanding of the NPD process. In 2010, it was decided to continue the research collaboration with Alpha, as it was evident that more interesting findings could be made.

The data collection was expanded to include the firm’s economic performance, which was done through accessing internal economic and supply systems. The performance was also extended to include the success of products, which was investigated through interviews at Alpha, analysis of sales figures for 16 retailers and visits to 12 of these retailers. Comparing sales data and discussing with retailers helped with contextualization and to better understand how to interpret the data. In one specific case, it was possible to identify a retailer that, whereas selling many products, was not successful in selling according to Alpha’s new strategy. To better understand the entire value chain, suppliers and a company in China tasked with monitoring and helping with quality and sourcing (serving team) were visited.

One issue with the research was that it was difficult to discern causality. To try and get a sense of the efficacy of the new strategy, Alpha was compared with other companies working in the same industry. The research was expanded to include nine main competitors of Alpha. Public financial statements from the companies were compared, looking at metrics such as return on investment, inventory turnover and used capital. The competitors were contacted to better understand their performance and interviews were completed via telephone with seven
### Table 2. Overview of most significant data collection

<table>
<thead>
<tr>
<th>Company</th>
<th>Data</th>
<th>Comment (purpose, objectives, etc.)</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alpha</td>
<td>Interactions with all employees working at the company, which included a trip to China, participation in annual social events with customers, participation in internal education events, strategy discussions with board members, visiting furniture fairs and accompanying the company on a field visit to a newly established retail chain in Sweden</td>
<td>Served to build familiarity with the company. Findings were continuously analyzed and discussed with the company. Important findings and models were verified and adjusted. Dialogue and observations came to replace formal interviews</td>
<td>2009–2015</td>
</tr>
<tr>
<td></td>
<td>Unstructured and semi-structured interviews with the CEO, the purchasing manager, the quality manager and the manager of new product development</td>
<td>Formal interviews that lasted between 30 and 60 min. Notes were taken during the interviews and the respondents verified the answers</td>
<td>2009–2023</td>
</tr>
<tr>
<td></td>
<td>One year of forecasted sales</td>
<td>A simulation was built to test different future scenarios, including fluctuating exchange rates, different shipping costs, adjusted contribution margins for alpha and its retailers, overhead costs, etc</td>
<td>2011</td>
</tr>
<tr>
<td></td>
<td>Protocols from internal meetings</td>
<td>This provided insight into the management of the company, without disturbing the meetings through observation</td>
<td>2010–2012</td>
</tr>
<tr>
<td></td>
<td>Inventory and sales data</td>
<td>Full access to the inventory data system, which has been used to analyze and construct company-specific performance indicators</td>
<td>2010–2015</td>
</tr>
<tr>
<td></td>
<td>Data and results from five new product development projects</td>
<td>Used to understand the implementation and development of the implemented strategy. These were also discussed with the manager of new product development</td>
<td>2009–2010</td>
</tr>
<tr>
<td>16 retailers (in the same region)</td>
<td>Forecasts produced with alpha were used to identify products to display in retail stores. This was compared with actual sales for one year</td>
<td>Helped to develop important performance measures for alpha</td>
<td>2010</td>
</tr>
<tr>
<td>12 out of 16 retailers from the same region</td>
<td>Two full days were spent with the CEO visiting retailers. Visits were not scheduled with the retailer in advance, and unstructured information was gathered through note taking. One retailer did not have time for the discussions. In the remaining 11 stores, at least one manager was interviewed, which was in most instances the owner/store manager but also included one manager of quality claims. The interviews lasted between 30 and 90 min</td>
<td>The notes from each interview were discussed with the CEO immediately after leaving each retailer. Comments from the CEO were added</td>
<td>2010</td>
</tr>
</tbody>
</table>
Table 2. Continued

<table>
<thead>
<tr>
<th>Company</th>
<th>Data</th>
<th>Comment (purpose, objectives, etc.)</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 suppliers in China</td>
<td>Notes, photos and videos were taken when visiting manufacturing suppliers. The purpose of the trip was to negotiate price, volumes and quality</td>
<td>These suppliers had been discussed earlier and pictures of the facilities were available. The visit was primarily to get a first-hand experience of sourcing</td>
<td>2010</td>
</tr>
<tr>
<td>9 competitors (+Alpha)</td>
<td>Annual financial statements were investigated and trends/patterns of important economic measures were compared, e.g. sales, earnings before/after tax, inventory, assets and equity</td>
<td>The main investigation period was 1999–2009. At the end of this timespan, companies faced financial difficulties and reconstruction and takeovers made comparisons impossible. Data was continuously collected until 2014</td>
<td>2011–2015</td>
</tr>
<tr>
<td>7 out of 9 competitors</td>
<td>Unstructured interviews with six CEOs/founders and one site manager, with each interview lasting about 45 min</td>
<td>Interviews were used to better understand the companies’ strategies, their problems, and how they dealt with the financial crisis of 2008 Discussions were primarily aimed toward gaining a broader understanding of working with China from Sweden</td>
<td>2011</td>
</tr>
<tr>
<td>Serving team</td>
<td>Travelled with four people from the team during five days in China. Discussed manufacturing in China and consequences of Alpha’s changed business model</td>
<td></td>
<td>2011</td>
</tr>
<tr>
<td>Designers</td>
<td>Two furniture designers were visited at their respective design studios. Semi-structured interviews were conducted that lasted between 50 and 60 min</td>
<td>Gave insights into the designer’s experiences on working in this specific process</td>
<td>2016</td>
</tr>
</tbody>
</table>

Source: Table is made by authors

Table 3. Examples of internal and external documents

<table>
<thead>
<tr>
<th>Type of document</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget report</td>
<td>Internal, confidential</td>
</tr>
<tr>
<td>Price calculation lists</td>
<td>Internal, confidential</td>
</tr>
<tr>
<td>168 annual reports of furniture wholesalers, 1999–2014</td>
<td>Public</td>
</tr>
<tr>
<td>Slideshow presentations from lectures given by the company at universities, fairs and meetings</td>
<td>Internal, confidential/shown to a public</td>
</tr>
<tr>
<td>Meeting protocols</td>
<td>Internal, confidential</td>
</tr>
<tr>
<td>Benchmarking with competitors</td>
<td>Internal, confidential</td>
</tr>
<tr>
<td>All documentation, from application to presentation, from new product development projects</td>
<td>Internal, shared with companies taking part in the new product development process</td>
</tr>
<tr>
<td>Price lists examining the financial development of different product categories</td>
<td>Internal, confidential</td>
</tr>
<tr>
<td>Sales brochures</td>
<td>Internal, distributed to retailers as sales material, either handed out to consumers or used by the retailer to find product information</td>
</tr>
</tbody>
</table>

Source: Table is made by authors
<table>
<thead>
<tr>
<th>Trustworthiness criteria</th>
<th>Description</th>
<th>Method of addressing in this study</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Credibility</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Being involved in the empirical setting long enough to understand the context in which the phenomenon is being studied</td>
<td>• The company has been studied for over a decade, during which much time has been spent with the company in both formal and informal settings. • The investigation has expanded over time to include different actors connected with the Swedish furniture industry</td>
</tr>
<tr>
<td><strong>Persistent observation</strong></td>
<td>Taking the time needed to reach sufficient depth in the research</td>
<td>• The prolonged engagement has allowed the research to continuously return to prior findings and investigate areas that are both related to and underpinning these earlier findings</td>
</tr>
<tr>
<td><strong>Triangulation</strong></td>
<td>Crosschecking data to ensure that a true picture is achieved. Four types of triangulation were considered: data, investigator, theory and methodological (Flick, 2009)</td>
<td>• Several types of data are included, such as interviews, qualitative and quantitative secondary data, both internal and external, as well as participation that allows to experience artifacts. • There has been one main investigator, who was complemented with a secondary investigator that worked with the data. In addition, numerous researchers have collaborated on specific aspects of the case study since 2010. • Although there has not been a typical theoretical triangulation, the frameworks applied have evolved. • The methodology has been abductive, however, not for the purpose of triangulation.</td>
</tr>
<tr>
<td><strong>Peer debriefing</strong></td>
<td>Exposing the researcher and the research to a disinterested peer with the purpose of exploring aspects of the research that may otherwise remain implicit within the researcher’s mind</td>
<td>• Parts of the research have been subject to peer review in both international journals and conferences, as well as internal and external to the university.</td>
</tr>
<tr>
<td><strong>Negative case analysis</strong></td>
<td>Revising the hypothesis with hindsight</td>
<td>• Not applicable in our context, as our research did not include any preconceived hypotheses. However, assumptions were made during the research that have been frequently tested and discussed.</td>
</tr>
<tr>
<td><strong>Referential adequacy</strong></td>
<td>Keeping some of the data raw to facilitate a revisiting of the findings</td>
<td>• This was not possible as the interviews were not recorded. • Secondary data was kept in its raw form</td>
</tr>
<tr>
<td><strong>Member checks</strong></td>
<td>Allowing informants to review the data</td>
<td>• This was done in all stages of the research, except for informal discussions and the retailer visits. When visiting the retailers, the findings were discussed with the CEO immediately after leaving each retailer to ensure that the findings were consistent.</td>
</tr>
<tr>
<td><strong>Transferability</strong></td>
<td>Providing a deep description that allows someone interested to determine whether a transfer of the findings is possible</td>
<td>• This is difficult to achieve in the space given in an article. However, attention has been paid to be as clear as possible in the case description and the methodology</td>
</tr>
<tr>
<td><strong>Dependability</strong></td>
<td>Providing an opportunity for the reader to examine the process of inquiry</td>
<td>• The research process is described in the methodology</td>
</tr>
<tr>
<td><strong>Confirmability</strong></td>
<td>Assessing the product of the research and the consistency between theory, framework, data and findings</td>
<td>• Through the approach of systematic combining, theory, framework, data and findings have continuously been co-developed, improving consistency</td>
</tr>
</tbody>
</table>

**Source:** Table is made by authors
of the nine competitors. This part of the research made it possible to compare Alpha’s sense of success with the industry and to make comparisons between companies with different sourcing and manufacturing strategies (manufacturing location and make-or-buy decisions).

The research then continued over the course of several years at a slower pace, where the main goal was to update what happened at the company and within their industry. In 2016, a new round of semi-structured interviews was conducted, with a new researcher performing interviews to identify factors that help or restrict the NPD process. The duration of the case study via the foundation established earlier on made it possible to investigate a value chain, including more actors than what is commonly seen in value chain research. The duration and close connection with Alpha also made it possible to allow ideas to develop and be discussed multiple times, reaching a greater maturity of the findings. Interactions with the case company has since continued through continued discussions with the CEO regarding strategic, tactical and operational decisions and problems.

An important part of this research is the development of a specific model, extending the service quality gap model by Parasuraman et al. (1985) into a value gaps model and departing from an exclusive intraorganizational perspective to include an interorganizational perspective.

4. Case study findings
This section presents the case company, which includes its organizational structure, challenges and value chain and how value is developed. In particular, the company’s new strategy is described. To understand value gaps, it is important to understand the company as well as its new and old processes. One significant definition is that Alpha, and this research, refers to retailers as customers. A consumer is the individual using the product, and often thought of as the one buying the product from the retailer.

4.1 Company and strategy information
Alpha is a small, family-owned, wholesaler in the Swedish furniture industry. The headquarters and its distribution center are in the same building in Sweden. In 2004, a strategic decision was taken to shift from a product-oriented to a consumer-oriented strategy to respond to an emerging fierce cost-based competition. This is reflected in the following quote by Alpha’s quality manager:

Before we had a lot of generic products. We just bought products in China and had little own product development. At that time, we wanted four chairs and a table for 5900 Swedish kronor [~€590]. That was the only requirement.

The new strategy focused on understanding consumers, especially needs that consumers cannot express, and subordinate product specification to those needs. As a result, the company moved from offering generic furniture to offering complete, unique collections. The supply processes included products being manufactured in China and shipped to Alpha’s headquarters, with retailers purchasing display pieces with the objective to generate consumer sales. When a consumer makes a purchase, the retailer places an order to Alpha and retailers and consumers agree on the final delivery to the consumer. Alpha addresses these needs via several different sourcing and distribution solutions. A small part of the sales consists of products that are sourced or made-to-order from China, when a retailer uses Alpha as a middleman. However, almost all other products are ordered based on forecasts and kept in inventory. These are stored as components (assemble-to-order [ATO]) or as complete products (make-to-stock), in anticipation of a final order from a retailer. The customer order point can thus happen at different locations in the supply process. Direct shipments from China directly to retailers, and from China to Alpha, are managed under lean
management, with deliveries from Alpha to retailers being managed in an agile manner. A more detailed mapping of the processes is presented in Figure 1.

The new business strategy is managed in accordance with a strategic marketing plan and is defined within a process called demand-flow. The demand-flow approach is founded in value creation but is closely connected with value delivery. The process used by Alpha contains eight stages, which are outlined below (more information is provided later in the case study):

1. **Consumer opportunities identification.** Scouts are required to photo-document consumer’s homes to identify and formulate opportunities for differentiation based on consumer insight, i.e. a profound insight into the consumers’ context.

2. **Primary development.** Freelance designers produce sketches, restricted however by a selection of materials and colors.

3. **Concept development.** Alpha decides on issues such as positioning and pricing.

4. **Product development.** Specifications are finalized and manufacturing capabilities are monitored together with a serving team in China.

5. **Commercial launch preparation.** Marketing ideas are prepared.

6. **Commercial launch execution.** Premarketing and sales activities are performed.

7. **Range management.** The performance of active products is monitored.

8. **Phase out.** Products are discontinued and sale campaigns are determined.

The actors that take part in the eight-step process are included in what Alpha calls their “productive borderless organization” (Figure 2). Other actors that do not work with product development are also included, such as IT services. The CEO considers the productive borderless organization to be the total sum of the competencies that are needed to create value for the consumer.

The purpose of the NPD process is to develop innovative furniture that offer enhanced perceived consumer value. In one of multiple cases studied, scouts focused on bedrooms. The scouts discovered that dirty laundry often was placed on the floor and that consumers desired a

**Source:** Figure by authors

**Figure 1.** Alpha’s supply processes
place for a laptop in the bedroom due to the confluence of work and personal life. This highlighted that furniture tends to be designed for intended use and not actual use. As a result, a bed chest with compartments for laundry and space for the laptop was designed. Between 2004 and 2009, the number of stock keeping units increased by 150% as a result of the gathered information. The impact of this initiative is nicely illustrated with the following quote by the founder:

Through this technique, we have developed very profitable and successful furniture that we would have never thought about otherwise […] I always thought that a bedroom should include a bed, nightstands, a closet, and a drawer. But now we are selling a multi-purpose bed chest where consumer can store laundry, place their laptop, and sit down while getting dressed. (Interview report)

An ATO strategy was also adopted. Table legs and tabletops was designed to match, regardless of size and product family. As such, it was possible to combine different tabletops

Source: Figure by authors

Figure 2. Actors included in what is described as a productive borderless organization
and legs, enabling the offering of a wide variety of end-user options without having display them all in the store. Similarly, the range of materials and colors used is limited and consistent across all product lines. It is therefore not necessary to show all color/product combinations, but to have only one display piece of each material and color, regardless of product (Dapiran, 1992; Trentin and Forza, 2010).

4.2 Mapping the value chain
Lambert and Cooper (2000) used value delivery mapping to identify and understand how value is created and delivered across the value chain. In Figure 3, a similar approach is taken based on the case data. The value delivery of Alpha is rather straightforward to illustrate. It consists of manufacturer, Alpha, retailers and consumers. More actors could be added, for example, raw-material suppliers or component suppliers of metal parts such as hinges and knobs but these are managed by the manufacturer.

What is interesting is that the actors included in value delivery (Figure 3) only constitute a small part of all the types of actors included in the productive borderless organization (Figure 2). Potential consumers hold explicit and implicit demands, which are captured by scouts and transformed into product sketches and prototypes by designers. Activities with manufacturers are managed together with a serving team in China.

We also identified two categories of retailers that distinguish themselves based on their level of collaboration with Alpha. Retailers that collaborate more with Alpha tend to exhibit greater sales of display pieces and are better at generating sales on ATO products that are not displayed. These more collaborative retailers are also better at using consumer insight captured through the NPD process and using that knowledge to show and sell products. These more collaborative retailers are thus part of both value creation and delivery.

**Source:** Figure by authors

**Figure 3.** Alpha’s value chain showing value creation and delivery
4.3 Identifying value gaps

This section follows demand flow, which is Alpha’s process for developing and managing existing products. Demand flow is based on strategy and covers processes important for value creation, such as NPD and management of the product range. Important steps in demand flow will be presented to clearly show potential value gaps and the actors that might contribute to reducing or increasing them. Demand flow contains the following steps (from internal and external presentations):

- consumer opportunities;
- primary development;
- concept development;
- product development;
- commercial launch preparation;
- commercial launch execution;
- range management; and
- phase out.

During the first stage of demand flow, consumer opportunities, Alpha tries to capture the needs that consumers are not able to articulate. Scouts are used to overcome this problem, but it is still possible that the scouts only see opportunities that they themselves can relate to. As such, there might still be some issues with bias. What could potentially counteract the risk of bias is that photo documentation is presented to other members of the organization. There is also uncertainty regarding how homes were selected for such photo documentation (the scouts were responsible for this selection themselves, without a clear guidance from Alpha, thus being prone to a biased selection as well). The reason why Alpha did not provide more specific guidance was based on the belief that development areas could be identified in any home. Furthermore, instead of doing large, generalizable consumer investigations, Alpha held the position that insight into one consumer’s experience can also serve as the basis for NPD. The efficacy of this approach is evidenced by retailers’ positive attitudes toward the new products and an increase in sales during the investigation period, because of new product launches. This is captured in the following illustrative quotes:

[Name of CEO], you are unique as you focus on consumer needs. – Store manager (notes from meeting)

You [Alpha] are extremely talented in realizing new concepts. – Store manager (notes from meeting)

The identification of consumer opportunities and the ensuing development has some overlap. Specifically, one of the final parts involved in identifying consumer opportunities is that scouts present their findings, including photos and technical reports, to managers at Alpha, including the design engineers ultimately responsible for making the concept a reality. The handover is thus made in a cross-functional manner, intended to speed up and improve the process.

During the primary development, designers are not always able to convert the opportunities into sketches due to misunderstandings in the communication from the scouts to the designers. Also, restrictions imposed from other managers limit the designer’s ability to act upon what is discovered. The preferences of the specific designer are also affecting the work, as not all designers are used to or comfortable with this process. In addition, restrictions in production, materials and colors may be limiting, which is illustrated in the following quote from the designer:
If we would be able to use a new technique. And if we would have a new material. And if we were able to connect these two [...] Then all of the sudden I see opportunities to create a new product which would be very unique. – Designer for Alpha

The designer was internationally recognized for furniture produced under their private brand, and thus they were accustomed to choosing their preferred materials that may also result in a higher price range. With the more restrictive approach pursued by Alpha, the designer may feel constrained. Nevertheless, the Alpha’s CEO felt that this strategy was the way to go, as it enabled consistent color schemes across collections and the ability to secure materials. The decision was also based on negative experiences with materials from new suppliers in the past.

Concept development has overlaps with some of the previous phases. In concept development, it is decided what consumer group to target. Consumer groups are based on psychological traits and design styles. For operational purposes, the company is not able to introduce new products in all target segments at once, which in some sense is an inability to convert consumer insights to value propositions. Target prices are also set at this stage, with the price having a big impact on what is possible to produce. This might mean that some features desired by the consumers or aspects proposed by designers are not economically viable. Product development is then done together with the serving team in China, which in turn depends on the capabilities of the manufacturers. The final drawings are thus not always an accurate representation of the earlier sketches, as reflected in the following quote:

Designers do not always have the knowledge. They design, but they do not know what will work practically or logistically. – Quality Manager Alpha

Commercial launch preparation and execution, which includes the retailers, helps determine how the products should be marketed, with the value of the product being communicated to the consumer via the retailer. At this stage, it is possible that the marketing material is inspired by the earliest discovered consumer opportunities, which might not be consistent with how the final product is designed. Launch preparation and execution also includes a timeline that might be prone to delays. Manufacturers have, for example, experienced problems with floods and the relocation of manufacturing facilities. For instance, in 2011, one manufacturer was about to locate to an economic development area, but in June of that year the new factory had not yet been established.

Additional issues included the inability of furniture manufactures to produce the desired quality, which is however very important for the Swedish market. As such, a poor finish on some products lead to decreased consumer satisfaction. One employee at a retailer admitted that he did not want to sell furniture from a wholesaler that had quality problems, as this is likely to create a lot of added work dealing with warranty claims, which was not incentivized in his pay structure. There were also instances when a new product line was launched, and the first manufacturing batch had issues with how the wood in the tables was glued, resulting in an undulated surface. One retailer had one such table placed in front of a window and the poor quality in the surface was visible at first glance. Consequently, the furniture produced had not always been consistent with the specifications. This is reflected in the following illustrative quote:

It has been a problem to find screws and veneer of the right quality in China. We need to convince Alpha to increase and ensure the quality of products. – Designer for Alpha

Once the product is on the market, Alpha relies heavily on retailers using the marketing material and displaying the products in the best way. This stage is called range management and is centered on making sure that the products offered attract a variety of different consumers and that the products will be economically successful. As such, some of the added
value is not identifiable if the products are not correctly displayed. Media furniture, for example, include several features on the backside and bottom of the furniture (Figure 4). However, these are not visible in the way media furniture is usually presented at a retailer. Similarly, it is important that the retailer displays and informs consumers about the possibilities of combining different parts of tables and how colors are consistent across product lines. Not all retailers are able to do this successfully.

Even with an ideal line of communication, problems might still arise. One illustrative example was mentioned by a store owner reporting the experience of a consumer who bought one of Alpha’s more expensive dining tables. After viewing the table that was on display at the retailer, the consumer bought it in oiled oak. However, wood is a natural material, and the table that was delivered had graining and knots that were not identical to the table on display. This caused the consumer to cancel the purchase. Similar stories kept appearing across several product categories. For example, one store manager was infuriated about the price of a chair constructed using high grade wood, while complaining about the low quality of the wood in a chair of a product line with lower cost. Clearly, retailers have difficulties communicating some of the design choices and their inherent effects on price and quality, leading to a cancellation of orders. Alpha did not have a strategy to address this, but tried to build strong relations with their retailers by having sales staff visit them frequently, making sure that everything was as good as possible. The discussion in the management team was focused on in-store marketing-material, for example, folders and wood samples, and how these should be better used to generate sales. Manufacturing problems and poor alignment between Alpha and retailers can, consequently, cause dissatisfied consumers through poor value delivery and false expectations. Manufacturing problems can also act as a catalyst for reduced information about product value to consumers, especially if the retail sales staff is deterred from pushing the products from Alpha.

Note: The view shows the backside with holes, the underside with a hole and holders for power strips and one side
Source: Figure from the case company

Figure 4. An early sketch of new functions in media furniture
When asked how the company follows up with consumers after their purchases, the CEO stated that they do not, acknowledging that it might be an oversight to only focus on potential consumers. Communicating with consumers requires that retailers facilitate this connection with Alpha. Doing so, however, is perceived as sensitive. Consumers might not want to be contacted by Alpha, and it might affect the overall experience toward both Alpha and the retailer. This topic remained unexplored and despite discussing this several times over many years, Alpha has yet to do anything related to this.

The final phase of the demand flow process is the phase out. Products that do not perform as desired are first placed on a watchlist, after which they are discontinued. Due to the strong dependence on retailers and their investments in display pieces, this step is tricky. Retailers might feel that they have not generated the expected number of sales on a specific product, and there is a risk of conflict if Alpha decides to hold their own sales to empty inventories.

5. Analysis
As was addressed in the previous sections there are several potential pitfalls in demand creation and delivery where product value might be lost. These include activities focused on understanding consumers and are also related to manufacturing capabilities. These potential gaps will be discussed based on the model of service quality gaps (Parasuraman et al., 1985), considering value gaps in value creation and delivery (Figure 5). The main difference between the value gaps, as identified in this study, and service quality gaps, as described by Parasuraman et al. (1985), is that value gaps are centered on physical products in a value chain, instead of services in a company. Although the gaps are similar, important differences need to be noted. Value gaps are defined as a misalignment between inter- and intraorganizational functions, ultimately negatively affecting value creation and delivery.

5.1 Value gaps
The identified value gaps are described in Table 5. Please see Figure 5 for an overview of their relationship.

![Figure 5. Value gaps in VCM and value creation and delivery](source)

Source: Figure by authors
<table>
<thead>
<tr>
<th>No.</th>
<th>Value gap</th>
<th>Description</th>
<th>Example from study</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Expected value – perceptions of consumer expectation</td>
<td>Starting with the activity of discovering consumer opportunities, the case company tries to identify implicit consumer needs. How these are perceived is affected by the agents’ abilities to understand the consumers. They are also affected by the potential consumers’ inability to articulate their needs and the specific homes selected for observation. This is further filtered by the creative borderless organization that needs to agree on how to interpret what the agents have documented.</td>
<td>Images from five product development studies show how information about implicit needs is collected. The documentation can be skewed, as the tenant might clean up prior to the visit. The team studying the pictures are biased and might not detect all implicit needs.</td>
</tr>
<tr>
<td>2</td>
<td>Perceptions of consumer expectations – specifications</td>
<td>Once the company forms its perception of consumer expectations, they are converted into product specifications. Specifications are limited by manufacturing capabilities in sourcing, including the selected materials and the capacity of manufacturers.</td>
<td>The manager of product development maintains a spreadsheet of materials and colors that can be used. Some factories do not have the capability to produce the desired products. In one instance, a new product series was made of rod-glued oak, which the factory could not produce. One factory had problems with producing a pristine white finish, as their main market was the USA, which had a demand for an aged look. The white finish was sometimes contaminated with dirt, and tables in one collection had fingerprints on the underside of the tabletops, resulting from the product being carried by hand to specific paint locations. One edge had a thick top, which was supposed to contain a honeycomb. To make production easier, the factory instead made the top in solid wood, making the table extremely heavy.</td>
</tr>
<tr>
<td>3</td>
<td>Specifications – delivered value</td>
<td>There are several ways in which the delivered product may deviate from the specifications of the same product. Manufacturing disruptions can result in stockouts and problems in materials and manufacturing can produce an undesired finish.</td>
<td>The innovative features of the furniture are sometimes hard to identify. In media furniture, for example, the innovation is only seen from the bottom and the backside, but the retailers only show the front and top side. Significant differences exist in how the retailers can generate sales. The best performing retailer sold just over three unique articles for each article on display, with the worst performing retailer selling one unique article for each on display (average 2.07).</td>
</tr>
<tr>
<td>4</td>
<td>Delivered value – communicated value</td>
<td>This gap is interesting as it is not easy to know what is, or should be, the reference for the communicated value. Perhaps the reference should be delivered value, but perceived value might be better? The value is communicated through the retailer, who might have incentives to make his/her own interpretation. Also, the commercial launch is prepared before the product is delivered, which might cause inconsistencies.</td>
<td>(continued)</td>
</tr>
<tr>
<td>No.</td>
<td>Value gap</td>
<td>Description</td>
<td>Example from study</td>
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<tr>
<td>5</td>
<td>Delivered value –</td>
<td>At the heart of the case company’s strategy is to understand tacit requirements. The tacit nature of value is reflected in how it is perceived. Natural variations in materials can disappoint a consumer. Other factors, such as reception by the retailer, can also augment the experience of the consumer.</td>
<td>One retailer argued that it was embarrassing to reveal the production country for consumers: “People look at this [dining room] set of furniture, which is among the most expensive products we have on display. When they ask where it is produced, I want to say that it is made in Sweden, or at least Europe. But it is embarrassing to say China.” One of the most expensive dining-room tables was constructed in long pieces of rod-glued oak, completely free from twig marks. This was expensive to produce and sales were low. The company made the same table, but with a lower quality wood, with more twig marks. The table was cheaper and a success. One retailer explained that the old table was so clean in its finish, that it looked plastic, whereas the new table looked warm and natural. This gap is not addressed by the case company. Both the CEO and the founder of the company were asked why they did not direct any efforts toward investigating how users experienced their products. Both found the idea interesting, but saw some issues with requesting consumer data from the retailers.</td>
</tr>
<tr>
<td>6</td>
<td>Perceived value –</td>
<td>The gaps are not summative, but they all contribute to create a difference between what is expected and what is perceived. These gaps also span across the value chain, involving all actors. If the perceived value is higher than the expected value, it is reasonable to assume that the consumer is satisfied. Therefore, consumer satisfaction is dependent on several gaps, which are dependent on several actors in the borderless organization.</td>
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**Source:** Table is made by authors
5.2 Answering the research questions

This paper set out to answer the following questions: “What value gaps can be identified in value creation?” “What value gaps can be identified in value delivery?” and “How do these gaps influence the value chain?” In Figures 4 and 5, value creation and delivery and value gaps are outlined. Value creation is primarily prone to gaps that occur due to the inability to communicate wants and needs from the potential consumers, with the gaps stemming from poor communication about the product features. Information flows are distorted in “demand pull”, that is, when information is gathered and used to develop value offerings, and in “demand push”, that is, when the value offering is already created and is presented to the market.

Distortion in demand pull stems from the objectivity of the scouts, the interpretation of designers, limitations in materials and colors and manufacturing capabilities. Distortion in demand push stems from quality issues in manufacturing and commercial information communicated to the consumer. The gaps in value delivery are mainly related to manufacturing capacity and material restrictions and are concentrated to a smaller part to the value chain. One important aspect to consider is that the gaps presented may occur but there is not a determination of their magnitude. As an example, a designer showed some discomfort with material restrictions, which can affect the creative process. These gaps might be restricted to the closed system that the process constitutes. In the beginning of the process, there is not a strict protocol dictating how to choose scouts and consumers for observation, and at the end of the process, there is no control on how consumers perceive the quality. As such, minimizing the value gaps inside this process may lead the process becoming better at realizing the incorrect value offering.

Value creation and delivery are two distinct but somewhat overlapping parts. As they are intertwined, the gaps in either will have an impact on the other. The initial conceptual framework illustrated how demand creation can cause value gaps in value delivery. For example, when NPD impacts how the product will be delivered. The case study shows that value delivery can cause value gaps in value creation. For example, when there are only limited sourcing options restricting what is possible in NPD. Another source for value gaps was coordination, as is evidenced by Alpha experiencing problems with producing the desired white finish and had problems with adjusting production volumes according to the new product line.

During the analysis, the number of unique components and products doubled, whereas the sales remained rather consistent. Due to minimum production quantities, the inventories increased and because of the need to have high fill rates in shipping, the efforts needed to consolidate materials increased. Moreover, what was intended for manufacturing might already be subject to value gaps in the demand chain. This was the case when there was a poor understanding of consumer needs or poor specifications of components. Accordingly, poor value creation can cause gaps that are exacerbated by poor value delivery, causing even bigger value gaps in the value chain (Figure 6).

6. Concluding remarks

The purpose of this research was to develop a framework for identifying and managing value gaps across value chains. The main conclusion is thus the model development presented in this chapter. The intraorganizational, service focused model by Parasuraman et al. (1985) served as a foundation to develop our framework integrating demand creation and delivery. Our investigation further differentiated itself to Parasuraman et al. (1985) in that unlike services, a product is not created by a single company, and that value creation requires the organization to have a vertical depth (Brahm et al., 2021). To adapt the service quality model, the same gaps were used as a starting point, but emphasis was placed on how the different actors in the value chain were related to each gap.
6.1 Model development

The service quality gaps model traditionally focuses on internal organizational processes, where it is presumed that all activities are regulated under unified internal policies despite recognized challenges in internal coordination (Pedroso et al., 2016). This model, primarily aimed at services, has been adapted in our research to apply to products and extended to incorporate the dynamics of a networked production environment. This adaptation has led to the development of the value gaps model, which assesses value creation and delivery across organizational borders. In this model, the roles of various actors within the value chain either enhance or diminish value, depending on their involvement in managing distorted information flows during demand pull – such as misunderstandings of consumer needs – and demand push, including how retailers communicate product value to consumers, or constraints like manufacturing capacities impacting production volumes or quality.

Transitioning from focusing on service quality gaps to addressing value gaps in product-based industries is crucial and warrants further explanation. This shift is vital for practitioners as it highlights the fragmented nature of value creation across a network that spans organizational, geographical and cultural boundaries. The case study illustrates how these boundaries significantly affect value creation processes. Not all stakeholders contribute equally; for example, our findings indicate notable variations among retailers in their readiness to engage collaboratively with the manufacturer, Alpha. Enhanced collaboration among supply chain members lays the groundwork for more integrated demand and supply processes (Stolze et al., 2015).

It has become evident that value creation and delivery activities transcend the confines of the focal company, involving retailers in both functions. Lambert and Cooper (2000, p. 81) emphasize that for a company to achieve superior competitiveness and profitability, the structure of the value chain along with its business processes and management components must be cohesively integrated with key stakeholders. The framework developed in this study demonstrates how failures in achieving such integration can create value gaps, ultimately compromising competitiveness and profitability.

6.2 Implications

Some of the most important issues for practitioners within the field have been described as matching demand with supply, producing and selling the right volumes of the correct product mix at the right time. Accordingly, it is natural to separate the chain of actors into those that are upstream and those that are downstream. The view adopted here involved extending

Note: Solid arrows indicate the managerial scope, dotted arrows indicate the performance impacts

Source: Figure by authors

Figure 6. Conceptual framework for value gaps, value creation and value delivery
value creation and delivery between raw material extraction and consumers, with a focus on how different actors contribute to or counteract the overall value chain. For example, in the case of the Swedish furniture wholesaler Alpha, the company’s strategic shift from a product-oriented to a consumer-oriented approach highlighted the critical role of retailers in the value creation process. By involving scouts to capture consumer insights and designers to translate these insights into product offerings, Alpha managed to develop unique furniture collections that resonated with consumers. This perspective allows for a better understanding of the dynamics across the value chain. It also facilitates the analysis to understand the strengths and weaknesses in certain parts of the chain.

From a practical perspective, the main implication lies in the interconnectedness of value creation and value delivery across multiple organizations. Value creation involves responding to consumer wants through the specification of value offerings and spans several organizational layers. Mismanagement or misalignment within these layers can lead to inefficient value creation. For instance, during Alpha’s product development, restrictions in materials and colors posed challenges for designers, leading to potential misalignments between consumer expectations and final product offerings. Similarly, value delivery, tasked with fulfilling consumer demand, extends across various organizational boundaries. Inefficiencies in this domain often result from poor management or misalignment, mirroring the challenges seen in value creation. An example of this can be seen in Alpha’s difficulties with ensuring consistent product quality from their manufacturers in China, which affected the perceived value of their products among consumers.

The intertwining of value creation and value delivery is critical; consumer wants identified during value creation depend heavily on the capabilities available in value delivery. For example, Alpha’s success in developing innovative furniture relied on coordinating with manufacturers in China to ensure that product specifications could be met despite material and production constraints. Therefore, effectively managing value creation requires a thorough understanding of value delivery capabilities. Strategic competitive advantage depends on the coherent management of both processes. Alpha’s shift to a consumer-oriented approach demonstrated that failing to align product design with manufacturing capabilities could lead to significant value gaps. If one process begins to overshadow the other, there is a risk that operational outputs could diverge from strategic intentions, leading to ad hoc operations. This issue was evident when Alpha faced quality problems with their products, highlighting the need for continuous alignment between value creation and delivery to maintain competitiveness.

This research underscores the utility of service quality theory in understanding value creation and delivery processes. The research suggests that managers should not view these processes in isolation or solely from within a single organization’s perspective. Instead, they are dynamic and reciprocal, significantly affecting each other. Alpha’s experiences showed that misalignments between product design and manufacturing capabilities led to value gaps. Therefore, value creation and delivery must be identified, aligned and managed across interconnected organizations to minimize and prevent such gaps.

Identifying specific value gaps provides managers with clear targets for interventions. Enhancing communication within the value chain, improving coordination among different actors and refining the capture and use of consumer data are all strategies that can substantially mitigate these gaps. For instance, Alpha’s use of consumer scouts to gather detailed consumer insights helped address potential gaps early in the product development process. These enhancements can facilitate more informed strategic decision-making, especially critical in global value chains where alignment is both challenging and essential for maintaining competitive advantage.
By addressing and closing value gaps, companies can increase consumer satisfaction levels. This can lead to stronger brand loyalty and consumer trust, crucial in today's competitive market environment. Improved product quality and alignment with consumer expectations, as demonstrated by Alpha's strategic initiatives, can enhance overall stakeholder engagement, including suppliers, manufacturers and retailers, fostering a more sustainable business environment.

From a theoretical perspective, the primary implications of this study relate to the scope of analysis required to comprehensively understand VCM and the inherently fragmented nature of value chains. VCM complexities extend beyond traditional categorizations such as upstream, downstream, internal, dyad, chain or network levels. Researchers must discern the level of analysis being used and consider how integrating multiple analytical perspectives can enrich the understanding of VCM dynamics and the associated value gaps.

Furthermore, this research contributes to VCM theory by adapting the service quality gaps model, traditionally applied within service industries, to the manufacturing sector. This adaptation not only tests the model's utility across different industrial contexts but also extends its applicability. By doing so, it invites deeper scholarly examination into how these theoretical models handle interorganizational boundaries and whether they need to be revised or expanded to better capture the nuances of manufacturing.

Moreover, by incorporating organizational boundaries into the analysis of value creation and delivery, this study highlights the critical role of cross-functional and cross-organizational integration. For instance, successful product development often requires close collaboration between design teams, suppliers and marketing departments to ensure that consumer needs are accurately translated into deliverable products. This interplay between different organizational units significantly impacts the effectiveness of value creation and delivery processes. This interdependence necessitates a more nuanced approach to studying VCM, one that acknowledges and addresses the complexity of managing interactions across diverse organizational landscapes.

The extension of the service quality gaps model suggests the potential for interdisciplinary research that merges insights from operations management, marketing and organizational theory. Such research could explore how different management disciplines influence each other within the context of VCM, potentially leading to innovative approaches to managing value chains. For example, studying how coordinated efforts between marketing and logistics can streamline product launches, or how collaboration between R&D and production can enhance product quality, underscores the value of a holistic approach to VCM.

The case highlights several ways in which consumer information can be gathered and several potential downfalls where it can deteriorate. Following the demand flow process, it is necessary for companies to be able to capture consumer data and disseminate it to important actors during NPD. The importance of considering the capabilities of the manufacturers when products are developed is also shown. In this case, designers were restricted in materials and colors, but designs also required some adjustments when discussing them with manufacturers. Evaluation related to what extent it is acceptable to restrict designers and how much the restrictions affect the consumer perceived value are needed. It is also important to have a good overview of manufacturing capabilities, to avoid superfluous design-rework. The case also highlights the importance of the retailers. Alpha did not have a differentiated retailer strategy, but the company works with retailers that are heterogeneous, which is reflected by sales data. Failure to consider this affects how the product is received by the consumer, which is evidenced in the case study. As such, the alignment of demand creation and delivery needs to span across the case company, both upstream and downstream.
6.3 Contributions and future research
This paper provides a valuable empirical illustration of how the effective management of both value creation and delivery processes is crucial to enhancing the perceived consumer value of products. By adapting the widely used service quality model of Parasuraman et al. (1985) to the manufacturing context within global value chains, this research bridges traditional service-oriented frameworks with the complex realities of modern manufacturing. For practitioners, the findings underscore the necessity of a coordinated approach to managing both demand creation and delivery processes. It also reveals that deficiencies in value creation management can adversely affect value delivery, potentially harming the organization's overall performance.

The focus of this research has been on exploring how management of value chain processes can amplify competitive advantages within a specific market. While identifying the importance of mitigating value gaps and recognizing where these gaps typically emerge within the value chain, this study does not extensively delve into strategies for reducing these gaps or assess how such reductions could enhance profitability. Furthermore, questions remain about the limits of the model, particularly whether consumer observations accurately capture essential data and how consumers assess the quality of products. This method, often referred to as “empathic design” (Leonard and Rayport, 1997), suggests that a deeper engagement with co-creation strategies (Prahalad and Ramaswamy, 2004) and aligning the objectives of all stakeholders (Gunasakaran et al., 2017) might mitigate some identified gaps. In addition, leveraging tools like social media could offer new insights into consumer preferences and behaviors (Bharati et al., 2015), potentially bypassing traditional barriers in VCM.

This research also prompts a reassessment of how new products are evaluated by consumers, contributing to a better understanding of value creation from the perspective of both the company and the consumers. The advocated coordination of value creation and delivery is further supported by the findings, suggesting that while the current model offers preliminary insights, extensive further research is necessary. Future studies could benefit from exploring adjacent areas, such as organizational boundaries (Wang and Chen, 2018), to enhance our understanding of these complex phenomena (Sayer, 1992).

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