# Marketing relationships in Brazil: trends in value strategies and capabilities

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**Abstract**

**Purpose** – The purpose of this paper is to examine the use of value strategies among international and national firms in Brazil by exploring the trends in value strategies for use in future marketing relationships and the capabilities necessary to implement those value strategies.

**Design/methodology/approach** – The study uses a Delphi technique to elicit the opinions and perceptions from a group of B2B marketing experts. An iterative data collection with 30 senior executives of national and foreign, mid- and large size firms in Brazil was used to explore the strategies firms use, the types of key capabilities, and the capabilities that drive performance.

**Findings** – The findings show that both national and international firms in Brazil expect to continue to use commodity strategies as their primary relational form, but move toward the higher value added strategies. Higher value added strategies are expected to account for 42 per cent of the respondent firms' relationships in the coming years. Firms rated "methods to identify and monitor" and "marketing intelligence" as the two most important capabilities for driving performance. An additional finding is the distinction between firms' self-evaluations of capability competence and the capabilities that drive performance.

**Practical implications** – The study provides insight into the links between value strategies practiced and the marketing capabilities required to support those strategies.

**Originality/value** – The study provides practitioner insights into the practices and trends in the use of value-driving and value-creating strategies among firms in a big emerging market, Brazil.

**Keywords** Value analysis, Corporate strategies, Competences, Emerging markets, Economic trends

**Paper type** Research paper

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## Introduction

Creating superior market value is fundamental for a company's long term success and survival (Slater and Olson, 1997; Woodruff, 1997). In the 1980's, the Industrial Marketing and Purchasing Group (IMP) recognized that in business markets, long-term relationships are generally established between buyers and sellers. These relationships were increasingly characterized by the use of higher value added exchanges, higher integration and mutual dependence (Gummesson, 1987; Håkansson, 1982; Harker and Egan, 2006). Over time, the expansion of the relationship research and concepts created a belief that in most firms the relationship strategies would predominate over transactional strategies (Harker and Egan, 2006). This belief of relationship predominance was based primarily on the theoretical and empirical work based in Europe and the USA, both with very highly advanced market economies, and on B2B firms that tend to focus on high value added offerings.

In particular, B2B marketing and exchange relationships have been seen to range from transactional to more cooperative/relational (Grönroos, 1991; MacNeil, 1980). The evolution of B2B relationships from transactional to relational has been identified in Brazilian industry where research shows a movement from transactional to high forms of relationships, closer bonds and longer-term relationships (Grisi and Ribeiro, 2004). Similarly, Brazilian firms are developing both vertical and horizontal relationships that improve collective resources and improve global competitiveness (Mesquita and Lazzarini, 2008). Rossetti and Alvaro (2007) found that the industry sector leaders in Brazil anticipate increasing their value added service components from the current level of 21 per cent of offering to 42 per cent by 2010. But, firms in the middle of the market, with respect to performance, will reduce their service offerings by 13 per cent over the next three years.

Although the widely held view is that firms should bond, develop relationships and offer high value added offerings, various B2B firms may operate as commodity providers or with a combination of many strategies. Grönroos (1991)

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suggested that various forms of marketing strategies coexist within a company and are described along a continuum from transactional marketing strategy to relationship marketing strategies. How firms perceive their strategies in an emerging and dynamic market such as Brazil could mean that they perpetuate their current strategies and evolve into new strategies in the future. But, to date there is no research that reports the expectations of their strategies over the coming years or the competencies firms believe will drive higher performance. One question of interest is whether this movement to highly intertwined relationships (MacNeil, 1980) and value added relationships is reflected in the current and future strategies of firms in emerging markets. Also, to what degree do firms in an emerging market anticipate future uses of higher value added strategies? These questions are important to address as emerging market firms begin to explore new forms of B2B relationships and develop their marketing competencies to match those relational forms.

Taking into account the need to generate knowledge about the business market within the Brazilian context, the current research aims to identify value strategies that the firms are currently practicing and the types of strategies they anticipate using over the next ten years. The study also aims to evaluate those marketing capabilities perceived to be important performance drivers and which are related to the key value strategies that they anticipate into the future.

We begin with an overview of value strategies and marketing capabilities, the focal issues in this investigation, and follow with an overview of the Delphi methodology used in this study. The third section presents the findings related to the managers' and executives' responses regarding their anticipated trends and required competencies. The last section provides implications for research and practice as well as a conclusion.

## Value framework: strategies and capabilities

### Value framework

The framework for our investigation is presented in Table I, with value strategies aligned along a continuum that evolves through four stages. These stages represent the archetype value strategies and the company capabilities that are needed to support them. The model was adapted from the work of Möller and Törrönen (2003), and includes additional concepts from Coviello *et al.* (1997), Eggert *et al.* (2006), Möller *et al.*, 2005 as well as Prahalad and Ramaswamy (2004). The continuum proposed begins with a basic offer or commodity, moves on to the offer of added value or excellence, followed by performance value and then the highest level of value strategy, value co-creation. This framework in Table I also presents the defining characteristics, management decisions and marketing capabilities associated with each value generation strategy. In the following sections we will describe the elements of this framework.

### Value strategies

The economic and marketing literature perspectives on value and value creation are somewhat complementary yet distinct. The economic perspective based on the resource-based view (RBV), suggests that the presence of organizational resources (and capabilities) are assets that generate value through cost reduction or revenue growth (Barney, 1991; Möller and Törrönen, 2003; Golfetto and Gibbert, 2006). Organizations interact due to the heterogeneity of their resources, and an intent to gain access to other companies' resources (Eiriz and Wilson, 2006; Forsström, 2005). The marketing perspective extends that rationale by delving into elements of the value generation process. In marketing exchange relationships resources are made available to customers. However, with mere exchanges of basic resources, customers are required to transform those resources into the required value. It is through that process of relational acquisition and transformation that marketing relationship processes are relevant. As each partners' value requirements increase, the use of both parties' capabilities are generally needed to transform the exchangeable resources into value both for the customer and for the supplier. The perceived trade-off between benefit and sacrifice will define value from the customer's perspective, and value will always be relative as the buyer will compare it to the offers made by the competition (Anderson *et al.*, 2006; Möller and Törrönen, 2003).

The literature presents different forms of generated value: exchange value, added value, performance value, and value co-creation (Möller, 2006; Henneberg *et al.*, 2005; Prahalad and Ramaswamy, 2004; Anderson *et al.*, 2006). These forms of value are the basis for value strategies used by companies. The expression "exchange value" represents value that can be defined by its cost or scarcity. This form of value is based on basic economic concepts, where value is intrinsic to a commodity (McKnight, 1994) and measured by the value "gained" or received in the exchange of items (Woodall, 2003). In this study we refer to this most basic level of value exchange as a commodity strategy. The exchange for value is not cost free for customers or suppliers, but the supplier can increase the offer's perceived added value by reducing customer resource requirements by means of additions (i.e. delivery, training, etc) to the basic offer. These added elements create a new value proposition that enhances exchange value and increases the competitiveness of the offer (Henneberg *et al.*, 2005). These added value offerings imply the use of additional competencies, when if present in suppliers, provide competitive advantages.

Performance value, also known as value-in-use (Anderson and Weitz, 1992), deals with the value that is created in the interrelated supplier and buyer activities. In other words, value is generated in the relationship. This perspective emphasizes that the value created is mutual and it presupposes the sharing of resources and benefits (Forsström, 2005). The joint development of products with customers or suppliers, or the improvement of business processes such as logistics, information systems and customer care are all examples of practices related to this strategy (Möller, 2006; Ulaga and Eggert, 2006).

Finally, the value co-creation relational strategy is the highest form of value creation and value innovation (Kim and Mauborgne, 1997). This value strategy does not look at value as something to be created independently in the partner firms and traded or transferred. Ramirez (1999) referred to this as "value co-production" where new value is jointly produced rather than one partner (customer) consuming or breaking down the value from the other partner (seller). Thus, value is not just passed on to the partner, but jointly produced but also jointly envisioned. In this value co-creation strategy, value decisions are jointly created to maximize value for both parties throughout the creation process, not solely in exchange

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**Table I** Value strategies and defining characteristics

| | Value strategies | | | |
|---|---|---|---|---|
| **Defining characteristics** | **Commodity** | **Value added** | **Performance** | **Value co-creation** |
| **Value-generating drivers** | Product quality<br>Delivery performance<br>Market price | Services support<br>Personal interactions<br>Product and service quality | The know-how of others<br>Time to market<br>Performance from both (costs, revenues, productivity) | Joint and radical innovation<br>Leveraging new competencies |
| **Management intention** | Attract and satisfy | Customer retention (implicit: profit, satisfaction, loyalty, risk reduction, etc.) | Interactions to establish, develop and facilitate cooperative relationship and mutual benefit | Coordinating relationships among companies in a network to seek new resources and value networks |
| **Duration** | Discrete | Continuous, but discrete hiring | Continuous and long-term contracts | Continuous, mutual cooperation contracts |
| **Adaptation** | Little or no adaptation | Process adaptations | Process adaptations | Adaptations and business creation |
| **Description of value offering** | "We offer good products and competitive prices" | "We offer excellence" | "We customize, we build on order for the customer" | "Our customers, suppliers and other partners got us here and will take us wherever it need be to generate value" |
| **Management structure** | Functional hierarchical: mkt., sales, R&D, etc. | Processes and functions like: customer service manager. CRM manager | Customer and market managers/ cross-functions and levels | Business managers |
| **Capabilities** | Production | | | |
| | Delivery | | | |
| | | Promoting-communicating | | |
| | | Process leveraging | | |
| | | | Relationship | |
| | | | Mastery and integration into the customer's business model | |
| | | | | Radical innovation |
| | | | | Setting up networks |

**Source:** Adapted from: Möller and Törrönen (2003); Coviello *et al.* (1997); Ulaga and Eggert (2006); Möller *et al.* (2005); Prahalad and Ramaswamy (2004)

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(Prahalad and Ramaswamy, 2004). This value strategy is a key solution for companies that remain competitive within an environment characterized by intense uncertainty and change. Within such contexts, new competencies need to be jointly developed in the relationships between suppliers and customers along both horizontal and vertical networks (Prahalad and Ramaswamy, 2004).

### Capabilities

The exploitation of any value strategy requires a set of capabilities and the sharing of such capabilities as described in the marketing relationship literature. Each value strategy denotes a set of underlying business capabilities, skills and knowledge that allow firms to co-ordinate activities, use assets, and learn. In this section we look briefly at the underlying capabilities and practices that have been linked to various value delivery configurations.

Marketing capabilities may be considered inside-out, outside-in perspective, or internal spanning functions (Day, 1994). Inside-out capabilities focus on capabilities that allow us to understand the internal environment so as to emphasize the production and dissemination of information by the organization itself. Processes which pertain to the external environment are outside-in. These processes focus on positioning a company within a certain competitive market, and allow firms to anticipate contextual changes. These external to internal flows are necessary to create relationships with customers and channel members. To link the information from these initial capabilities, spanning capabilities are internal processes that facilitate the internal information flows generated from distinct elements internally and externally (Day, 1994).

Organizations structure their competencies and marketing activities in accordance with how they relate to their market (Coviello *et al.*, 1997). Companies may relate to markets and align their competencies and practices along four perspectives:

1 transactional marketing;
2 database marketing;
3 interactive marketing; and
4 network marketing.

While the first set of practices deals with basic transactional marketing 4P concepts, the latter three deal with joint efforts of better understanding their customers buying patterns and needs (database), developing higher levels of mutual cooperation and closeness between buyer and seller (interactive), or expansion into high levels of activity, process or resources in their markets (network). Each level requires greater resources and competencies as they develop higher levels of interaction and integration with their markets.

Vorhies *et al.* (2000) point to six general capabilities developed by market-oriented organizations: marketing research, pricing, product development, distribution channel management, and promotion management. As firms develop these capabilities in relationship to the market, they develop more complex relationships and competencies. Möller and colleagues (Möller *et al.*, 2005; Möller and Svahn, 2003;

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Möller and Törrönen, 2003) refer to the intensity of the relationship beginning within a situation of low relationship complexity in a current time orientation and reaches high relationship complexity with a future orientation. The relevance of a capability to a proposed value, suggests that some capabilities are more present than others in each type of value generation strategy and range from low complexity to high complexity. The complexity continuum runs from basic capabilities of production and distribution, to intermediate capabilities of incremental innovation and relationship building; then finally to the high complexity capabilities of network development and the mastery of the customer's business (Möller and Törrönen, 2003).

The perception of needed capabilities, and a focus of this research, can also be found in the Institute for the Study of Business Markets trends studies which monitor the trends and challenges facing companies in the USA (Oliva, 2005). The findings reflect various marketing capabilities that will be relevant to an organization's success in meeting the challenges of the coming years. These are: the capability to understand customers, their needs and their value drivers, product differentiation *vis-à-vis* globalization, the developments of advanced tools and analytical skills, innovation; marketing organization models, return on marketing investment calculation and the ability to demonstrate and document value generated/delivered to customers.

Based on the value strategies framework and the noted organizational capabilities, we investigate the perception of high level B2B marketing executives as to their anticipated strategies over the next ten years. We will specifically explore those strategies that they see as the leading drivers of their performance in terms of revenues. Second, we look at the capabilities which those managers believe are the most important to the fulfillment of their strategies. We then link the key capabilities to the value strategies.

## Methodology

The primary objective of this exploratory study was to elicit the opinions of experts on the trends in value strategies, relationships and capabilities in the B2B arena over the next ten years. The study was conducted using a Delphi method with a panel of marketing experts working for companies in Brazil. An intentional sample was used (Churchill and Iacobucci, 2003) to select 30 key informants based on their experience and knowledge, and responsibility for the relevant marketing practices. The respondents' firms listed in Table II, come from the 500 largest companies in Brazil according to the 2006 ranking of *Exame Magazine* (2006). Among the respondents, 7 per cent were the company president or chief executive, 11 per cent were vice-presidents, 53 per cent were directors, and 29 per cent were senior managers. The companies cover various B2B industry segments with 72 per cent product firms and 28 per cent were service firms. Finally, the firms represented both large and medium sized nationally controlled firms and foreign controlled firms, with 52 per cent being large foreign companies, 29 per cent are large national companies and 19 per cent are mid size national companies.

A Delphi technique was chosen as it is considered an appropriate qualitative methodology when dealing with complex problems and designing future scenarios (Feres Sobrinho, 1977). The application of the Delphi method involved successive iterations of mailed questionnaires to the group of experts. This Delphi method requires considerable reflection and extensive knowledge about the market and the multiple rounds allowed the structuring of a non-interactive group communication process. To guide them in their initial assessments of future value strategies, the respondents were given the definitions of the four value strategy categories of commodity, added value, performance value and value co-creation as defined in Table III. These categories were reviewed with various experienced marketing managers prior to the data collection stage to insure they represented relevant strategies in the Brazilian context. For capabilities, the respondents were asked to describe the capabilities required in their own words. At each round, the data underwent analysis to categorize and reduce the data into common themes. In each subsequent round, respondents were given a new version of the content to assess. The respondents were asked to review the new categories to reassess their responses, compare them to the arguments put forth by the other panel members, and to add new questions if necessary (Vergara, 2006). This procedure was repeated until a group consensus was reached, or a good understanding of the different scenarios was achieved as suggested by Linstone and Turoff (1975) and Kayo and Securato (1997).

**Table II** Companies participating in the research

| | Company | Industry sector |
|---|---|---|
| 1 | ABB | Automation technology |
| 2 | Adam's | Industrial products |
| 3 | BANDES | Credit, insurance and capital |
| 4 | BASF | Chemical industry/functional polymers division |
| 5 | Belgo Mineira | Steel industry |
| 6 | BIC | Writing and personal utilities |
| 7 | Brasilprev | Credit, insurance and capitalization |
| 8 | Caraíba Metais | Mining |
| 9 | Coresynesis | BI – business intelligence – negócios, soluções empresariais |
| 10 | CST Arcelor | Steel industry |
| 11 | Embraer | Aviation |
| 12 | Eurofarma | Pharmaceutical |
| 13 | Fiat | Automobiles |
| 14 | Gaiapapaya | Processing of agriculture products for export |
| 15 | Globo | Radio and television transmission services |
| 16 | Magnesita | Minerals and materials |
| 17 | MS&Dohme | Pharmaceutical industry |
| 18 | Multitek | Civil construction, mechanical and electrical |
| 19 | NEC | Integrated technology solutions |
| 20 | Paraibuna | Paper and packaging |
| 21 | Redecard | Credit, insurance and capital |
| 22 | Rexam | Aluminum products (cans) |
| 23 | Roche | Pharmaceutical industry |
| 24 | Saint-Goban | Abrasives |
| 25 | Samarco | Mining |
| 26 | Spaipa | Refrigerants |
| 27 | Telefonica | Telecommunications |
| 28 | TRW | Commercial automation |
| 29 | VCP | Paper and cellulose |
| 30 | Wal Mart | Retail |
| 31 | Zollern | Commercial Automation and Mechanical Transmissions |

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**Table III** Value strategies definitions

| Strategy | Definition |
|---|---|
| Commodity | Little offer differentiation at the market. The market defines the price |
| Added value – excellence | Differentiated products and services – excellence. But there is little or no integration among the principal processes at the companies |
| Performance value | Value is associated to product/service performance in a specific function. Strong integration among value creation processes of companies. Risk and benefit are shared |
| Value co-creation | Partnerships and net are built in order to increase competencies and mutual opportunities |

To avoid bias and increase trustworthiness, all experts and their responses remained anonymous, the standard for competent and ethical practice (Seidman, 1998). For inter-rater reliability, we adhered to two conditions proposed by Marques and McCall (2005), the use of multiple reviews of the data and accounting for the different themes and configurations of the themes in the reduction of the themes.

## Findings

### Anticipated value strategies

One of the objectives of the study was to identify the trends of value generation strategies the Brazilian firms' key informants expected to prevail in their markets for the coming ten years. These experts were asked to report the anticipated percentage of gross revenues from each of these strategies in their respective businesses. In the first round of studies, the experts were questioned about the percentage of revenue expected from each of these strategies in the coming ten years. In the second round, they were able to reassess their answers as they compared them to the answers offered by the other experts.

The responses regarding value generation from the two rounds are seen in Figure 1. The results show that a variety of strategic forms are anticipated to be used in the next ten years. Across the two rounds, the results showed a good degree of agreement among participants. In the initial round, the expert respondents' reported that the commodity strategy will account for a large share of their future revenues. In the second round however, the respondents, on reflection, adjusted upward their anticipation of the use of higher value-added relational strategies. Although commodity was the highest with 32 per cent of respondents, overall, 42 per cent of respondents anticipated the higher value added strategies, performance value and value co-creation. The lower value strategies will be the majority of application, but there is an expected strong emphasis on higher value added strategies in the Brazilian market in the coming years.

A closer look at the responses allows us to compare the breakdown of the strategies by the profiles of firms including the size of firm, international or national, and the type of B2B offering. The findings, in Figure 2, show that the largest companies predominantly anticipate practicing commodity strategies, followed by value-added strategies, performance value, and lastly, value co-creation. Essentially, the respondents from the largest companies in our sample do not believe that they will move towards more complex or closer strategies with their customers over the next ten years. In Figure 3, we show a comparison of value strategies of large international and national firms. We found that large national firms are actually anticipating performance value strategies for the future rather than commodity strategies. However, mid size, national companies will practice predominantly commodity strategies, followed by performance value strategies. This result is cause for concern if mid size Brazilian companies find competition, within their own markets, from large companies, either national or foreign.

**Figure 1** Average revenue from the strategies in the first and second rounds

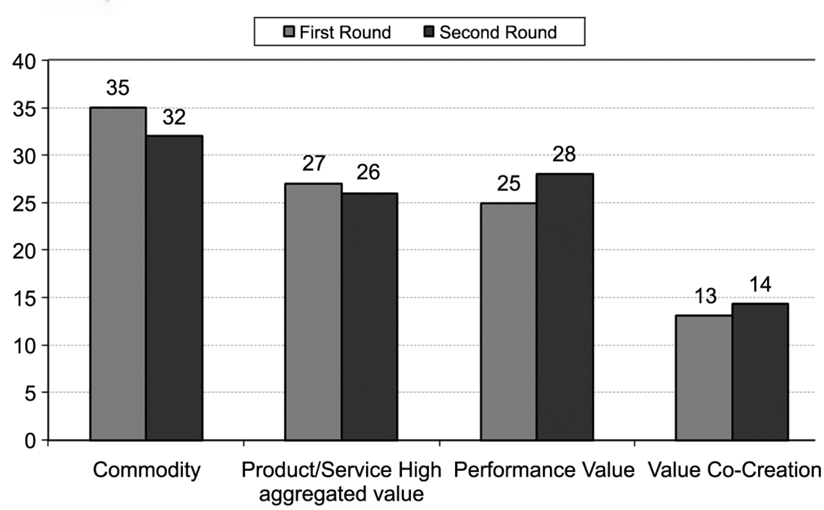


**Figure 2** Value strategy by size and ownership

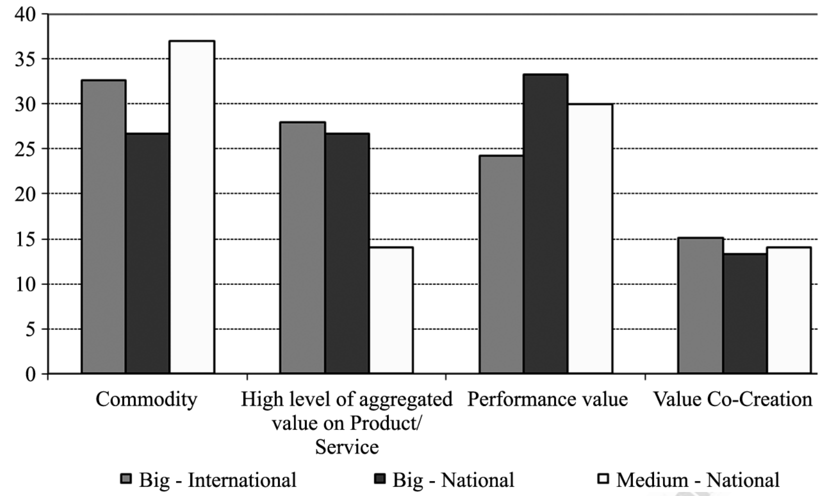
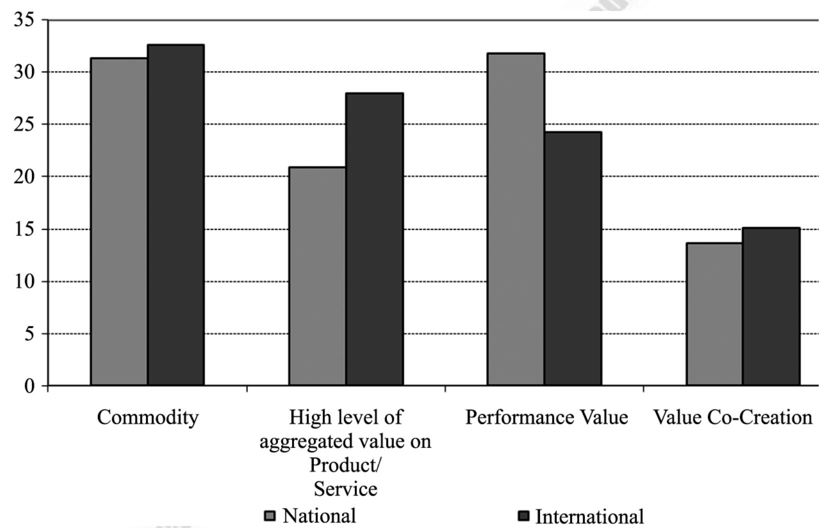



**Figure 3** Value strategies for national and international firms




The value-added strategy seems to be the one that is practiced most among the large size companies, whether controlled by national or foreign capital.

An interesting finding is the number of product and service firms, which anticipate operating at the highest level of relationship strategy. The findings show that four product companies and two service companies reported that value co-creation was the primary focus for the future. This suggests that the highest value adding strategies are not held solely by the service firms. Although the predominance of product firms may appear to be the reason for the counts, in fact, the service firms were spread across the various strategies with as many service firms reporting commodity strategies as product firms. Thus, this is an interesting response from the executives and a reflection that B2B product firms in Brazil are anticipating higher value added strategies over the next ten years as their markets and competition grow, while service firms anticipate classifying their offerings and strategies as commodities.

**Marketing capabilities**

The second objective of this research is related to identifying the marketing capabilities that are most relevant to companies that aim to achieve superior market performance. During the first round of the Delphi the experts were asked to list the marketing practices that were necessary to achieve superior marketing performance. The respondents were then asked to evaluate on a 1-7 scale (Very low to Very high) their "current level" of competence on each marketing practice within their organization and their "desired level" of competence for each of the practice. The lists of marketing capabilities underwent progressive categorization analysis according to the content analysis methodologies suggested by Bardin (1977). We categorized and combined similar themes and ideas to reduce the data to 19 categories listed in Table IV. These categories, understood as integrative processes, collective company resources and skills that aimed to deliver value, are the marketing capabilities that will lead organizations to superior performance.

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**Table IV** Marketing capabilities as oganizational practices

| Categories | Definition |
|---|---|
| **1. Market intelligence** | Activities of gathering, processing and distributing information about trends, clients and competitors |
| **2. Managing clients' portfolio** | Segmentation of the clients' base and choosing clients to be served according to the potential of value generation for the company and market; define the attendance structure, policies and specific process for each segment |
| **3. Value monitoring and identification methodologies** | Methodologies and instruments to indentify and monitor the client's value perception, identifying strategies for generation and value extraction by segments, according to the organization's goals |
| **4. Pricing** | Mixed prices adaptation in order to show the generated and client's value perception |
| **5. Product portfolios** | Management of the product mix attending to hold a unique market position in value generation for clients and organization |
| **6. Distribution** | Analyses and definition of distribution channels, net delivery capacity, expanding market coverage, and development of the indirect channel structure |
| **7. Trade marketing** | Development of the relationship between suppliers and distribution channels involving marketing and logistics mutual activities |
| **8. Sales force** | Sales force able to identify and create innovative solutions, different and competitive at the market |
| **9. Trademark/image** | Communication with market in order to strengthen the brand, image and reputation, and increase the company's "share of mind", besides promoting the client's emotional engagement with the company |
| **10. After-sales** | Activities that satisfy clients and increase business opportunities after the initial sale of products and services |
| **11. Innovation** | Development of innovative processes, products and services, that lead the organization to the market's most competitive position |
| **12. Relationship and performance value** | Development of value proposals based on the knowledge of the client's business and its processes. They must generate mutual benefits and reinforce long-term trust and commitment term among parties |
| **13. Business and management alignment** | Knowledge of analyses, methodologies and models that can be applied in the evaluation of opportunities and expose potential competitive advantages |
| **14. Organizational alignment** | Alignment of the organization with the client's value generation processes; adaptation and flexibility of areas and internal processes in order to promote differentiated attendance capability |
| **15. Informational technology** | Application of electronic interface technology with clients and suppliers, Development of new forms of capturing electronic transactions and efficient CRM process |
| **16. Marketing activity evaluation** | Development and application of methods to evaluate the results of commercial activities |
| **17. Evaluating cooperative and relational activities** | Development of evaluation patterns to result in value generation in cooperative relationships (performance value and value co-generation). Increase the productivity and marketing investments outcomes |
| **18. Networks and partnerships** | Business opportunities generation and better market conditions via alliances and partnership with clients, suppliers and other institutions that share the same interests |
| **19. Ethics and responsible management** | Policies that aim to generate "sustainable" results on economic, social and environmental dimensions. Following ethical principles in the relationship with all "stakeholders" |

In Tables V and VI we report the evaluations of the top five capabilities with regard to their current level of performance and their desirability. Ethics and responsibility scored the highest on both current practices and desirability. The next four in order of their current performance were product portfolios, distribution, methodologies to identify and monitor value, and metrics for performance growth of the market. With regard to desirability, and after ethics and responsibility, two issues related to alignment were in the top five: organizational alignment in second place, and business and management alignment in fourth place. The other most desired practices were relationship and value performance and lastly, market intelligence.

**Table V** Marketing capabilities performance rating

| Marketing practices or capacities | Mean |
|---|---|
| **Ethics and responsible management** | 4.50 |
| **Products portfolio** | 4.09 |
| **Distribution** | 3.95 |
| **Identifying and monitoring methodologies** | 3.86 |
| **Management of the market's performance** | 3.81 |

**Note:** Measured on a 1-7 scale with endpoints of 1 = Very low and 7 = Very high

**Table VI** Marketing capabilities desirability rating

| Marketing practices or capacities | Mean |
|---|---|
| **Ethics and responsible management** | 7.00 |
| **Organizational alignment** | 6.45 |
| **Relationship and value performance** | 6.43 |
| **Business and management alignment** | 6.39 |
| **Market intelligence** | 6.34 |

**Note:** Measured on a 1-7 scale with endpoints of 1 = Very low and 7 = Very high

These initial evaluations were subjected to a second round of Delphi to better clarify their importance. The experts were asked to choose the top five from among these 19 categories of capabilities focusing on those that they believed would provide their companies the capabilities to achieve superior

**Table VII** Marketing capabilities important for delivering performance

| Marketing practices or capacities | |
|---|---|
| **1** | Methodologies to identify and monitor value |
| **2** | Market intelligence |
| **3** | Relationship and value performance |
| **4** | Brand and image |
| **5** | Organizational alignment |

market performance in the next ten years. Respondents were asked to order the items from 1 to 5, from the most important to the least important, respectively. The responses were averaged according to their frequency and their ranking is reported in Table VII. The top five marketing capabilities for generating superior market performance in their order of importance were:

1 methodologies to identify and monitor value;
2 market intelligence;
3 relationship and performance value;
4 brand and image; and
5 organizational alignment.

In the ranking of important practices, only organizational alignment and market intelligence were carryovers from the desirability scoring from the first round. When we use the information from the first round and looked at the average gaps reported by the experts (current versus desired level) we find that among these top five capabilities expected to drive market performance in the next ten years, "organizational alignment" is perceived by the respondents to have the highest deficiency with regard to the respondents desired level of competency. On the other hand, the most important capability, "methodologies to identify and monitor value", had the second to lowest gap in their initial evaluations. But, the current state of their performance overall, was only a 3.86 out of 7. Their level of desirability on this scale overall was only 6.2.

Additionally, the practices related to "ethics and responsible management" which had the highest desirability rating from round 1 and the highest current level of performance was ranked in Round 2 as the 16th most important out of the 19 practices. It seems that practices related to "ethics and responsible management" are seen as desirable and are recognized as performance generating by companies that employ them, but overall companies perceive that it will have a low impact on performance over the next ten years.

### Marketing capabilities and value strategies

The third objective of the study was to evaluate the relationship between market capabilities and value generation strategies. Thus, Kendall rank correlations were calculated between the frequency of marketing capability and the prevailing value strategy. The results are categorized in Table VIII to represent the first and second levels of relationship. We find that companies whose revenues will predominantly stem from the commodity strategy considered the following innovation, ethics and responsible management. It appears that these companies are concerned about being market oriented, despite their commodity strategy. They seek to recognize the different opportunities to deliver value, to offer differentiated products for each market segment, and to practice responsible management. Companies in which the added value strategy will prevail are apparently concerned about distribution and trade marketing. Other capabilities appear as a second priority; and these are: the methodologies to identify and monitor value, brand and image, innovation, and ethics and responsible management.

It can be observed that the capabilities that make these organizations offer value-added products to the market seem to have been mastered by companies – these are the capabilities related to value proposal, brand/image and innovation. In such a case it seems to be more relevant to acquire capabilities that are related to distribution and channel relationship (trade marketing), guaranteeing the level of excellence in services and "delivering" on the promises made to customers.

The capabilities that are more closely associated to the performance value seem to be: market intelligence, brand/image, horizontal alignment, sales force, price, networks and partnerships, client portfolio management, and the assessment of cooperative relationship activities. Post-sales service and information technology stand out in the second place. Such capabilities are actually associated with generating performance value as they allow the supplier company to identify opportunities to create and deliver value within the context of the customer's business, as well as to capture value by means of pricing and alignment of the business and management. This process requires a capable sales force, post-sales processes and skills that will favor future business, and support from information technology that will connect the partners.

The capabilities associated to value co-creation are post-sales and alignment to the business. These capabilities are actually relevant to the value co-creation process since developing value proposals based on knowing customers and their processes have as a prerogative the alignment of marketing strategies to corporate strategy, thus generating value for the business. In the same way, the post-sales resources, skills and processes that are relevant are those that seek to leverage market opportunities stemming from established relationships.

## Conclusion

The panel of experts showed that Brazil is practicing market strategies that follow the same trends as New Zealand, the USA and Argentina. Compared to the study by Pels *et al.* (2004), it is expected that more intense relationship strategies will be practiced in Brazil, as 42 per cent of revenues will stem from performance value and value co-creation strategies. In their Argentine sample, results show that relationship and network strategies prevail among local and small size companies. In our study, we found out that, in Brazil, more relationship strategies prevail among national large size and mid size companies. Also different from Argentina, the companies that tend most to practice commodity strategies in Brazil are large size ones, mainly those under foreign shareholder control. In Argentina, local and small side companies prevail in this group.

Findings show that commodity practice in Brazil far exceeds that of New Zealand, the USA and Argentina. It is the Brazilian experts' opinion that 32 per cent of company gross revenues will stem from commodity strategies, and 26 per cent of gross revenues will stem from value-added strategies. Although the data is not related to revenues in the

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**Table VIII** Value strategies and marketing capabilities

| Strategies | Commodity | Value added | Performance value | Value co-creation |
|---|---|---|---|---|
| **Market capabilities that relate to strategy in first degree** | Methodologies to identify and monitor value<br>Product portfolio<br>Innovation<br>Ethics and responsible management | Distribution<br>Trade marketing | Market intelligence<br>Brand/image<br>Horizontal alignment<br>Sales force<br>Pricing<br>Network/partnerships<br>Client portfolio management<br>Assessment of cooperative relationship activities | Performance value<br>Post-sales<br>Alignment to the business |
| **Market capabilities that relate to strategy in second degree** | Performance value<br>Sales force<br>Alignment to the business | Methodologies to identify and monitor value<br>Brand/image<br>Innovation<br>Ethics and responsible management | Post-sales<br>Information technology | Market intelligence<br>Organization alignment<br>Pricing<br>Network/partnerships<br>Product portfolio<br>Client portfolio management<br>Distribution<br>Trade marketing<br>Assessment of cooperative relationship activities |

other studies, it is relevant that the number of companies with predominantly transactional practices is low. In Argentina, the number amounts to 18 per cent of the companies and 25 per cent in New Zealand and the USA.

The panel of Brazilian experts in this study also showed that the three marketing capabilities thought to be most relevant to company performance in the coming ten years are:
1 value identification and monitoring;
2 market intelligence;
3 relationship and performance value.

The capabilities mentioned above were also identified as being relevant in a study carried out in the USA (Oliva, 2005) where study participants stated that the capability to understand customers' needs and value drivers will only be successful if they are based on knowledge of customer operations and the economic contexts. This shows the relevance of developing methodologies to demonstrate and document the value proposed and the impact generated in customers' operations.

Brand, image and organizational alignment were also business capabilities that were highlighted in our study as being among the five most relevant capabilities leading to company performance. However, they were ranked as the capabilities where the companies felt they performed the worst. Therefore, they deserve special attention in relation to knowledge development and the methodologies applied. Brand and image deal with market communication that aims to strengthen the brand, the image and the reputation; to increase the company's share of mind, as well as to promote the customer's emotional engagement. Business alignment is the capability of the organization to align its business model so that it will be able to deliver and extract value from its relationship with the client.

Despite the qualitative nature of the expert panel, important information about issues that pertain to organizations that deal with business markets was obtained through the data and the subsequent analyses carried out. Based on such information, some themes seem to hold priority in knowledge generation and in the development of proprietary methodologies for business markets. First, market intelligence and management that is aligned to corporate strategies is viewed as a necessary capability. The processes of learning, analyzing and choosing market opportunities that are aligned to company strategies have been a challenge to managers. Secondly, defining and managing value proposals require enhanced capabilities. Such capabilities include: identifying value attributes, differentiating value delivery, developing performance metrics, and capabilities in documenting and pricing the value generated. Finally, organizational alignment seems to be a determinant factor to companies that are involved in these markets. It seems to be of fundamental importance to find new organizational frameworks or new business models that support more relational strategies. Noteworthy is that, in business markets, the organizational alignment that guarantees that the value proposal is delivered is also one of the most relevant sources in building a company's image and reputation.

Also noteworthy is that innovation and calculation methods to assess return on investment in marketing have not shown up in the study as relevant aspects for the coming years. It is also curious that ethics and responsible management is considered the most desirable aspect of management, but the capabilities to develop and deliver that capability are not chosen as key drivers of superior performance. However, these three themes have sparked great attention from academics in the last few years and are considered leading-edge themes.

Future research could examine the strategies used to develop firm capabilities. What processes do they undertake? How do they train to develop the capabilities? Another possible avenue of research is to evaluate individuals' capabilities as they relate to the value strategies of the company. What methods do they use to evaluate the capabilities and to train to the needed levels of competency? Future studies could broaden the sampling to see if the strategies reported are reflected among a broader range of

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companies. That could be used as a benchmark of value strategies among the high performers across business sections. Finally, monitoring of the progression of value strategies would be interesting. Do firms progress through the different strategies sequentially or do they adopt the strategies based on the specific clients and their existing levels of capabilities? One final reflection is that Brazilian firms do recognize the importance of higher value added strategies for their future revenues. The transition from commodity to value co-creation or the co-existence of multiple value strategies is evident in Brazilian companies.

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