

Do You Need to Trust to Co-Create?

**An Exploration of the Influence of Interpersonal Trust on Value Co-Creation in
Customer-Salesperson Interaction in Transactional
and Relational Service Exchange**

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at the
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Declaration of Authorship

I, Jasmin Baumann, declare that this thesis and the study presented in it are my own. I confirm that I have done this study while in candidature for a research degree at the University of East Anglia. The material has not been previously accepted, in whole or in part, for any other degree. Where I have quoted from the work of others, the source is always given. Parts of this thesis have been presented in conferences or published as detailed below.

Conferences:

- Baumann, J. and Le Meunier-FitzHugh, K. (2011) “Conceptualising the Impact of Trust on Value Co-Creation in Buyer-Service Provider Relationships”. *American Marketing Association Summer Marketing Educators’ Conference*. San Francisco, USA.
- Le Meunier-FitzHugh, K., Baumann, J. and Le Meunier-FitzHugh, L. (2010) “Conceptualising Trust in the Relationship between Sales and Marketing and the Customer”. *American Marketing Association Winter Marketing Educators’ Conference*. New Orleans, USA.
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Abstract

This qualitative study explores how interpersonal trust influences the co-creation of value in transactional and relational customer-salesperson interaction in service industries. Despite the suggestion that value co-creation is the purpose of interaction and professional relationships and the identification of trust as a vital antecedent of successful customer connections, this potentially significant interrelation has not yet been examined. Through 46 semi-structured interviews with customers and specialists (i.e. salespeople) as well as other employees of six internationally operating fine arts auction houses, a conceptual model and set of propositions is developed that consider the perspectives of both actors and analyse the generative mechanisms involved in value co-creation on the interpersonal level. It was found that trust gradually evolves across intertwined interaction levels through continuous re-evaluation of the other actor's trustworthiness, which is based on their perceived ability, integrity, benevolence and the establishment of rapport. The priority of these antecedents, however, varies significantly between customers and specialists. The emergent mutual trust enables the customer to exercise their causal power to disclose their value-generating processes and the specialist to understand and participate in these. Furthermore, there was strong evidence that the nature of the value sought by customers can be distinguished into episode and relationship dimensions – the value proposition of the specialist, however, initially only covers the former facet. Thus, the disclosure and identification of the customer's value systems also enables the specialist to use their own causal power to adapt their value proposition according to the customer's desired value dimension, thereby differentiating their service from competitors. Driven by mechanisms such as a commitment to work together, share interests and achieve common goals, this process results in the co-creation of episode and/or relationship value structures for the customer. It was further shown that due to the customer's input, the actors also realise concrete episode and/or relationship value structures for the specialist, therefore engaging in *mutual* instead of unidirectional value co-creation.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

The co-creation of value is currently one of the most discussed topics in the marketing discipline. While the universal importance of the concept is widely acknowledged, however, there is little understanding of *how* the co-creation of value between customers and sellers actually works (Vargo *et al.*, 2008). This gap needs to be addressed if value co-creation is to live up to its potential of transforming both marketing theory and practice. This study takes a step in this direction by exploring how interpersonal trust influences the co-creation of value in customer-salesperson interaction in transactional and relational service encounters.

To investigate these phenomena, a context has been chosen that is relatively uncommon in marketing research: the fine arts auction business. Unlike service sectors such as banking, financial consulting or advertising, fine arts auction houses seem to have received little attention in marketing research so far, despite displaying several features that promise interesting insights for scholarly study. The clientele of auction houses operating on a national and international scale is heterogeneous and consists of both buyers and sellers of art, between which the auction houses act as intermediaries receiving remuneration from both parties (Robertson and Chong, 2008). Customer connections range from one-off transactions to close generation-spanning relationships, and since competition – in particular for high-quality consignments – is fierce, the organisations implement comprehensive relationship marketing strategies to foster customer loyalty (Thompson, 2008). The focal point of these activities are the auction house specialists, who carry out the core of the services offered and, as the main point of contact for customers, effectively act as the organisations' sales staff (Thornton, 2008). All these characteristics make the fine arts auction house business highly interesting in particular for relationship marketing and service research. In addition to therefore being a relevant and appropriate context for the exploration of the interplay between trust and value co-creation in customer-salesperson interaction from an academic point of view, the auction house setting

chosen for this study also provides fascinating insight into the dynamics and mechanisms of a so far little explored service industry.

In the following, the reasons for selecting the concepts of interpersonal trust, the co-creation of value and their potential interrelationship for this research are discussed. It is explained why these constructs require further investigation and this particular topic was deemed to be worthwhile for academic scrutiny. Subsequently, the research questions underlying and guiding this entire work are presented, as well as its objectives, methodological and analytical approach as well as the areas in which this study intends to make its main contributions. Finally, the structure of this thesis is outlined by giving a brief overview of the content of each of the following chapters.

1.2 Rationale for this Study

“We argue for much greater focus on experiential customer value phenomena... By shifting value thought beyond a state variable to include interrelated experiential processes, we open the door for new research to better understand its dynamic nature. We believe that marketing thought’s movement toward a service-dominated, customer-oriented and relational paradigm places increasing urgency on conducting such research.” (Woodruff and Flint, 2006, p. 194)

This study aims at exploring the influence of interpersonal trust on value co-creation in customer-salesperson interaction in transactional and relational service exchanges. Although these two concepts – trust and the co-creation of value in buyer-seller relationships – are prominent issues on the academic research agenda, our knowledge of how they are linked and influence each other is still very limited. Trust is a multidimensional phenomenon that constitutes a crucial component in most types of human relationships – be it at the personal, organisational or even international level (Das and Teng, 2001; Massey and Dawes, 2007). However, although trust is a fundamental concept throughout the social sciences, the construct itself remains complex (Nooteboom, 2007; Rousseau *et al.*, 1998) and “in essence, an unmeasurable entity” (Arnott, 2007, p. 986). In particular in service contexts, interpersonal trust has been “understated, overlooked or ignored” and understanding *how* it evolves between customers and salespeople is of particular significance

(Guenzi and Georges, 2010, p. 115). Furthermore, although a large number of trust antecedents has been identified in previous work, these usually refer to the development of the customer's trust in the seller (e.g. Guenzi and Georges, 2010; Johnson and Grayson, 2005; Kennedy *et al.*, 2001; Macintosh, 2009), while the latter's perspective remains largely under researched. To fully understand the concept of interpersonal trust in business encounters, however, it seems paramount to also investigate the reverse constellation, i.e. the antecedents to a seller's trust in the customer, on both the interpersonal and interorganisational level. The present study intends to advance our understanding of these two issues by exploring the antecedents and development of trust through the perspectives of both actors on the individual level of salespeople and customers, thus firmly highlighting the importance of their interaction.

Despite these gaps in our knowledge, trust is commonly acknowledged to be a key element of customer relationships (Berry, 1995; Grönroos, 2004), which – like most other bonds between individual human beings – have to be cultivated and nurtured. The paradigm shift from transaction to relationship marketing that has occurred in both theory and practice accommodates this understanding. Marketing thought does not exclusively focus on individual exchanges anymore, but instead emphasises the significance of context-dependent “multi-interaction based buyer-seller relationships” (Lian and Laing, 2007, p. 709). Among the dynamic processes taking place within customer encounters, in particular the co-creation of value has gained considerable momentum since the emergence of service-dominant (S-D) logic, which is “service-based, necessarily interactional and co-creative of value, network centred and, thus, inherently relational” (Vargo, 2009, p. 374). This value is created through the joint actions of the selling organisation and its customers, and determined by the latter *in use* (Vargo and Lusch, 2004a). Despite this prominence, however, most work to date is mainly conceptual and considerable gaps in our understanding remain, e.g. regarding the role of the salesperson-customer interface in the processes of value co-creation. In particular, the function and activities of individual salespeople in the co-creation of value require clarification (Corsaro and Snehota, 2010; Terho *et al.*, 2012). To advance understanding in this respect, this study explores the concept on the interpersonal level of the customer and salesperson. This refinement is highly relevant for marketing thought, as salespeople

are at the fore of the customer interface (Beverland, 2001; Doney and Cannon, 1997), meaning that they – rather than the organization as an abstract entity – realise the desired value in their interaction with the customer.

Since the co-creation of value is contingent on buyer-seller interaction as the “locus of value creation” (Prahalad and Ramaswamy, 2004b, p. 10), value co-creation has been suggested to be the *raison d’être* of interaction and customer relationships: “Co-creation and service exchange imply a value-creating relationship ... rather than making relationship an option.” (Vargo, 2009, p. 375). The inherent procedures, however, i.e. how the co-creation of value actually takes place in practice, remain unclear to date. Accordingly, Vargo *et al.* (2008, p. 151) point out that the investigation of value co-creation “raises as many questions as it answers. For example: What exactly are the processes involved in value co-creation?”.

As trust is a key antecedent of successful relational exchange (Berry, 1995; Morgan and Hunt, 1994) and impacts on interpersonal and intergroup behaviour like no other variable (Dwyer *et al.*, 1987), this study set out to explore the question: “Do customers and salespeople need to trust each other to co-create value successfully?” After all, it could be argued that since the co-creation of value is in the interest of both parties and thus prevents them from behaving opportunistically, it is not necessary for the actors to trust each other. Nevertheless, as the purpose of interaction and relationships is joint value realisation (Vargo, 2009) and trust is essential for the development of favourable buyer-seller relationships (Dwyer *et al.*, 1987; Morgan and Hunt, 1994), these two concepts are presumably strongly linked. However, despite being highly prominent and relevant concepts in the marketing discipline, the potentially significant interrelation between interpersonal trust and the co-creation of value has not yet been investigated. Accordingly, Vargo (2009, p. 378) emphasises that there is “the need for a higher-level understanding of the process and the relational nature and relational context of value creation”. The exploration of the possible interplay between personal trust and value co-creation in customer-auction house specialist interaction presents a first step towards comprehension of this relational character. This study therefore also complements the work of Walter and Ritter (2003) and Songailiene *et al.* (2011), who suggest initial links between interorganisational (mainly contractual) trust and value creation and co-creation

respectively, but do not elaborate *how* the two concepts are precisely connected or affect each other.

Finally, although a number of value categorisations have been identified in the literature (e.g. Biggemann and Buttle, 2011; Ulaga and Eggert, 2006b), the value dimensions realised in the co-creation process do not seem to have been examined yet. As Corsaro and Snehota (2010) point out that value is highly actor- and context-specific, this study takes up their call for empirical research accounting for situational factors and the role of interaction in the relationship context to explore the outcome and consequences of co-creation for the customer as well as the salesperson. In particular this latter notion is of considerable importance, since the concept of seller-perceived value has not yet received sufficient attention in marketing research – to date, only very few studies empirically investigate the benefits a seller can derive from their dealings with customers (Songailiene *et al.*, 2011). While Songailiene *et al.* (2011) and Walter *et al.* (2001) offer initial insight into supplier value, both only investigate the seller's value perceptions on the organisational level. In particular the latter study only considers economic benefits, but disregards “soft value-creating functions”, although “there are not always rational or economical reasons behind relationships” (Walter *et al.*, 2001, p. 373). Therefore, the value sellers derive from co-creation on the individual rather than organisational level needs to be recognised, as well as the value dimensions that transcend the economic benefits of co-creation. As Woodruff and Flint (2006, p. 191) posit: “Customer value studies should not be limited to just customers in the traditional sense. Sellers also experience valuation processes, and marketing should have an equally in-depth understanding of their nature.” While most work into value perceptions so far seems to have focused on only one party involved in the dyad (e.g. Biggemann and Buttle, 2011; Ulaga, 2003; Walter *et al.*, 2001), the present study seems to be among the first to directly address Woodruff and Flint's (2006) call by investigating the consequences of value co-creation from the perspectives of both customer and seller, thus allowing for comparison of value perceptions within the same interaction context.

1.3 Research Questions and Objectives

This thesis aims at investigating the influence of interpersonal trust on the co-creation of value in transactional and relational customer-specialist interaction in the setting of the fine arts auction business. In this context, the formulation of specific research questions and objectives enables the researcher to keep a study focused and facilitates the development of hypotheses or propositions. The following first three research questions were identified through the review of the relevant literature, whereas the last emerged during the data collection:

1. Which antecedent structures lead to the emergence of interpersonal trust in customer-specialist interaction?
2. How does interpersonal trust evolve in customer-specialist interaction?
3. How does interpersonal trust influence the co-creation of value in customer-specialist interaction?
4. What kind of value structures are co-created in customer-specialist interaction?

The exploration of these research questions is supposed to enable the author to achieve the following objectives:

1. To explore the experiences of the study participants and uncover the generative mechanisms and structures underlying the development of trust and the process of co-creating value in their interaction.
2. To understand these two phenomena and their potential interplay, i.e. the influence of interpersonal trust on value co-creation.
3. To consider the perspectives and roles of both customers and specialists throughout the exploration of their interaction, thereby offering insight into the viewpoints of both actors involved in the dyad.
4. To contribute to abating the current lack of empirical data investigating the co-creation of value, and therefore to advance our understanding of the involved processes.

5. To explore the outcome and consequences of value co-creation for both customers and specialists.
6. To develop a conceptual model and set of propositions based on the research findings that integrate the different aspects of the studied phenomena and can serve as a basis for future qualitative and quantitative research.

1.4 Research Framework

Since little empirical evidence on the co-creation of value is available, a retroductive exploratory research design was deemed most appropriate to provide answers to the research questions and achieve the objectives laid out above. A framework based on Layder's (1993; 2006) research resource map was developed to guide this study by bringing the interaction of customers and specialists (i.e. salespeople) into context with the organisational environment and the fine arts auction market (see Table 1). Therefore, the framework systematises the research questions hierarchically according to the level of analysis, moving from market-related and organisational aspects influencing the investigated phenomena to the dyadic interaction of the individuals (i.e. customers and specialists) involved in the co-creation of value. It also provides insight into which data sources were used to answer the individual research questions. In line with the critical realist stance adopted for this work that is briefly outlined in the following section, the framework further enables the research to move from the *empirical* and *actual* levels of reality on to the *real* level, thereby uncovering the structures and generative mechanisms underlying the investigated phenomena and theoretical concepts identified as relevant through the literature review.

Table 1: Research Framework

Research Question	Level of Reality	Level of Analysis	Data Sources	Theoretical Concepts
1. Which antecedent structures lead to the emergence of interpersonal trust in customer-specialist interaction?	<ul style="list-style-type: none"> ▪ Empirical ▪ Actual ▪ Real 	<ul style="list-style-type: none"> ▪ Market ▪ Organisation ▪ Individuals 	<ul style="list-style-type: none"> ▪ Interviews ▪ Documents ▪ Secondary data 	<ul style="list-style-type: none"> ▪ Interpersonal trust (incl. risk and inter-dependence)
2. How does interpersonal trust evolve in customer-specialist interaction?	<ul style="list-style-type: none"> ▪ Empirical ▪ Actual ▪ Real 	<ul style="list-style-type: none"> ▪ Organisation ▪ Individuals 	<ul style="list-style-type: none"> ▪ Interviews 	<ul style="list-style-type: none"> ▪ Interpersonal trust ▪ Interaction/relationships
3. How does interpersonal trust influence the co-creation of value in customer-specialist interaction?	<ul style="list-style-type: none"> ▪ Empirical ▪ Actual ▪ Real 	<ul style="list-style-type: none"> ▪ Individuals 	<ul style="list-style-type: none"> ▪ Interviews 	<ul style="list-style-type: none"> ▪ Interpersonal trust ▪ Interaction/relationships ▪ Value co-creation
4. What kind of value structures are co-created in customer-specialist interaction?	<ul style="list-style-type: none"> ▪ Empirical ▪ Actual ▪ Real 	<ul style="list-style-type: none"> ▪ Organisation ▪ Individuals 	<ul style="list-style-type: none"> ▪ Interviews 	<ul style="list-style-type: none"> ▪ Value co-creation ▪ Customer value and value propositions ▪ Episode and relationship value

Adapted from: Layder (1993; 2006)

1.4.1 Methodological Approach

The ontological and epistemological position adopted for this work is critical realism. This stance assumes that there is only one objective reality, but that individuals can have varying perceptions and subjective interpretations of this reality and the events occurring within it (della Porta and Keating, 2008; Denzin and Lincoln, 2008; Potter, 2000). It therefore combines modified positivist notions with an acknowledgement of the context-dependence of social phenomena and the importance of understanding the intrinsic meaning of the social world (Bhaskar, 1979; Collier, 1994; Smith, 2002). This recognition of individuals' different perceptions of reality is particularly relevant for this study, as it explores the emergence of interpersonal trust, its influence on value co-creation and the experiential value of customers and art specialists from the perspectives of both

actors, thereby acknowledging that they can have varying interpretations of these phenomena.

This differentiation between the objective reality and the context-dependent assessment of the social world is also reflected in critical realism's distinction between the *empirical*, *actual* and *real* level of reality (Sayer, 2000). The first two comprise the events taking place and our experiences of them, whereas the latter encompasses the underlying generative mechanisms and structures inherent to the involved entities, as well as the necessary or contingent relationships between them, that cause these incidents to happen (Potter, 2000; Smith, 2002). The framework adapted from Layder's (1993; 2006) multi-level resource map (see Table 1) acknowledges this differentiation and enables the research to uncover the mechanisms motivating the processes of developing trust and co-creating value through its exploration of the customer-specialist interaction and the actors' perceptions of it.

Since the investigation of the *actual* and *empirical* levels is a prerequisite to advance to the *real* underlying structures, an exploratory, retroductive and qualitative methodology was chosen to ensure congruence between the data collection and analysis methods and the adopted philosophical position, as well as to allow the individual participants adequate scope to express their opinions and interpretations of the phenomena under scrutiny. At the same time, this research design was also deemed the most appropriate to ensure a 'methodological fit' (Edmondson and McManus, 2007) between the nascent state of theory on value co-creation and the data collection methods employed.

Unstructured non-participant observation was helpful to become familiar with the fine arts auction business, the process of auctions as well as the terminology used in this industry. The main and most important source of data for this study, however, are the semi-structured interviews that were conducted with both customers and specialists of fine arts auction houses as they are the main actors involved in the examined concepts and their interaction is crucial for the co-creation of value. Further interviews were carried out with marketing managers, board members and customer service employees of the six participating auction houses to explore the organisational setting and in case additional data was needed to support the findings

obtained from customers and specialists. The auction houses were recruited via convenience and snowball sampling, and the respondents were interviewed either face-to-face or via telephone.

1.4.2 Analytical Approach

The interview data was transcribed verbatim and analysed employing conventional qualitative content analysis, allowing the categories and codes to emerge from the data (Hsieh and Shannon, 2005). By concentrating text such as interview transcripts into relevant categories, qualitative content analysis aims at exposing critical processes and contexts of the investigated phenomena instead of quantifying occurrences (Elo and Kyngäs, 2008). At the start of the data analysis, broad categories were defined on the basis of the individual research questions and the insights offered by the respondents. Over the course of working through the interview transcripts, more codes were added and at the same time refined considerably, resulting in several coding ‘loops’ to ensure in-depth understanding of the data.

In the following, the two main data sets (i.e. customer and specialists) were triangulated and compared with the field notes taken during observations and the interviews to gain insight into the perspectives of both actors and generate thorough findings that reflect the complexity of the examined customer-specialist interaction. As triangulation is only relevant within research designs whose underlying epistemology assumes the existence of a single reality (Seale, 1999) – such as for example critical realism – it was considered appropriate to be applied in this study. In particular data triangulation, i.e. involving data from different sources but concerning the same phenomenon (Easterby-Smith *et al.*, 2002; Silverman, 2010), was employed to give the interpretations of the two social groups (customers and specialists) and the individuals within each sufficient room in the analysis and to achieve in-depth understanding of their experiences (Denzin and Lincoln, 2000; Flick, 2004).

The overall research process followed for this study aimed at securing a high level of validity and reliability by adhering to the realist interpretation of these quality criteria suggested by LeCompte and Preissle Goetz (1982). High external

reliability was achieved by making the methodology as transparent as possible, thus facilitating its reproduction. Internal reliability as a quality criterion is not applicable to this work, as it was entirely conducted by only one researcher. A high level of congruence between study findings and the theory derived from it, i.e. internal validity, was secured by a thorough data analysis and interpretation process. External validity could be achieved since critical realist research does not seek to generalise about the context of investigated social phenomena, but their underlying structures and generative mechanisms that are presumed to motivate similar occurrences in different settings if the involved entities are necessarily related (Ackroyd, 2004). Finally, the author strived to attain the critical realist concept of judgemental rationality by making aspects of this work publically available via international conferences and doctoral colloquia to enable other researchers to evaluate the identified generative mechanisms and structures, thereby enhancing the soundness of the derived explanations and conclusions (Easton, 2010).

1.5 Research Context

The interaction between customers and specialists that constitutes the focus of this work takes place in an environment marked by fierce competition, as the two market leaders Sotheby's and Christie's dominate the auction world (McAndrew, 2011). The competitive situation is aggravated by an increasingly international clientele that is not limited to national markets anymore – consignors can now choose in which country to offer their objects, while buyers follow the art all over the world to obtain the best pieces. The auction houses participating in this study all belong to the second tier of auction businesses and are part of a network that was established to benefit from synergies in terms of marketing communications and viewings. The clientele of these auction houses was found to be not only highly international, but also very heterogeneous, ranging from novices selling an inherited object to experienced private collectors, professional dealers, museums and corporate collections (Agnello, 2002; Drinkuth, 2003; Robertson and Chong, 2008). Customers come from all walks of life and backgrounds, have a wide variety of reasons for buying and selling at auction and thus seek to gain very diverse kinds of value from the specialists' services. The auction houses face this challenge by having moved

from a transactional exchange approach to implementing comprehensive relationship marketing strategies (including a considerable number of promotional or educational events) to obtain the loyalty of important customers.

The auction house specialists are at the heart of this process, as they do not only evaluate objects of art, but constitute the sales personnel of an auction house and act as relationship managers for clients (Drinkuth, 2003; Thornton, 2008). They offer advice and guidance on purchases and collections in their role as consultative value (co-)creators (Liu and Leach, 2001) and are thus in a key position to develop long-term connections to promising customers, as the latter form much stronger bonds to individual salespeople than the service provider as a whole (Lian and Laing, 2007; Palmatier *et al.*, 2007). Furthermore, the specialists act as business getters by actively pursuing consignments and as intermediaries between buyers and sellers. Thus, the specialists try to communicate regularly with their clients and create opportunities to meet them by paying home visits or attending external events such as exhibition openings and international art fairs.

Whether the customer-specialist interaction takes on a transactional or relational character, however, ultimately depends on two factors: First, the relational preferences or 'mode' of the former (Grönroos, 2004), as any attempts to cultivate a relationship will fail if the client is not interested in further contact (Berry, 1995; Harker and Egan, 2006; Sheth and Shah, 2003). Second, the specialists were found to be very clear about whom they direct their relationship-building efforts to, as this investment is only worthwhile if the customer has the potential to repeatedly consign or purchase high-value objects. All specialists therefore have a diverse portfolio of customer connections, ranging from discrete transactions or repeated but purely exchange-based consignments to close long-standing relationships.

1.6 Contribution of the Research

Through the literature review, several gaps in academic knowledge were encountered that need to be addressed to advance understanding of the concepts of trust, value and its co-creation in the context of professional service relationships. First, there remains some conceptual ambiguity with regards to the notion of trust, as

the debate around its antecedents is still ongoing (e.g. Macintosh, 2009; Schumann *et al.*, 2010; Schwartz *et al.*, 2011). In particular, there is a relative lack of empirical research into the development of interpersonal trust and the structures that result in the emergence of the salesperson's trust into the customer, even though it can be argued that this process as well as the seller's perspective are of high relevance for successful relationship establishment in service settings.

Second, as stated by Woodruff and Flint (Woodruff and Flint, 2006) above, more in-depth insight into the dynamic and interactive value experiences of both customers and salespeople (representing the selling organisation) is required to enable marketing research to move beyond its understanding of value as a fixed state variable. In particular when it comes to the *co-creation* of value, there is a noticeable lack of empirical data examining the actual process and how the actors engage with each other to jointly realise value. According to Vargo and Lusch (2011, p. 182) this mutual value creation

“points away from the fallacy of the conceptualization of the linear, sequential creation, flow, and destruction of value and toward the existence of a much more complex and dynamic system of actors that relationally co-create value and, at the same time, jointly provide the context through which ‘value’ gains its collective and individual assessment.”

Therefore, the main contribution of this work lies in addressing these issues: This study will provide further clarification of the antecedents and development of interpersonal trust from the perspectives of both customers and specialists (i.e. salespeople) in the fine arts auction house context. Exploring the influence of trust on the co-creation of value in the actors' interaction will offer a first step towards understanding the actual processes involved in joint value realisation, as well as the importance of the customer-salesperson interface and the roles of both individuals during its implementation. Through this investigation, insight will be obtained into the value experiences of customers and salespeople, thereby providing much needed empirical evidence for the notion of *mutual* value creation as well as the value dimensions realised in transactional and relational interaction. Finally, these findings will be translated into a comprehensive conceptual framework that is intended to enable further qualitative and quantitative analysis of the involved phenomena, as

well as facilitate salespeople's understanding of the value co-creation process and their role within it.

1.7 Thesis Structure

This thesis is divided into seven chapters. The present one introduces the rationale of this study, its underlying questions and objectives, the research framework and context as well as briefly outlines the contributions to marketing theory and practice.

Chapter 2 reviews the academic literature on buyer-seller relationships and trust in a business context. The concept of relationship marketing is critically discussed, outlining its importance, advantages and disadvantages for both organisations and customers. In addition, the different levels of interaction are examined, emphasising that even long-term customer relationships consist of series of individual exchange episodes. Through a discussion of the antecedents of successful buyer-seller connections, the chapter moves on to consider the nature of trust in professional relationships, demarcating it from related constructs and differentiating between its interpersonal and interorganisational dimensions. Subsequently, the antecedents and benefits of interpersonal trust are presented.

Chapter 3 examines the concepts of customer value and value co-creation within and outside of service-dominant (S-D) logic. Customer value is defined and its various facets or categorisations are delineated, followed by an outline of its significance and role in S-D logic and a comparison of the notions of value-in-use and value-in-exchange. The co-creation and co-production of value are contextualised and the role of the selling organisation in the process of value co-creation is analysed. The final section discusses the evolving role of personal selling and the salesperson in market environments placing increasing importance on relationship cultivation and the creation of customer value.

Chapter 4 outlines the research methodology employed for this work. The author's ontological and epistemological stance, critical realism, is analysed in light of its significance for this study. The implications of the selected retroductive, cross-

sectional, exploratory and qualitative methodology are discussed and justified. The methods of data collection and analysis are presented, highlighting their inherent strengths and weaknesses and providing details about the sampling of participants, preparation and process of the fieldwork as well as the demographic profiles of the interview respondents. It is described how the data was transcribed, coded and analysed by employing qualitative content analysis and subsequently triangulated. Finally, the quality of this research is examined using the realist interpretation of the constructs of validity and reliability.

Chapter 5 presents the findings related to the first two research questions and analyses them in light of the relevant literature. The context in which the customer-specialist interaction takes place, i.e. the fine arts auction business, is introduced and the structure of the market, the auction process, the specialists' functions and the characteristics of their customer groups are outlined. In relation to the first research question, the nature and importance of interpersonal trust in customer-specialist interaction is outlined, as well as the inherent risks and interdependencies for both actors. Considering the perspectives of both parties, the antecedents of trust are distilled from the data, followed by an exploration of how interpersonal trust evolves over the course of their interaction.

Chapter 6 contains the second part of the data analysis and addresses the third and fourth research question. Again taking into account the viewpoints of both actors, it is investigated how interpersonal trust influences value co-creation and how disruptions can damage the processes involved. Several elements that emerged from the data as driving the joint realisation of value are also discussed. Subsequently, the value propositions offered by the specialists are analysed and compared to the nature of value sought by the customer. Differentiating between episode and relationship value, it is examined how these value dimensions are co-created and what kind of value the interaction entails for both customer and specialist.

Chapter 7 presents the conclusions of this research based on the analysis of the empirical findings in the previous two chapters. Each research question is considered individually; the related answers are discussed in light of the preceding analysis and the investigated phenomena distilled into propositions. These are then integrated into a conceptual model, which summarises and visualises the outcome of this study.

Subsequently, the theoretical and methodological contributions of this work are highlighted, as well as the managerial implications of its findings. The chapter concludes with a discussion of the study's limitations and suggestions for future research.

CHAPTER 2

BUYER-SELLER RELATIONSHIPS AND TRUST

2.1 Introduction

Like most other bonds between individual human beings, customer relationships have to be maintained and fostered. The gradual move from transaction to relationship marketing that has taken place over the last 30 years is evidence of this perception's wide-spread recognition. After introducing the overall topic and scope of this study in the previous chapter, the present one analyses the relevant literature examining this development, beginning with the shift from transactional to relational exchange and a critical discussion of the relationship marketing concept. The notion of customer relationships as continuous interactive processes is outlined and a conceptualisation of the interaction levels in relationships presented. This is followed by an overview of the advantages and disadvantages of customer connections for buyers and sellers, as well as an examination of relational antecedents such as commitment or trust.

Since the latter construct constitutes an essential aspect of the present work, the second section of this chapter analyses this psychological phenomenon and its significance for human interaction in the context of professional relationships in greater detail. Therefore, the different perspectives on and definitions of trust are presented in an endeavour to clarify the concept by demarcating it from related constructs such as reliance or confidence. In addition, the interpersonal and interorganisational dimensions of trust are examined, followed by an outline of the antecedents and benefits of trust in business relationships. The objective is to depict a coherent picture of the phenomenon by bringing the diverse viewpoints together and thus providing a consistent overview of the most important trust facets. Overall, this chapter aims at contextualising the importance of a relational customer orientation implemented at both the organisational and the personal level as well as highlighting the significance of trust for relationship development. Thereby, it provides a basis for the analysis of customer value and the role of the salesperson in the following chapter, as well as for the empirical part of this research that will explore the

influence of trust on interpersonal customer-salesperson relationships and the process of value co-creation in their interaction.

2.2 Customer Relationships and Relationship Marketing

*“Customer relationships are not just there; they have to be earned.”
(Grönroos, 1990, p. 4)*

Though the quintessence of this statement might be regarded as clearly comprehensible and obvious, the issue of *how* customer relationships are earned and developed remains controversial. A great number of antecedents for the successful establishment of relational connections have been postulated (e.g. Dwyer *et al.*, 1987; Ganesan, 1994; Morgan and Hunt, 1994; Palmatier *et al.*, 2006), while the advantages and overall suitability of a relational approach for organisations are still being discussed (Blois, 1998; Palmatier *et al.*, 2007; Sheth and Shah, 2003). This section aims at bringing the diverse academic positions together to provide conceptual clarification of the context in which the influence of trust on value co-creation will be explored.

2.2.1 From Transactional Exchange to Relationship Development

Transaction marketing as it is known today emerged in the context of the North American consumer goods market of the 1950s, and is epitomised by the concept of the ‘marketing mix’ (Harker and Egan, 2006). The notion of marketing consisting of the four elements product, price, place and promotion (referred to as the 4Ps of marketing) that need to be optimised to achieve marketing effectiveness spread rapidly in theory and practice. Advancing quickly to become the hegemonic paradigm in marketing thought, the marketing mix overcame other approaches of the time such as e.g. parameter theory and caused them to sink into oblivion (Grönroos, 1994a; b).

However, although the marketing mix is still one of the most prevalent concepts in marketing education, its weaknesses have become apparent over the last

few decades. In practice, transactional marketing theory emerged in a time of growth, but proved to be insufficient in saturated markets characterised by hyper-competition and expanding fragmentation. Consumers became increasingly sophisticated, demanding tailored goods and services instead of standardised products that had been the basis of mass manufacturing. The development of the marketing mix in US consumer markets of the 1950s also meant that it turned out to be less applicable in the socio-political context of Europe as well as in business-to-business (B2B) settings and service sectors (Aijo, 1996; Duncan and Moriarty, 1998; Harker and Egan, 2006; Sheth and Parvatiyar, 1995).

Conceptually, the marketing mix construct has been increasingly questioned because it lacks coherent and precise specifications of the features of the individual elements and a precise conceptual framework. As Grönroos (1994b, p. 350) posits, the marketing mix is “just a list of Ps without roots”, resulting in marketing research that “gives the impression of being based on a conceptually sterile and unimaginative positivism... The consequence... is that most of the resources are directed toward less significant issues, overexplaining what we already know, and toward supporting and legitimizing the status quo” (Arndt, 1980, p. 399). Furthermore, the marketing mix does not encompass an interactive dimension, but oversimplifies reality by depicting the marketing organisation as an active player chasing a passive consumer (Harker and Egan, 2006). Therefore, with the rise of the service economy, the re-focus on customer retention rather than acquisition, and the blurring of the roles of producer and consumer, a new paradigm was called for to fill the void left by transaction marketing in theory and practice. As customers became more and more involved in co-production and goods became increasingly complex (resulting in the emergence of systems or solution selling), a relationship-building approach to marketing and the management of other external networks seemed paramount (Grönroos, 1994b; Harker and Egan, 2006; Sheth and Parvatiyar, 1995; Wong and Sohal, 2002).

2.2.2 Definition and Demarcation of Relationship Marketing

Two of the earliest prominent definitions of relationship marketing describe the concept as “attracting, maintaining and – in multi-service organizations – enhancing customer relationships” (Berry, 1983, p. 25) and, in a more detailed manner, as

“... to establish, maintain, enhance and commercialise customer relationships (often but not necessarily always long-term relationships) so that the objectives of the parties involved are met. This is done by a mutual exchange and fulfilment of promises.” (Grönroos, 1990, p. 5)

These early definitions, however, have been criticised for focusing exclusively on relationships between customers and sellers instead of also recognising other forms of relational exchange such as strategic alliances between firms or networks with suppliers (Morgan and Hunt, 1994). Therefore, Morgan and Hunt (1994, p. 22) have suggested the more universal explanation of relationship marketing as referring to “all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges”, which will be used as a basis for this work, even though only the buyer-seller relationship is considered here. Generally, however, a relational marketing approach entails the integration of not only customers, but all business partners into an organisation’s development and activities, which leads to close dyadic or even multi-dimensional relationships between all parties involved (Gummesson, 1998; Harker and Egan, 2006; Payne and Holt, 2001). Not exchange is the focus of the interaction, but “the creation of a greater market value for [all] through the relationship” (Sheth and Parvatiyar, 1995, p. 413).

It has to be noted at this point that the terms *relationship marketing* (RM) and *customer relationship management* (CRM) are often regarded to be synonyms in marketing theory and practice – however, though they are conceptually linked, they do not denote the same construct (Harker and Egan, 2006; Parvatiyar and Sheth, 2001). CRM focuses on technology and operationalises IT-related aspects of relationship marketing via e.g. customer databases and database marketing activities. Though the concept can encompass more than just a software package, most organisations do not exceed the rather narrow IT approach (Harker and Egan, 2006). Therefore, it might be justified to argue that CRM is a tactic which is part of an overarching relationship marketing strategy.

The confusion over these terms is just one of several examples showing that although relationship marketing has been on the research agenda for more than three decades and has often been suggested to be a new paradigm of marketing, some of its aspects still lack conceptual clarity (Blois, 1998; Morgan and Hunt, 1999). While the marketing mix has been criticised for being too simplistic, it can be understood and implemented easily by practitioners, whereas relationship marketing research is fragmented and short of a comprehensive body of integrated academic literature and theory (Harker and Egan, 2006). Although there are several definitions, there is sometimes little consensus regarding the precise features of the discipline as well as the activities necessary to realise a relational approach and fulfil relationship marketing objectives (Blois, 1998; Pressey and Mathews, 2000). On the other hand, it has been argued that mistakes of the past such as the rigid toolbox-thinking fostered by the marketing mix should be avoided by leaving relationship marketing as a broad framework, as human interaction and personal relationships themselves are blurred and complex entities that are not demarcated easily (Harker and Egan, 2006). Without an attempt of a clear conceptualisation, however, a substantial implementation of relationship marketing in practice remains difficult. Therefore, the following sections aim at providing insight into the comprehensive and interactive nature of customer relationships and the associated concept of relationship marketing.

2.2.3 The Nature of Customer Relationships

2.2.3.1 The Marketing Strategy Continuum

During the emergence of relationship marketing, the concept was often proclaimed to compete with the marketing mix in gaining the status of an alternative dominant paradigm in marketing theory. However, in an attempt to avoid the ‘one size fits all’ straitjacket of the marketing mix, it has been argued that transaction and relationship marketing should not be seen as incompatible and mutually exclusive opposites (Grönroos, 1997; Harker and Egan, 2006). Instead, they are extreme ends of a ‘marketing strategy continuum’ on which organisations can place themselves

according to the nature of their offering by combining elements of both concepts (Grönroos, 1994a) (see Figure 1).

Figure 1: The Marketing Strategy Continuum

	Transaction marketing	Relationship marketing
<i>The strategy continuum</i>		
Time perspective	Short-term focus	Long-term focus
Dominating marketing function	Marketing mix	Interactive marketing (supported by marketing mix activities)
Price elasticity	Customers tend to be more sensitive to price	Customers tend to be less sensitive to price
Dominating quality dimension	Quality of output (technical quality dimension) is dominating	Quality of interactions (functional quality dimension) grows in importance of may become dominating
Measurement of customer satisfaction	Monitoring market share (indirect approach)	Managing the customer base (direct approach)
Customer information system	<i>Ad hoc</i> customer satisfaction surveys	Real-time customer feedback system
Interdependency between marketing, operations and personnel	Interface of no or limited strategic importance	Interface of substantial strategic importance
The role of internal marketing	Internal marketing of no or limited importance to success	Internal marketing of substantial strategic importance to success
<i>The product continuum</i>	← Consumer packaged goods → ← Consumer durables → ← Industrial goods → ← Services →	

Source: Grönroos (1997)

Ranging from revolving one-off transactions to building long-term relationships with customers, various categories of goods and services can be positioned along the continuum. While consumer packaged products are likely to be most suitable for an exchange marketing strategy, a relational approach becomes increasingly beneficial the more the service element of an organisation's offering increases (Grönroos, 1994a; Harker and Egan, 2006). From the customers' point of view, relationships with a seller are particularly vital if they perceive high levels of risk in the purchase process, and the service and its benefits are (co-)produced as well as consumed over some time (Bendapudi and Berry, 1997; Crosby *et al.*, 1990; Palmatier *et al.*, 2006). The significance of establishing a relationship differs between service sectors and is especially high in those that feature pronounced degrees of "people focus, customer contact time per interaction, customisation and discretion, and process focus" (Guenzi and Georges, 2010, p. 115). Particularly

credence services (e.g. the fine arts auction business) are marked by intense levels of coupling (i.e. ongoing direct impact of contact), an amplitude of information and considerable interdependence, as the quality of the service is determined by the contributions of both customer and seller. Thus, in these high-contact services the interface and relationship between the customer and the selling organisation constitutes a vital element of the service delivery process (Auh *et al.*, 2007).

The seller's position on the continuum then has several implications for the so-called 'marketing strategy criteria', such as whether an organisation concentrates on individual market transactions (short-term focus) or on building long-lasting customer relationships. Furthermore, within certain limits customers become less price-sensitive if a firm moves towards the relational end of the continuum, as the established relationship itself constitutes additional value (Beverland, 2001; Grönroos, 1994b; Gummesson, 1998). The functional quality dimension, i.e. the customer's perception of the interaction rather than the technical quality of the product, becomes more important and satisfaction can be assessed through dialogue with the customer instead of indirectly via market shares only. Since the client interface is much broader, organisational departments have to collaborate to implement the relationship-building strategy, as employees from different functions interact with the customer and contribute to the overall service and relationship experience, thus becoming 'part-time marketers' (Grönroos, 1994a).

According to these criteria and their implications, an organisation should decide where to place itself on the continuum and to what extent to adopt a relational approach. However, it has to be emphasised that organisations also have to determine what kind of relationships are suitable and profitable with their individual customers (Harker and Egan, 2006; Sheth and Shah, 2003). Generally, unless a counter-intuitive explanation of 'relationship' is applied, "it is impossible for firms not to have relationships" (Blois, 1998, p. 256). These vary, of course, in their depth and temporal orientation between situations in which a business connection consists of nothing more than a discrete exchange, to 'real' relationships in which customer and seller acknowledge a shared interest in establishing a mutual long-term commitment (Blois, 1998; Palmer, 1994; Turnbull *et al.*, 1996; Weitz and Bradford, 1999). It might not be feasible or profitable for some organisations to develop the latter type

of relationship with all their customers, as there are circumstances in which a purely transactional approach is more appropriate (Bendapudi and Berry, 1997; Harker and Egan, 2006). In line with this argument, Morgan and Hunt (1999) point out that a relational marketing strategy should only be adopted if it facilitates or leads to competitive advantage. Furthermore, apart from their own profitability considerations organisations also have to take into account their individual clients' attitudes to forming long-term connections, as the most elaborate relationship marketing strategy will be useless if the customer is not interested (Berry, 1995; Palmer, 1994; Sheth and Shah, 2003). According to Bendapudi and Berry (1997), customers maintain relationships either because they wish to (dedication-based relationship maintenance) or because they think they do not have an alternative (constraint-based relationship maintenance). In a similar vein, Grönroos (2004) points out that a buyer can be either in a relational or transactional 'mode' towards any given organisation. And even when being in a 'relational mode', a customer can either be in an active or in a passive mode. In the first case, buyers look for contact to a seller, whereas in the latter the knowledge that the organisation will be there if necessary is sufficient for a customer. Therefore, many organisations have a portfolio of relationships that might place them in different positions along the marketing strategy continuum depending on which customer segment is considered. The view that relationship marketing is only concerned with developing in-depth long-term connections characterised by loyalty and mutual commitment with all customers of a firm is too narrow, often not feasible in practice and disregards the "rich diversity of relationships which not only exist but are appropriate in different contexts" (Blois, 1998, p. 268).

2.2.3.2 Customer Relationships as Dynamic and Interactive Processes

Just like most organisations are not located at one of the extremes of the marketing strategy continuum, but have a diverse portfolio of relationships ranging from discrete exchanges to long-term relationships and everything in-between, relationships themselves change and evolve over time (Weitz and Bradford, 1999). One of the earliest and still most prominent conceptualisations of the developmental stages of buyer-seller relationships by Dwyer *et al.* (1987) suggests five phases.

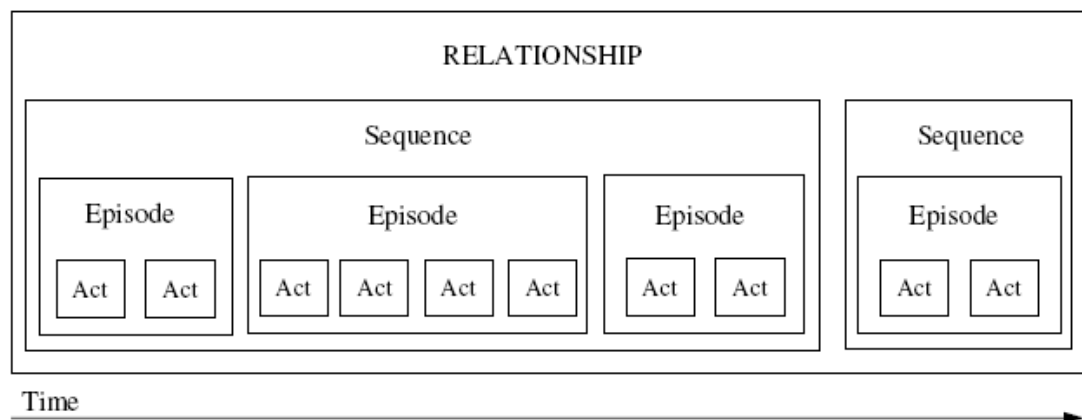
Awareness comprises the initial realisation of one actor that another might be a viable partner for exchange; however, there is no interaction yet. *Exploration* is the phase in which potential benefits and sacrifices are evaluated and negotiated; trial purchases might be made and the partners develop expectations regarding the behaviour and trustworthiness of the other party (Dwyer *et al.*, 1987; Wilson and Jantrania, 1994). The steady multiplication of advantages derived from the relationship in the *expansion* phase and the trust established earlier result in a growing interdependence of the exchange partners and in more risk taking behaviour. *Commitment*, in turn, comprises the explicit or implicit promise of continuity in the relationship as interdependence has reached a peak that makes it all but impossible for other potential exchange partners to provide the same benefits. Finally, *dissolution* of the relationship can take place after the expansion and commitment stages – at which point the disengagement has the most severe consequences – but also before, as not every relational exchange goes through all outlined phases, but might be broken off before (Dwyer *et al.*, 1987). It has to be pointed out, however, that the different actors' perceptions of the stage the relationship is in and its anticipated future might vary considerably, as the future outlook of the involved parties can never be absolutely congruent. Therefore, professional relationships are highly dynamic, rendering “determinant theories of relationship life cycles ... evidently misplaced... Business relationships do not follow a life cycle, for there is no unique, internal intrinsic code driving all or even most relationships; rather, there is interaction between parties.” (Medlin, 2004, p. 189)

To fully understand these interactive processes occurring in relationships, the differentiation between individual exchanges and long-standing connections has to be clear (Morgan and Hunt, 1994). A discrete transaction is characterised by a “distinct beginning, short duration, and sharp ending by performance” (Dwyer *et al.*, 1987, p. 13), has a narrow focus, low switching costs and an economic rather than strategic purpose (Sheth and Shah, 2003). Relational exchange, in turn, “traces to previous agreements, [and]... is longer in duration, reflecting an ongoing process” (Dwyer *et al.*, 1987, p. 13). Although a relationship also consists of individual transactions, these have to be seen in light of their history and expected future – as episodes in a continuous story (Anderson, 1995; Ford and Håkansson, 2006; Harker and Egan, 2006; Medlin, 2004). Biggemann and Buttle (2011, in press) extend this

view by stating that “relationships go beyond retention and repeat purchase, they are special emotional constructs that include shared history, core beliefs, goals, sense of commitment, reliance, social support, intimacy, interest, respect and trust.”

Accordingly, Håkansson and Ford (2002, p. 134) emphasise that “no one interaction ... can be understood without reference to the relationship of which it is a part”, as the past contains the chain of cause and effect that shapes the present relationship, whereas the future consists of its hoped for outcomes (Medlin, 2004). In line with this argument, customers usually evaluate the relationship as a whole rather than individual offerings or exchange episodes (Biggemann and Buttle, 2011; Ravald and Grönroos, 1996). The correlation of individual exchange episodes and the relationship process is conceptualised in Figure 2 by depicting different interaction levels:

Figure 2: Interaction Levels



Source: Holmlund (1996)

This categorisation – albeit in a slightly broader form – stems from interaction research in industrial marketing, which distinguishes between the episode and relationship level (e.g. Håkansson, 1982). It was subsequently taken over by the customer services research literature and amended by the smallest interaction level of acts (Liljander and Strandvik, 1995). At the same time, the theory of coordinated management of meaning (CMM) in communications research established a hierarchy of contexts in which interaction takes place and is interpreted. Among these mutually interdependent levels are acts, episodes and the relationship between any given actors (Biggemann and Buttle, 2009). Both these strands of research imply that relationships are dynamic social constructs consisting of strings of acts, which in turn

make up individual or interrelated series of episodes that influence and at the same time are influenced by the overall relationship (Biggemann and Buttle, 2007; 2009; Ford and Håkansson, 2006; Olkkonen *et al.*, 2000; Ryan and O'Malley, 2006; Turnbull *et al.*, 1996). Further refinement is offered by customer relationship research that distinguishes between routine and critical episodes (also referred to as 'critical incidents') in buyer-seller interaction (Anderson, 1995; Ford and Håkansson, 2006; Holmlund, 2008; Storbacka *et al.*, 1994).

In line with these streams of academic work, Holmlund (1996; 2004) has conceptualised and empirically supported four interdependent degrees of aggregation that cover different time spans and can be found in a continuous buyer-seller relationship. Acts may be phone calls, visits to the service provider etc, and can be linked to any type of information provision, social contacts or other interaction incidents (Holmlund, 2004; Holmlund and Strandvik, 1999; Liljander and Strandvik, 1995). Being the smallest unit of analysis, acts have also been labelled 'moments of truth' in the academic services literature (Grönroos, 2004). Series of acts constitute an episode, e.g. a complaint, delivery process or a negotiation including such acts as making an initial inquiry, agreeing on prices and terms and conditions, signing contracts etc (Biggemann and Buttle, 2009; Holmlund, 2004; Liljander and Strandvik, 1995). Intertwined episodes, in turn, form a sequence that may comprise a project, campaign or transaction, entailing that a sequence can include different kinds of interaction linked to e.g. a year in which a specific project is being implemented. A single sequence constitutes a discrete transaction after which dealings are terminated, whereas a professional relationship unfolds over repeated sequential interaction. Sequences can overlap, differ in length and follow each other at regular or irregular intervals. Taken together, they constitute the overarching customer-seller relationship, which thus contains all the interrelated sequences, episodes and acts that have occurred in the interaction so far (Grönroos, 2004; Holmlund and Strandvik, 1999). It has to be emphasised, though, that the end of a sequence constitutes a particularly vulnerable point in the relationship. As a sequence is a time-framed commitment, the involved actors evaluate the previous interaction at its close, which may result in the termination of the relationship as a whole if the outcome falls short of expectations (Anderson, 1995; Holmlund, 2004; 2008). Furthermore, according to Ford and Håkansson (2006) interaction is 'lumpy', i.e. it is not evenly allotted over

time, but some periods feature more intense interactive episodes than others. Interaction takes place in a causal but unknown sequential way, with the involved actors having different views of and preferences for its current and future development, so that researchers intending to explore interactive relationships over time have to focus on these diverse perspectives instead of trying to measure cause and effect (Ford and Håkansson, 2006).

Distinguishing between the different interactive levels does not only facilitate the analysis of a relationship and the occurring dynamic processes, but also emphasises the importance of the interaction taking place between the actors. As Pressey and Mathews (2000) point out, the degree of personal contact between seller and customer is crucial, and the emotional and psychological (rather than only action-based) involvement of the latter is an axiom of successful relationship marketing. Especially in services, the buyer-seller interface significantly influences the future purchase behaviour as well as word-of-mouth, and thus has to be seen as a marketing resource (Grönroos, 1990). Furthermore, the customers' buying and consumption behaviour for services is different from that for tangible products (Gummesson, 1998) – “the consumption of a service is process consumption rather than outcome consumption” (Grönroos, 2004, p. 100). As the customer is involved in the production process and starts consuming the service during its production, both production and consumption are interrelated and essential for the customer's perception of the overall service and the relationship to the seller. Being a co-producer of value, the service quality and productivity depend not only on the input of the provider, but also of the customer (Auh *et al.*, 2007; Grönroos, 2004). This constellation facilitates the development of emotional bonds, as the interaction can be very personal and intense, and emphasises interdependence and mutual benefits (Gummesson, 1998; Sheth and Parvatiyar, 1995). Therefore, while “the exchange of a product is the core of transaction marketing, the management of an interaction process is the core of relationship marketing” (Grönroos, 2004, p. 103).

2.2.3.3 Advantages and Disadvantages of Establishing Customer Relationships

It is by now a well-known fact in marketing theory and practice that it is less cost-intensive to retain customers than to constantly attract new ones (Berry, 1995; Hennig-Thurau *et al.*, 2002; Sheth and Parvatiyar, 1995). On this basis, numerous studies list the virtues of a relational approach to marketing (Bryman, 2004; Flint *et al.*, 1997; Palmatier *et al.*, 2007; Sheth and Shah, 2003). However, it has to be pointed out that the establishment of customer relationships does not only entail advantages. Though there is a common agreement among researchers that the benefits prevail, there are a number of disadvantages – in particular for the seller – that have to be carefully considered by service providers realising a relational strategy.

Both buyer and seller obtain complex non-economic personal benefits from their relationship and engage in social interaction (Dwyer *et al.*, 1987; Sheth and Shah, 2003). As Berry (1995) points out, not only do service providers strive to attract loyal customers, but buyers do want to find organisations that elicit their loyalty, too. In line with this argument, research found that the customer's advantages can be classified into three distinct categories: confidence, social and special treatment benefits (Gwinner *et al.*, 1998; Hennig-Thurau *et al.*, 2002). Since a customer's perceived risk and uncertainty are particularly high in credence services that are difficult to evaluate before and after the purchase, a long-term relationship to the service provider significantly lowers their sense of anxiety and increases feelings of security and confidence (Biggemann and Buttle, 2011; Gwinner *et al.*, 1998; Hennig-Thurau *et al.*, 2002). Social benefits, in turn, comprise aspects such as familiarity with and personal recognition by service employees that can even culminate in evolving friendships (Gwinner *et al.*, 1998; Reynolds and Beatty, 1999). In this context, it becomes apparent that because service encounters are always also social encounters, any buyer-seller relationship entails personal as well as professional dimensions (Czepiel, 1990). Special treatment might entail price reductions, tailored service or particular attendance (including invitations to events, etc.) and can be obtained from formal relationship programmes or spontaneous preferential treatment by a service provider employee (Gwinner *et al.*, 1998). The likelihood of achieving these advantages increases a customer's interest in forming a

relationship, as they outweigh the economic gain derived from a purely transactional approach (Palmer, 1994). It was found, however, that customers consider the confidence benefits derived from relational engagement as the most significant, while potential special treatment is seen as least important (Gremler and Gwinner, 2000; Gwinner *et al.*, 1998). Therefore, customers prompted by the latter type of benefits might only remain loyal until a competitor offers more enticing rewards – especially in case of formalised special treatment or relationship programmes that are easily replicated and thus do not constitute a competitive advantage (Hennig-Thurau *et al.*, 2002).

From the service provider's point of view, establishing long-term relationships with profitable customers also has a number of benefits. Due to the increased risk-taking behaviour and interdependence between the actors in a relationship, the barriers to and costs of switching are considerable for the customer, which in turn does constitute a competitive advantage for the service provider (Dwyer *et al.*, 1987; Sheth and Shah, 2003). The interaction and joint value creation of the actors also result in lower transaction costs at the level of exchange episodes and represent an effective barrier to entry for outside competitors who, excluded from the relationship-building process, cannot offer the same benefits (Doney and Cannon, 1997; Geigenmüller and Greschuchna, 2011; Sheth and Parvatiyar, 1995; Wilson, 1995). Enhanced customer loyalty diminishes the need to gain new clients and thus reduces costs further, while at the same time increasing the seller's profitability as re-purchase behaviour is stimulated and – within reasonable limits – long-term customers become less price-sensitive (Gummesson, 1998; Palmatier *et al.*, 2007). In addition, loyal customers also engage in word-of-mouth communication that is positive for the service provider and attracts new clients (Hennig-Thurau *et al.*, 2002). In line with this argument, customers are more willing to provide referrals to salespeople if they have a long-term relationship to the latter and perceive it in a positive light, as they then wish to reciprocate for the service received. Those referrals that become customers themselves, in turn, are likely to deal with the service provider for longer and are more profitable than clients who react to marketing communications activities (Johnson *et al.*, 2003).

On the other hand, any relationship between customers and service providers also entails disadvantages that have to be taken into account by the seller when deciding how close a connection should be established (Blois, 1998). To a certain extent, for example, relationships involve a loss of control over activities, intentions and even resources (Biggemann and Buttle, 2011). As Bendapudi and Berry (1997) state, the more dedicated the customer is, the greater their sense of ownership might be and the more critical of and dissatisfied with service failures they become. Simultaneously, establishing and cultivating a relationship takes investments in terms of time, effort and resources which, depending on the other actor, can be rather high and thus constitute a maintenance cost. Since resources are limited, they have to be prioritised and investing in one relationship can mean not being able to pursue another, even though it might not be clear at the beginning which one will turn out to be more attractive and profitable over time (Bendapudi and Berry, 1997; Biggemann and Buttle, 2011; Blois, 1998). This uncertainty is aggravated by the fact that relationships evolve gradually and are shaped by current and future events as well as the actor's expectations and intentions – connections that start well might not always end well. The extent to which these factors occur and constitute disadvantages depends on the nature of the individual relationship. Therefore, service providers have to calculate the risks involved and balance potential benefits and losses before deciding which relationships to pursue and how close these should be (Blois, 1998).

2.2.3.4. Antecedents of Customer Relationships

The existing definitions of relationship marketing as discussed above often emphasise the desired outcomes and processes of successful relational exchange, but do not state the input required to implement the concept in practice (Too *et al.*, 2001). Therefore, a number of studies have concentrated on the antecedents required for the establishment of customer relationships – however, only partial agreement has been reached.

While Dwyer *et al.* (1987) theorise that trust, commitment and disengagement are significant constructs for relationship development, Morgan and Hunt (1994) demonstrate that trust and relationship commitment are not only important

parameters but *the* key mediating variables for successful relationship marketing. In this context commitment is defined as “an enduring desire to maintain a valued relationship” (Moorman *et al.*, 1992, p. 316). Although Morgan and Hunt’s (1994) notion that trust is imperative for the formation of long-term relationships to customers is widely supported (e.g. Ahearne *et al.*, 2007; Frankwick *et al.*, 2001; Guenzi and Georges, 2010; Young and Albaum, 2003), commitment is not such a commonly agreed parameter. In contrast, Ganesan (1994) argues that, alongside trust, asymmetrical dependence is a decisive determinant in long-lasting relationships, as a buyer who depends on a specific seller will have a particular interest in establishing and maintaining a favourable connection. Palmatier *et al.* (2006), however, object by stating that because dependence raises barriers to exit and switching costs, it is an efficient strategy to enhance performance, but not helpful for building relationships. In a similar vein, it has been argued that relational marketing is only effective as a concept if there is more than one service provider available to the customer and if the latter controls the selection (Wong and Sohal, 2002).

Relationship quality, in turn, has been conceptualised as a higher-order construct that encompasses trust, commitment and satisfaction with the selling organisation (Crosby *et al.*, 1990; Ulaga and Eggert, 2006a). Further research, however, found that satisfaction should not be classified as a key antecedent for relationships equal to trust. Rather, satisfaction is a driver for the superior construct of trust, as satisfaction with a seller initiates trust on the part of the buyer. Thus, satisfaction should ‘only’ be seen as an important determinant of trust, while commitment in turn increases the perceived satisfaction with a seller (Selnes, 1998). Nevertheless, the notion of relationship quality as a holistic higher-ranking construct encompassing a range of intertwined first-order elements such as trust, commitment and reciprocity, which constitute different facets of the relationship and taken together characterise its nature, is still prominent on the research agenda (Palmatier, 2008).

While different researchers have identified a number of variables and constructs, there is usually one constant in the equation: trust. Despite identifying in total 13 variables in his conceptualisation of buyer-seller relationships, Wilson (1995, p. 337) concludes that trust is a “fundamental relationship model building

block”. The concept, which will be discussed in detail in the subsequent section, is thus commonly acknowledged to be a key element of customer relationships (Ahearne *et al.*, 2007; Grönroos, 2004; Guenzi and Georges, 2010; Wong and Sohal, 2002) and evolves when organisations nurture their connections by offering benefits and resources that are superior to those of competitors, sustaining high moral and corporate standards, and entering relationships with individuals or other organisations having comparable values (Morgan and Hunt, 1994). In particular in service contexts trust is considered to be vital, as customers are basically buying a ‘promise’ (Macintosh, 2009). Furthermore, as Blois (1998) points out, trust is essential for relational exchange because it stimulates the parties involved to invest into the relationship as well as not act opportunistically or capitalise on alternatives outside the relationship that could present short-term advantages. Berry (1995, p. 242) emphasises that trust reduces uncertainty and vulnerability and calls it “perhaps the single most powerful relationship marketing tool available to a company” as it impacts on interpersonal and inter-group behaviour like no other individual factor (Dwyer *et al.*, 1987).

Nevertheless, there are studies that contradict the notion of trust as a key mediator of successful relational exchange by arguing that the importance of trust decreases in long-term relationships because the nature of the connection changes over time (e.g. Grayson and Ambler, 1999; Moorman *et al.*, 1992). Ulaga and Eggert (2006a) found that trust does not influence a customer’s inclination to expand or terminate their relationship to a seller, but constitutes a mediator between satisfaction and commitment. Thus, there is an argument that focusing exclusively on trust as the vital variable for successfully cultivating connections to customers might be too constricted and thus misleading, as the phenomena occurring in the relationship-building process are highly complex and any relationship might only function effectively if most or even all of its central mediators are robust (Palmatier *et al.*, 2006). Although buyer-seller relationships have been on the academic agenda for about three decades, this outline shows that the discussion around the importance of trust for customer relationships has not been settled yet. Thus, there is still a call for additional research into trust as an antecedent of relationship development – in particular with qualitative designs (e.g. Arnott, 2007; Wong and Sohal, 2002) and in service settings (e.g. Guenzi and Georges, 2010) – to provide further insight into its

significance and to bring together the diverse positions in the academic debate. The following section analyses the concept of trust in greater detail, identifies gaps in academic knowledge around the construct and in particular highlights the trust facets relevant for this work.

2.3 The Nature of Trust in Professional Relationships

“Whenever philosophers, poets, statesmen, or theologians have written about man’s relationship to his fellow man, to nature, or to animals, the phenomena of trust and betrayal, faith and suspicion, responsibility and irresponsibility, have been discussed. [...] Past preoccupations and current concerns make it apparent that the concept of ‘trust’ and its related concepts are vital to the understanding both of social life and of personality development.” (Deutsch, 1958, p. 265)

Trust is a multidimensional phenomenon that constitutes a crucial component in most types of human relationships (Das and Teng, 1998; 2001; Massey and Dawes, 2007) and, as outlined in the previous section, has thus also been identified as a vital antecedent to developing long-lasting connections to customers (Dwyer *et al.*, 1987; Morgan and Hunt, 1994). Therefore, it is considered pertinent to provide an in-depth discussion of its facets in this work. In addition, though trust is a fundamental concept in the social sciences, the construct itself remains elusive and blurred in places (Mayer *et al.*, 1995; Nooteboom, 2007; Rousseau *et al.*, 1998) – to date, there is no single universally acknowledged definition of the “central, superficially obvious but essentially complex concept” of trust (Blois, 1999, p. 197). Instead, the debate about its dimensions, antecedents and benefits is still ongoing (e.g. Johnson and Grayson, 2005; Mouzas *et al.*, 2007; Zaheer *et al.*, 1998).

Considering the resulting need for clarification, it comes as no surprise that a number of scholars call for additional research into the topic in a business context. While McEvily *et al.* (2003) note that empirical research does not keep up with the advances of trust theory and Rousseau *et al.* (1998) generally ask for research designs that reflect the complexity and myriads of diverse attributes of trust, Arnott (2007, p. 986) notes the dominance of positivist stances in trust research and explicitly calls for qualitative methodologies to explore “what is, in essence, an unmeasurable entity”. Schoorman *et al.* (2007), in turn, agree with Rousseau *et al.*

(1998) and postulate that research into trust within particular environments – e.g. in international or sector-specific contexts – is needed to gain further insight into the multifaceted phenomenon. The aim of this section, therefore, is to unite the diverse academic positions and outline the current state of research into trust, thereby providing a foundation for the empirical examination of the influence of trust on value co-creation.

2.3.1 Definition of Trust

From the abundance of trust definitions available, the following has been chosen to be the most comprehensive and adequate for this research: “Trust is a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another.” (Rousseau *et al.*, 1998, p. 395) This definition combines several important aspects of trust that will subsequently be analysed to clarify the concept. First, trust is conceptualised as a *psychological state* instead of *rational choice behaviour*. Some researchers have suggested to view trust as observable choice behaviour in dilemma situations, meaning that people make rational decisions about whom to trust based on conscious calculations of potential benefits and losses (Kramer, 1999; Zand, 1972). This notion, however, is doubted by others in terms of its accuracy as an explanation of how individuals do make decisions on trust, as rational choice models overestimate individuals’ cognitive capacities and the degree to which they are driven by conscious calculation. Furthermore, these models overemphasise the role of logic and efficiency in human decision-making and leave no room for emotions as well as social and cultural influences (Kramer, 1999). Therefore, most researchers oppose rational choice models and argue that trust is a multidimensional psychological state containing interrelated emotional and cognitive elements as well as cultural meanings, beliefs and social relations (Das and Teng, 2001; Mayer *et al.*, 1995; Mouzas *et al.*, 2007; Rousseau *et al.*, 1998).

It is also important to note that in this research trust – as implied in the definition above – is conceptualised as relational instead of dispositional, i.e. presupposing an actor who awards trust (the trustor) and another who is the recipient

of this trust (the trustee) (McEvily *et al.*, 2003). This distinction is important because it changes the focus of trust: Dispositional trust can be described as a general propensity or willingness to trust on the part of the trustor and depicts an individual personality trait resulting in a universal anticipation about the trustworthiness of others (Mayer *et al.*, 1995; Zaheer *et al.*, 1998). Relational trust, in contrast, is particularly directed at the counterpart in a relationship and thus entails that not all exchange partners are automatically trusted – instead, it differs from person to person and across relationships (Schoorman *et al.*, 2007; Zaheer *et al.*, 1998). It is therefore acknowledged that trust has a dispositional or ‘trait-like’ element as individuals vary in their inherent willingness to trust, and this will presumably impact on their interaction with others (Kramer, 1999; Mayer *et al.*, 1995; McEvily *et al.*, 2003). However, this research will only marginally consider this dispositional aspect, but instead focus on the conceptualisation of relational trust.

Another crucial aspect stated in the definition is the acceptance of vulnerability and the state of uncertainty inherent to trust, which are closely linked. An individual who trusts another actor acknowledges that although there is a *theoretical possibility*, it is not deemed a *realistic probability* that the other party will engage in harmful behaviour (Blois, 1999). Consequently, the necessity to trust assumes a level of incomplete knowledge on the part of the trustor (Johnson and Grayson, 2005). In this situation, trust “reduces social complexity by going beyond available information and generalizing expectations of behaviour in that it replaces missing information with an internally guaranteed certainty” (Luhmann, 1979, p. 93). Thus, trust contains an ‘information paradox’: though being based on information, it simultaneously involves a lack of it (Nooteboom, 2005). Conversely, a state of absolute factual certainty with regard to the trustee’s actions or behaviour implies that the inherent vulnerability is eliminated and trust is superfluous (Das and Teng, 2001; Nooteboom, 2005; Rousseau *et al.*, 1998).

Vulnerability and uncertainty are both consequences of the two conditions that have to be present for trust to occur: risk and interdependence. *Risk* encompasses an individual’s perceived likelihood of loss and – just like interdependence – is reciprocally related to trust. Risk arises from an uncertain situation, in which an individual depends on the beneficial behaviour of another actor without being able to

control them, and constitutes an occasion to trust, which in turn results in risk-taking behaviour (Rousseau *et al.*, 1998). Therefore, only under risky circumstances does trust become relevant (Das and Teng, 1998; 2001). However, though risk and interdependence are prerequisites for trust, the quality of risk and trust changes depending on the situation that requires risk-taking behaviour and the form and depth of intrinsic interdependence in a specific relationship (Mayer *et al.*, 1995; Rousseau *et al.*, 1998; Sheppard and Sherman, 1998).

In line with this last point, it is important to emphasise that trust is not static, but dynamic (Das and Teng, 1998; Mayer *et al.*, 1995). It evolves over time and fluctuates in form and scale – meaning that trust has *bandwidths* that differ not only between relationships, but also within the same relationship according to e.g. its current context, background, texture and developmental stage (Rousseau *et al.*, 1998; Sheppard and Sherman, 1998). Just as relationships are multifaceted and based on rich experiences and diverse encounters in various circumstances with another actor, trust is multidimensional and the breadth of its bandwidth depends on these experiences. Therefore, the more experiences are made in a variety of contexts within a given relationship, the broader the bandwidth of trust will be (Lewicki *et al.*, 1998). Conversely, the bandwidth will be narrow if the relationship is particularly context-dependent (Rousseau *et al.*, 1998). This also means that the trust an actor is awarded with is not necessarily all-encompassing, but domain-specific (Lewicki *et al.*, 1998; Schoorman *et al.*, 2007; Zand, 1972). As Blois (1999) points out, numerous researchers emphasise the multidimensionality of trust in their conceptualisation, yet imply in their empirical work that ‘blanket trust’ (i.e. unconditional all-embracing trust) exists by asking participants if they generally trust another actor. However, to do justice to the complex nature of trust and its bandwidths, a more appropriate question would be “What do you trust them to do?” or “With regard to what do you trust them?” An individual might trust another party regarding a particular action, behaviour or area of expertise (domain-specific trust), but at the same time not trust that actor in other issues (Massey and Dawes, 2007).

Another misconception in conjunction with the construct of trust is that trust is always reciprocal. According to Blois (1999), it is often implicitly stated that trust is inevitably reciprocated and equivalent by speaking of ‘mutual trust’ in academic

definitions. However, though the relational trust conceptualised here requires a trustor and a trustee, it is perfectly possible that a person trusts another actor, but this counterpart does not trust in return – for a variety of reasons (Schoorman *et al.*, 2007). Therefore, another of trust’s many complex facets is that it is not necessarily mutual and balanced in a relationship (Blois, 1999).

2.3.2 Demarcation of Trust from Related Constructs

It has contributed to the obscurity of trust as a concept that it has frequently been amalgamated with related but fundamentally different constructs in academic research (Blois, 1999; Mouzas *et al.*, 2007). As this lack of clarity is prejudicial to the overall conceptualisation of trust and the advancement of trust research, the subsequent section attempts to delineate the construct from other notions such as reliance, cooperation or confidence.

2.3.2.1 Reliance

Trust and reliance are frequently used interchangeably in marketing research (e.g. Ganesan, 1994; Hosmer, 1995; Moorman *et al.*, 1992). In contrast to reliance, however, trust entails depending on stated commitment and goodwill instead of on another party’s dependable habits only. In addition, trust contains an emotive aspect that becomes particularly evident when this trust is betrayed: being let down by a trusted actor results in feeling hurt and offended, while being disappointed by someone relied upon only leads to annoyance (Blois, 1999). Reliance, therefore, is a rational standard that depends on proven capabilities and formalised rules of behaviour or doing business, and contains control-based safeguards (Mouzas *et al.*, 2007; Nooteboom, 2006). Consequently, trust and reliance are neither equivalent nor interdependent. Trust goes beyond reliance, as it entails expecting the trustee to proactively take initiatives to seize opportunities beneficial to the trustor, “over and above what was either explicitly or implicitly promised” (Blois, 1999, p. 199).

2.3.2.2 Cooperation

Another concept that trust is often confounded with is cooperation (e.g. Gambetta, 1988). While trust is likely to result in cooperation, it is not an indispensable prerequisite for cooperative conduct, because – unlike trust – cooperation does not essentially put the trustor at risk and leave them in a state of uncertainty and vulnerability. Therefore, cooperation without trust is possible e.g. if the present matter does not involve taking a risk, if there are external control mechanisms in place that will inevitably reprimand devious behaviour, or if one party's motives and actions coincide with those of the counterpart anyway (Mayer *et al.*, 1995). In all of these scenarios, vulnerability is eliminated and as a consequence trust becomes redundant (Das and Teng, 2001; Johnson and Grayson, 2005).

2.3.2.3 Confidence

As Mayer *et al.* (1995) note, trust and confidence have an amorphous connection in the literature, as the former concept is often defined using the latter term and vice versa (e.g. de Ruyter *et al.*, 2001; Morgan and Hunt, 1994; Nicholson *et al.*, 2001). Though both constructs base on anticipations, trust is different from confidence in that it presupposes a prior engagement on part of the trustor, who has to realise and acknowledge that there is a risk to be let down by the trustee. Therefore, the difference between trust and confidence is one of “perception and attribution. If you do not consider alternatives ..., you are in a situation of confidence. If you choose one action in preference to others in spite of the possibility of being disappointed by the action of others, you define the situation as one of trust” (Luhmann, 1988, p. 102). Whereas confidence relates to the perceived degree of certainty that the other party will act in an advantageous way, trust refers to expectations regarding the positive motivation and goodwill of the trustee and hence entails an emotive element and risk-taking (Das and Teng, 1998).

2.3.2.4 Trustworthiness

Notably, the literature on trust only rarely refers to trustworthiness – despite the fact that most research actually deals with trustworthiness and not trust (Blois, 1999). Instead, a number of studies (e.g. Morgan and Hunt, 1994) equate the two concepts without observing that although trust and trustworthiness are interrelated, they are distinct constructs and differ in their origin and direction. Trustworthiness is defined as being worthy of being awarded with trust (McEvily *et al.*, 2003). Since trust is based upon expectations, the difference between the two concepts lies in the *assumed* versus *actual* motivation and behaviour of the trustee – the former describes trust, the latter trustworthiness. While trust is placed by the trustor in another actor, trustworthiness is derived from the trustee who has to demonstrate through behaviour and actions that this trust is justified. Thus, trust without trustworthiness is not sustainable (McEvily *et al.*, 2003).

2.3.3 Dimensions of Trust

Trust exists at a variety of levels, such as personal, intrafunctional or interorganisational (Das and Teng, 2001). Among the most significant are presumably the interpersonal and interorganisational dimensions. As these are also pivotal for this research, they will be conceptualised in the subsequent section, followed by an analysis of their interdependence.

2.3.3.1 Interpersonal trust

The concept of interpersonal trust denotes trust in which both the trustor and the trustee are individuals (Zaheer *et al.*, 1998). While it is not correct to assume that trust is always automatically mutual (Blois, 1999), in a sound reciprocal relationship, both individuals should be the origin and target of trust at the same time (Smith and Barclay, 1997). There are a number of categorisations of the forms interpersonal trust can take (e.g. Johnson-George and Swap, 1982; Lewicki and Bunker, 1996; Rousseau *et al.*, 1998). One of the most prominent is the work by McAllister (1995),

who classifies trust as consisting of two interrelated facets: cognition-based and affect-based trust (Arnott, 2007). These are also supported by Nooteboom (2006).

Cognition-based trust contains the notion that “we choose whom we will trust in which respects and under what circumstances, and we base the choice on what we take to be ‘good reasons’, constituting evidence of trustworthiness” (Lewis and Weigert, 1985, p. 970). Therefore, cognition-based trust rests on a rational basis, such as knowledge gathered about the trustee, e.g. via external sources or during previous encounters in which they have proven to be competent and dependable (McAllister, 1995; Swan *et al.*, 1999). This accumulated information, though not complete, enables the trustor to make a tentative prediction about the probability that the trustee will live up to their expectations (Johnson and Grayson, 2005; Massey and Dawes, 2007).

Affect-based trust, in turn, comprises the emotional ties between individuals in the relationship dyad (Massey and Dawes, 2007). “People make emotional investments in trust relationships, express genuine care and concern for the welfare of partners, believe in the intrinsic virtue of such relationships, and believe that these sentiments are reciprocated.” (McAllister, 1995, p. 26) This dimension of trust generates a feeling of security among the individuals involved (Swan *et al.*, 1999); they perceive their relationship as strong and reliable and their counterpart’s behaviour and actions as intrinsically motivated (Johnson and Grayson, 2005).

Though cognition-based and affect-based trust have very distinct foundations, they are also highly interrelated – they are not different forms of interpersonal trust, but two facets of the same phenomenon. The two trust dimensions are qualitatively different, as cognition-based trust is viewed to be more superficial and easier to establish than emotional trust, whereas affect-based trust is seen as more special (Johnson-George and Swap, 1982), although McAllister (1995) points out that it should nevertheless not be regarded as a higher-ranking construct¹. Simultaneously, affect-based trust requires a cognitive foundation to emerge in a relationship, as an individual’s basic expectations in terms of the dependability and reliability of their counterpart have to be met before they are prepared to invest even more into the

¹ The two interpersonal trust dimensions identified by Johnson-George and Swap (1982) are referred to as “reliableness” and “emotional trust”. However, McAllister (1995) confirms that these categorisations correspond to cognition-based and affect-based trust.

relationship. However, when a high degree of affect-based trust has evolved, an underpinning with cognition-based trust may become obsolete (Massey and Dawes, 2007; McAllister, 1995). Accordingly, McAllister (1995, p. 30) emphasises: “as affect-based trust matures, the potential for the decoupling of trust forms and reverse causation (affect-based trust influencing cognition-based trust) increases.” Therefore, the two trust dimensions can also influence each other in a bidirectional manner once they have both been established. Although human thought always contains both cognition and affect (McAllister *et al.*, 2006; Swan *et al.*, 1999), the degree to which affect-based trust develops can presumably also vary, meaning that the ratio of cognition-based and affect-based trust in an actor differs between individuals.

2.3.3.2 Interorganisational Trust

In an era of more and more strategic alliances and joint ventures, trust between organisations has attracted increasing attention in academic trust research – one of the reasons, among others, being the assumption that interorganisational trust improves the business performance of both parties (e.g. McAllister, 1995; Zaheer *et al.*, 1998). Three dimensions of trust have been conceptualised specifically with reference to interorganisational trust: contractual trust, competence trust and goodwill trust (Sako, 1998).

Contractual trust is founded on a mutual moral understanding and principles of honesty and reliability in terms of honouring contractual agreements, irrespective of whether they are verbal or written. Competence trust refers to the trustor’s expectation that the trustee will behave and act in a competent and reliable manner, and presupposes a shared conception of what constitutes professional conduct and managerial standards (Das and Teng, 2001; Sako, 1998). Goodwill trust, in turn, comprises the anticipation that the trustee will only take initiatives beneficial to both organisations and refrain from acting destructively. This includes the notion that the trustee might even have a particular concern for the trustor’s interests above their own and therefore requires a consensus on norms of integrity and fairness (Das and Teng, 2001; Sako, 1998).

In line with this conceptualisation, competence trust might therefore be compared to rational cognition-based interpersonal trust, while goodwill trust can be seen to be similar to affect-based interpersonal trust, as these facets share the concern for the welfare of another party. Hence, similar to affect-based trust being founded on cognition-based trust, the interorganisational dimensions have an inherent hierarchical structure, as contractual trust comprises complying with a minimum standard of binding agreements, while goodwill trust constitutes the intrinsic motivation to proactively behave advantageously for both parties. Therefore, the development from contractual to competence and finally goodwill trust implies a continuously increasing consensus on standards of professionalism, integrity and generally acceptable and desirable behaviour (Sako, 1998).

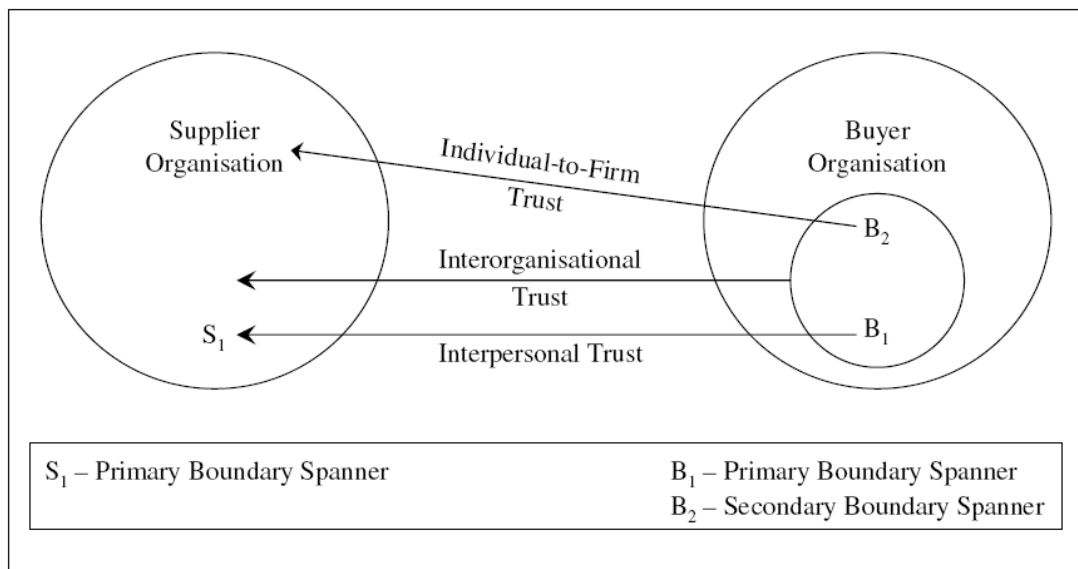
2.3.3.3 The Relationship between Interpersonal and Interorganisational Trust

Trust is an “inherently individual-level” (Zaheer *et al.*, 1998, p. 141) or anthropocentric phenomenon that bases on attitudes, beliefs, perceptions and emotions (Mouzas *et al.*, 2007). Therefore, it has to be elaborated how trust can be transferred from the personal to the organisational level to avoid conceptual ambiguity about who is awarding trust to whom. To postulate that organisations can trust without specifying how (e.g. Doney and Cannon, 1997) means to accredit (micro) individual behaviour, actions and motives to (macro) organisations – which constitutes a cross-level fallacy (Payne and Frow, 2005; Rousseau *et al.*, 1998; Zaheer *et al.*, 1998). Furthermore, it results in an inadequate anthropomorphising of organisations (Mouzas *et al.*, 2007; Zaheer *et al.*, 1998).

As such, only individual human beings can trust, not organisations as abstract entities (Blois, 1999; Das and Teng, 2001). In coherence with the definition of trust provided at the beginning of this chapter, trust can be awarded to another individual, a group of individuals or even a whole organisation (Nooteboom, 2005). However, this does not apply to the originator of trust, as trust only derives from individuals. Thus, in interpersonal trust, both the trustor and the trustee are individuals. At the same time, a number of individuals may share an attitude towards or a perception of a particular organisation. Therefore, the term ‘interorganisational trust’ does not

indicate that organisations as a whole trust each other, but that employees of one organisation share a collective trusting attitude towards another partner company (Blois, 1999; Ganesan and Hess, 1997; Zaheer *et al.*, 1998). A hybrid of these two forms of trust is individual-to-firm trust, in which an individual actor develops trust in an organisation based on e.g. its reputation in a business-to-business or business-to-consumer context (Geigenmüller and Greschuchna, 2011; Palmatier *et al.*, 2006). The interrelation of these facets is depicted in Figure 3.

Figure 3: Interpersonal, Interorganisational and Individual-to-Firm Trust



Adapted from: Zaheer *et al.* (1998)

As Zaheer *et al.* (1998) point out, interorganisational relationships are not faceless, but managed by individual boundary spanners with their own attitudes and motivations. Therefore, the individual and organisational levels both have to be taken into account, as business relationships “are often characterised by a stratified and contradictory web of interpersonal trust relationships between employees of interacting organizations” (Mouzas *et al.*, 2007, p. 1018). Or, as Nooteboom (2007, p. 145) posits:

“One may trust an organisation on the basis of its reputation, for example, but one needs also to trust the people that act for it, which depends on organisational culture, procedures, and the role and position of those people in their organisation. One may trust people, but one needs to also trust the support they get in their organisation...”

This reciprocal relationship between interpersonal and interorganisational trust is founded on institutionalised routines and practices. Even though the individual boundary spanners may change, these processes provide a stable framework in which sound cooperation is established and role definitions persist. Institutionalised practices transform the originally informal mutual commitment of boundary spanners into self-evident routines and structures, which are adopted and taken for granted by new organisational members if the boundary spanner's position is reassigned. These relational norms on the interorganisational level, in turn, impact on the new boundary spanner's perception of interpersonal trust toward their counterpart in the partner organisation and also influence other employees in their attitude towards the partner firm (Kramer, 1999; Zaheer *et al.*, 1998). Therefore, even though interpersonal and interorganisational trust are conceptually different, they are delicately intertwined and have to be considered both when analysing relationships in a business-to-business (B2B) setting (Das and Teng, 2001; Zaheer *et al.*, 1998).

2.3.4 The Antecedents of Interpersonal Trust

A large number of antecedents to trust in business relationships has been identified in the literature (e.g. de Ruyter *et al.*, 2001; Geyskens *et al.*, 1998; Johnson and Grayson, 2005; Selnes, 1998), and it would go beyond the scope of this work to present all of them. Nevertheless, those recognised repeatedly can be assumed to be the most significant irrespective of the relationship context, and these will be discussed in the following. Since the antecedents of interpersonal trust differ from those of interorganisational trust (Doney and Cannon, 1997; Macintosh, 2009), only the former type will be discussed here as personal interaction in business relationships constitutes the focus of this study.

As pointed out by Blois (1999), a lot of studies on trust in fact deal with trustworthiness, but do not distinguish between the constructs (e.g. Doney and Cannon, 1997). The same is true for research into the antecedents of trust in business relationships, as most factors identified do not constitute prerequisites for trusting behaviour, but to be perceived as trustworthy. To overcome this fallacy, Mayer *et al.* (1995) distinguish between trustor-specific variables (i.e. enabling the trustor to have

a trusting attitude) and trustee-specific antecedents (i.e. the trustee's characteristics or behaviours that enable the trustor to perceive the trustee as trustworthy).

'Propensity to trust' is a trustor-specific characteristic that affects the development of trust in a relationship. As stated at the beginning of this chapter, it describes a general disposition or willingness to trust and can be compared to an individual personality trait resulting in a universal anticipation about the trustworthiness of others (Rotter, 1967; Zaheer *et al.*, 1998). Therefore, individuals vary in their inherent willingness to trust and this influences their interaction with others. The more pronounced a trustor's propensity to trust is, the more likely they are to trust someone else before information about that actor is available (Kennedy *et al.*, 2001; Mayer *et al.*, 1995; McEvily *et al.*, 2003). How distinct this propensity is depends on individual factors such as a person's experiences, cultural background or personality type (Kramer, 1999; Mayer *et al.*, 1995).

As a trustor – despite always having the same propensity to trust – experiences various degrees of trust with different trustees, propensity to trust alone is insufficient to explain the development of trust. Hence, research has recognised a large number of mostly trustee-specific antecedents, which result in the trustor's perception that the trustee is trustworthy. Since not all variables can be considered in this work, Table 2 provides an overview:

Table 2: Trust Antecedents

Authors	Antecedent Factors
Ahearne <i>et al.</i> (2007)	<ul style="list-style-type: none"> ▪ Empathy, sportsmanship, diligence, information communication, inducements (indirectly through satisfaction)
Butler (1991)	<ul style="list-style-type: none"> ▪ Availability, competence, consistency, discreetness, fairness, integrity, loyalty, openness, promise fulfilment, receptivity
Cook and Wall (1980)	<ul style="list-style-type: none"> ▪ Trustworthy intentions, ability
Doney and Cannon (1997)	<ul style="list-style-type: none"> ▪ Expertise, power, likeability, similarity, contact frequency, length of relationship
Frost <i>et al.</i> (1978)	<ul style="list-style-type: none"> ▪ Dependence on trustee, altruism
Gabarro (1978)	<ul style="list-style-type: none"> ▪ Openness, previous outcomes, character
Ganesan (1994)	<ul style="list-style-type: none"> ▪ Reputation, satisfaction with past outcomes, experience, perception of trustee's specific investment in relationship
Giffin (1967)	<ul style="list-style-type: none"> ▪ Expertness, reliability as information source, intentions, dynamism, personal attraction, reputation
Good (1988)	<ul style="list-style-type: none"> ▪ Ability, intention, trustees' claims about their behaviour
Guenzi and Georges (2010)	<ul style="list-style-type: none"> ▪ Expertise and customer orientation
Hart <i>et al.</i> (1986)	<ul style="list-style-type: none"> ▪ Openness/congruity, shared values, autonomy/feedback
Johnson and Grayson (2005)	<ul style="list-style-type: none"> ▪ Expertise, product performance, firm reputation, satisfaction with previous interaction, similarity, anticipation of future interaction
Johnson-George and Swap (1982)	<ul style="list-style-type: none"> ▪ Reliability
Kee and Knox (1970)	<ul style="list-style-type: none"> ▪ Competence, motives
Kennedy <i>et al.</i> (2001)	<ul style="list-style-type: none"> ▪ Competence, low-pressure selling tactics, service quality, manufacturer ethical concern, general tendency to trust
Larzelere and Huston (1980)	<ul style="list-style-type: none"> ▪ Benevolence, honesty
Macintosh (2009)	<ul style="list-style-type: none"> ▪ Expertise, dependability, self-disclosure, rapport
Mishra (1996)	<ul style="list-style-type: none"> ▪ Competence, openness, caring, reliability
Morgan and Hunt (1994)	<ul style="list-style-type: none"> ▪ Shared values, communication, absence of opportunistic behaviour
Ring and Van de Ven (1992)	<ul style="list-style-type: none"> ▪ Moral integrity, goodwill
Rosen and Jerdee (1977)	<ul style="list-style-type: none"> ▪ Judgement or competence, group goals
Selnes (1998)	<ul style="list-style-type: none"> ▪ Expertise, communication
Sitkin and Roth (1993)	<ul style="list-style-type: none"> ▪ Ability, value congruence

Adapted (and amended) from: Mayer *et al.* (1995)

As it can be seen from Table 2, some studies recognise a number of trustee-specific characteristics or behaviours that suggest trustworthiness and thus foster the development of trust, while others only identify a single aspect. However, three factors appear frequently: ability/capability, benevolence/goodwill and integrity.

Ability is defined as a “group of skills, competencies, and characteristics that enable a party to have influence within some specific domain” (Mayer *et al.*, 1995, p. 717), and also includes technical and market knowledge (Guenzi and Georges, 2010; Selnes, 1998). While other synonyms such as expertise or competence have been used to denote the same construct (e.g. Johnson and Grayson, 2005; Nootboom, 2007; Sirdeshmukh *et al.*, 2002), the term ‘ability’ emphasises the task- and situation-specific quality of the concept, which best reflects the domain-specificity of trust (Mayer *et al.*, 1995; Zand, 1972). As it conveys the impression to the trustor that the trustee will be able to deliver on their promises, it constitutes an important antecedent to trustworthiness and thus to trust (Kennedy *et al.*, 2001; Macintosh, 2009; Swan *et al.*, 1999).

Benevolence describes the degree to which the trustee is perceived to meet the trustor with care and is willing to do them good without extrinsic rewards, instead of pursuing selfish motives (Ganesan and Hess, 1997; Nootboom, 2007; Sirdeshmukh *et al.*, 2002; Xie and Peng, 2009). The concept implies that the trustee has a particular connection to the trustor and a benign attitude towards them, which in turn results in the latter considering the trustee as trustworthy. Several other studies come to an analogous conclusion and identify very similar constructs such as goodwill, positive intentions, altruism or empathy as trustee-specific trust antecedents (e.g. Ahearne *et al.*, 2007; Mishra, 1996; Ring and Van de Ven, 1992) (see Table 1).

Integrity relates to the trustor’s belief that the trustee follows the same or similar moral norms and principles as the trustor and is thus also labelled ‘value congruence’ (Mayer *et al.*, 1995). For the same reason, Morgan and Hunt (1994) as well as other researchers refer to this characteristic as ‘shared values’, as it connotes the degree to which trustor and trustee have the same attitude regarding the appropriateness and rightness of behaviours, objectives and strategies. When both parties appear to share the same set of values, trust is more easily established because the trustor feels more able to estimate the trustee’s intentions and future behaviour and thus perceives them to be trustworthy (Doney and Cannon, 1997; Massey and Dawes, 2007; Xie and Peng, 2009).

A further antecedent found to be relevant for this work, *rapport*, is not explicitly specific to either trustee or trustor, but arises from the interaction between

both parties. In the context of interpersonal business relationships, rapport has been defined as a trustor's perception of "having an enjoyable interaction with the [trustee], characterised by a personal connection between the two interactants" (Gremler and Gwinner, 2000, p. 92). It comprises the ties established between the two actors that result in a feeling of affiliation as well as an affect-laden cognitive evaluation of the quality of their interaction (Macintosh, 2009). If both parties perceive each other to be 'compatible' in such a way on a personal level, they consider themselves to be 'on the same wavelength' and thus trustworthy (Bell, 2011; Schwartz *et al.*, 2011). The emergence of rapport does not depend on a shared past or a relationship's long-term outlook – indeed it exists and is just as significant in discrete interaction episodes (Gremler and Gwinner, 2008; Hennig-Thurau *et al.*, 2006). Therefore, it is particularly relevant in the present context, as this study intends to consider all types of business connections ranging from individual exchanges to long-term relationships. In addition, in business interaction rapport has so far mainly been investigated from the customer's point of view, thus calling for an examination of the construct from the perspectives of both actors in the dyad (Gremler and Gwinner, 2000).

All the variables outlined above denote unique aspects of trustworthiness and play significant roles in the evolvment of trust. The degree to which they are perceived by a trustor, however, may vary. If all were observed to be high, the trustee would presumably be considered to be very trustworthy. Nevertheless, the concept of trustworthiness should not be seen as consisting of absolute opposites (trustworthy vs. not trustworthy), but as a continuum along which each of the characteristics may differ (Mayer *et al.*, 1995).

2.3.5 The Benefits of Trust

A number of academic disciplines – e.g. marketing and organisational behaviour – have found substantial evidence for the benefits of trust in business relationships, such as the reduction of transaction and negotiation cost, continuous improvement and learning or reduced conflict (Kramer, 1999). Trust can reduce transaction and negotiation costs by enabling the partners to adapt quicker to

unexpected situations and to give each other the ‘benefit of the doubt’ when dealing with each other (Bendapudi and Berry, 1997; Das and Teng, 2001; Sako, 1998). In trusting business relationships, agreements are reached easier because the parties involved are more willing to find compromises and contingencies can be resolved quicker (Zaheer *et al.*, 1998). Therefore, trust functions as a social decision heuristic, which represents “behavioural rules of thumb actors use when making decisions about how to respond to various kinds of choice dilemma situations they encounter” (Kramer, 1999, p. 582).

In a similar vein, trust is argued to reduce dysfunctional conflict, i.e. behaving obstructively, working at cross-purposes and not respecting each other’s roles in the relationship (Dawes and Massey, 2005; Eisingerich and Bell, 2007). In a trusting relationship, the actors are more flexible in dealing with each other and more willing to concentrate on the issue at hand than on tactics and personal gains. Furthermore, a wide range of social norms and processes that have been established over the course of the relationship help to preserve it in times of conflict (Zaheer *et al.*, 1998). At the same time, however, trust can enhance functional conflict, defined as promoting open discussion, confronting even uncomfortable truths and challenging ideas and beliefs (Massey and Dawes, 2007). As the partners trust each other, they are less likely to smooth over problems, but instead can face them without having to fear for damaging the relationship permanently. By sorting out issues thoroughly and effectively, communication is improved and the relationship is ultimately strengthened – hence functional conflict can lead to a reduction of dysfunctional conflict in a trusting connection (Zaheer *et al.*, 1998).

Trust also leads to accelerated innovations and improved learning, as the actors are more willing to utilise opportunities that are beneficial for both. The motivation to meet challenges together gives rise to enhanced efficiency and enriched dealings, resulting in learning-by-interaction (Sako, 1998). Furthermore, trust in a relationship promotes knowledge and information sharing – and thus learning from each other – by encouraging the other party to disclose information and at the same time providing insight into own knowledge (Johnson *et al.*, 2003; McEvily *et al.*, 2003). In this context, partners in a trusting relationship are also less likely to control each other and engage in safeguarding to manage uncertainty, as each party presumes that

the other's intentions are benevolent and opportunistic behaviour will not occur (Bendapudi and Berry, 1997; Das and Teng, 2001; Zand, 1972). As Ouchi (1979, p. 864) posits: "People must either be able to trust each other or to closely monitor each other if they are to engage in cooperative enterprises". By decreasing the effort put into precautionary measures, trust releases resources that can be used more effectively otherwise, e.g. in proactively assisting and supporting each other (McAllister, 1995; McEvily *et al.*, 2003). While the aforementioned benefits refer to the individual as well as the organisational level, interpersonal trust of a customer in a salesperson has further advantages such as anticipation of continued interaction (Crosby *et al.*, 1990; Kennedy *et al.*, 2001), stimulation of re-purchases (Eisingerich and Bell, 2007; Sirdeshmukh *et al.*, 2002) and the former's willingness to recommend the salesperson to others (Crosby *et al.*, 1990; Guenzi and Georges, 2010).

2.4 Chapter Summary

This chapter has traced the shift from transaction to relationship marketing, but has also pointed out that pursuing a purely relational approach might not be appropriate for all organisations. Being located somewhere on the marketing strategy continuum and having a portfolio of relationships seems more advisable for most service providers, in particular when considering not only the advantages, but also the disadvantages of a relational strategy that have been outlined. Furthermore, the dynamic nature of relational exchange was discussed by differentiating between the interrelated interaction levels (acts, episodes and sequences) in a relationship, thereby highlighting the interdependence of both customer and service provider in an intertwined service production and consumption process. As this constellation entails intense interaction and facilitates the development of emotional bonds between the involved actors, it has also been emphasised that trust between buyer and seller is regarded to be an important antecedent of establishing long-lasting customer relationships.

Subsequently, the second part of this chapter has outlined and critically discussed the multi-faceted construct of trust that in greater detail. After providing a

definition that forms the basis for this research, a range of significant aspects of trust has been discussed – most importantly, that risk and interdependence between the actors are necessary prerequisites for trust to occur. It has also been shown that the concept is often amalgamated with related, but still different constructs such as reliance or confidence. Furthermore, the dimensions of interpersonal and interorganisational trust have been outlined, as well as how they are ultimately intertwined. The most important antecedents of trustworthiness and thus trust have been analysed, followed by a presentation of the benefits of trust in business relationships. All in all, this section has provided a comprehensive overview of the complex concept of trust in buyer-seller relationships, which – despite a large body of academic literature – still contains elusive aspects that need to be clarified in order to advance our understanding of human interaction. It remains debatable if trust as a construct can ever be fully captured, as people are “moving targets” (Friestad and Wright, 1994, p. 22) and thus the phenomenon of trust in business relationships is also a moving target – it changes and evolves over time. Therefore, no research into the occurrences in buyer-seller relationships can be all-encompassing. It might be possible that there will always be a grey area that can not be completely illuminated – because in the end, trusting somebody will always involve taking a ‘leap of faith’.

The subsequent chapter ties in with the preceding discussion of trust and its role in customer relationship development by analysing a concept that is generally considered to be the purpose of professional relationships: value and its generation in buyer-seller interaction. In particular the perspective of service-dominant (S-D) logic on value is examined, followed by an outline of the role of the individual salesperson in the value creation process.

CHAPTER 3

CUSTOMER VALUE, VALUE CO-CREATION AND THE ROLE OF THE SALESPERSON

3.1 Introduction

When analysing the notion of developing professional relationships as discussed in the previous chapter, the concept of customer value and its creation can not be ignored – indeed it is essential for relational marketing theory and practice (Menon *et al.*, 2005; Payne and Holt, 2001). According to Anderson (1995, p. 348), value creation constitutes the “raison d’être” of buyer-seller relationships. Since customer value forms one of the foundations of this research, the subsequent sections analyse the meaning and implications of value. As Howden and Pressey (2008) point out, research into the concepts of value and value creation in buyer-seller relationships is still in the fledgling stages, and those few studies that do exist have mainly been conducted in a tangible goods related context instead of researching service industries. In a similar vein, Menon *et al.* (2005, p. 3) state that “research oriented efforts to systematically conceptualise *and* empirically analyse customer value ... have been few”.

Therefore, this chapter provides a comprehensive overview of the concept of customer value. Beginning with a definition and examination of the different value typologies, the first section then moves on to the concept of value within service-dominant (S-D) logic, comprising a comparison with its point of departure, goods-dominant (G-D) logic. This is followed by a discussion of value-in-use and value-in-exchange, as particularly the former is an essential notion within the customer value concept. Subsequently, the co-creation of value in buyer-seller relationships – within and outside of S-D logic – is analysed by exploring the implications of value co-creation and co-production in the service delivery process. Furthermore, the role of the selling organisation in the co-creation process is clarified. The second part of this chapter then analyses the impact of the shift from transactional exchange to establishing relationships and co-creating customer value on personal selling as a discipline. The role of salespeople in the development of relational customer

connections and the joint realisation of value is discussed, as well as the application of relational selling behaviours to nurture trust between the customer and salesperson.

3.2 Customer Value and Value Co-Creation

3.2.1 The Definition of Customer Value

‘Value’ as a term appears frequently in the marketing and general business literature and has several conceptual connotations (e.g. ‘added value’ or ‘high-value customers’). The construct discussed here is ‘customer value’, which is at the heart of S-D logic and has gained considerable prominence among marketing scholars. However, although customer value has been on the research agenda even before the emergence of S-D logic, there is no single commonly acknowledged definition of the concept (Payne and Holt, 2001; Voima *et al.*, 2010), and the term ‘value’ has a “ubiquitous nature stemming from its semantic vagueness” (Howden and Pressey, 2008, p. 790). Similarly, Flint, Woodruff and Fisher Gardial (2002, p. 102) suggest that despite its significance, “the study of customer value is in its infancy... Even the term ‘customer value’ can be confusing because it may bring to mind very different concepts”. While some scholars researching customer value and value co-creation do not offer a definition of the value construct altogether (e.g. Payne *et al.*, 2008), in other publications a variety of interpretations can be found that differ significantly in meaning (e.g. Butz and Goodstein, 1996; Zeithaml, 1988). However, two similarities are generally referred to throughout most definitions: Firstly, customer value is subjectively determined by the buyer rather than by the seller. Secondly, value is experienced through, or intrinsic to the use of, a product or service (Woodruff, 1997). One definition of customer value has been suggested by Woodruff (1997, p. 142):

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

Holbrook (2006, p. 212), in turn, characterises customer value as an “interactive relativistic preference experience”, and this definition will be adopted for

this work. Value has an interactive component as it is contingent on a relationship between a customer and an offering (service or product). Furthermore, customer value is relativistic in several ways: It is comparative, as customers appraise the value of an offering in comparison to another, as well as situational and personal, as the assessment of value is context-dependent and varies between individuals. In addition, value implies a preference judgment, e.g. in terms of attitude or opinion, according to relevant criteria. Finally, value is not embedded in a good, but arises from the interactive consumption experience of the customer (Corsaro and Snehota, 2010; Holbrook, 2006).

All these definitions of value have another commonality not mentioned before: Building on the notion of interaction, they regard customer value as a process, not a state – it emerges and develops over time (Cova and Salle, 2008; Parasuraman, 1997; Vargo, 2009). In line with this argument, Woodruff and Flint (2006) point out that the concept of customer value goes beyond a cognitive state of fixed value assessments, but instead comprises multiple dynamic phenomena revolving around customers' activities and their interaction with service and product offerings. Or, as Miles (1961, p. 3) posited in the early stages of value research:

“Value means a great many things to great many people because the term value is used in a variety of ways. It is often confused with cost and with price. In most cases, value to the producer means something different from value to the user. Furthermore, the same item may have differing value to the customer depending upon the time, place and the use.”

3.2.2 Categorisations of Customer Value

It might be this notion of a situational process that makes it difficult for researchers to identify a generally accepted typology of value. A large number of classifications have been suggested, usually comprising different labels and numbers of types (e.g. Berthon and John, 2006). For example, Sheth *et al.* (1991) distinguish between functional, social, emotional, epistemic and conditional customer value, whereas Holbrook (2006) identifies eight kinds of value: efficiency, excellence, status, esteem, play, aesthetics, ethics and spirituality. Menon *et al.* (2005) differentiate between core benefits such as product quality or post-purchase services

and add-on benefits, which are of more significance to the customer value concept than the former benefit category. Most classifications also acknowledge that customer value is the result of a trade-off between received benefits and required sacrifices (e.g. Menon *et al.*, 2005; Payne and Holt, 2001; Ulaga and Eggert, 2006a; Zeithaml, 1988). These typologies are criticised by Woodruff and Flint (2006, p. 186), however, for inherently referring to customer value as a “perceptual state of being”. To overcome this notion, they offer a more general classification of customer value as consisting of desired value, i.e. expected value derived from using a good or service, and received value, i.e. the value realised via actual use that is assessed in terms of ‘goodness’ or ‘badness’ (Woodruff, 1997). This rather general categorisation of customer value leaves room for further interpretation and understanding of the complexity of the concept. Since no consensus on the precise meaning of customer value has been reached yet, more qualitative exploratory methodologies are required in marketing research in order to generate rich knowledge and insight into “how customers perceive, think about, and engage in customer value processes” (Woodruff and Flint, 2006, p. 191).

In line with the differentiation between exchange episodes and the overall relationship discussed previously, Ravald and Grönroos (1996) offer a further typology that distinguishes between episode and relationship value. In particular the latter category has received considerable attention within marketing research: Crosby *et al.* (1990) were among the first to suggest that the value of a long-term relationship derives from the elements that constitute its ‘quality’. Based on this work, Wilson and Jantrania (1994) conceptualise three relationship value dimensions (economic, strategic and behavioural), while Biggemann and Buttle (2011) empirically support four types (personal, financial, knowledge and strategic), but only consider the value of the relationship for the seller. Eggert, Ulaga and Schultz (2006) as well as Ulaga (2003) and Ulaga and Eggert (2006b) identify six, eight and nine interrelated facets of relationship value respectively. All of these studies, however, only consider relationship value on the organisational level in manufacturing business-to-business contexts, in which value is not created jointly, but mainly by the supplier. The present work therefore contributes to advancing theory by attempting to capture the concept of customer value and its co-creation on the individual level (customers and salespeople) and in a service setting. In addition,

Corsaro and Snehota (2010) emphasise that relationship value is actor- and context-specific, and its perceptions are fluid, ever-changing and dependant on the interaction between actors, meaning that extant research does not provide sufficient insight into how the parties involved interpret and understand value. They therefore conclude:

“Establishing a correspondence with the conceptual categories for relationship value proposed in the literature ... becomes difficult and, to a large extent, arbitrary... The current quest for general elements of value that has characterised recent research on relationship value seems to be pointless – and not very fruitful.” (Corsaro and Snehota, 2010, p. 992-993)

The authors thus call for more empirical research into how value is perceived considering different situational factors and what role interaction plays in this context (Corsaro and Snehota, 2010). To address this need, the researcher of the present work has decided to disregard the categorisations of relationship value identified by e.g. Ulaga (2003) or Biggemann and Buttle (2011) and instead only to adopt the much wider distinction between episode and relationship value suggested by Ravald and Grönroos (1996). This conceptualisation of customer value does not only correspond to the levels of interaction discussed previously, but is also sufficiently broad to allow the interpretations of value to arise from the researched participants in their specific relational circumstances. According to Ravald and Grönroos (1996), episode value can encompass brand reputation, enhancing the offer's benefits (e.g. quality or additional support services) and/or reducing the sacrifices involved for the customer to increase their satisfaction as well as elicit repeated transactions. Relationship value, in turn, takes on the 'deeper' meaning of security, stability, credibility and integrity, which increases trust for the service provider and stimulates loyalty (Ravald and Grönroos, 1996). Once a customer is satisfied with the first transactions, they begin to feel safe with the seller and trust evolves, as the organisation has proven to be capable of fulfilling their demands and stands by its promises (Johnson *et al.*, 2003; Ravald and Grönroos, 1996; Selnes, 1998). Thus, it is crucial that the service provider recognises the importance of continuity in a relationship with a customer – only if value does not just relate to episodes, but is understood to assume a deeper meaning and to be linked to the buyer's expectations and the seller's responsibility to meet and possibly exceed these, can a relational approach to marketing be realised successfully (Ravald and Grönroos, 1996). Similarly to Corsaro and Snehota (2010), Ravald and Grönroos (1996) call for work

investigating the value perceptions of customers on an episode and relationship level, emphasising the need to explore the influence of the relationship itself on the perceived value at both stages. In addition, they recommend customers as research targets whose connections with a service provider are characterised by commitment and engagement from both parties to gain an in-depth understanding of the interactive phenomenon of customer-perceived value in buyer-seller relationships (Ravald and Grönroos, 1996).

3.2.3 Customer Value within Service-Dominant Logic

Since the publication of their article “Evolving to a New Dominant Logic for Marketing” (2004a), service-dominant logic (S-D logic) as proposed by Vargo and Lusch has gained considerable momentum and is said to have the potential to become a new prevalent paradigm in marketing thought. Some critics regard it as ‘old wine in new bottles’, as indeed elements of not only relationship marketing, but also concepts such as market orientation, services marketing as well as network perspectives and integrated marketing communications (IMC) can be traced in S-D logic (Aitken *et al.*, 2006). However, S-D logic consolidates these ideas into a single coherent construct that does not only apply to individual aspects of marketing, but aims at transforming the discipline as a whole (Ballantyne *et al.*, 2011). As the constructs of customer value and value co-creation are integral parts of S-D logic and constitute the heart of the present work, the following section provides an outline of S-D logic and its Foundational Premises (see Table 3), as well as the conceptualisation of value within it.

Table 3: Summary and Rationale of Foundational Premises

Foundational Premise	Rationale
FP1: Service is the fundamental basis of exchange	Service – the application of knowledge and skills (operant resources) – is the basis for all exchange. Service is exchanged for service.
FP2: Indirect exchange masks the fundamental basis of exchange	Because service is provided through complex combinations of goods, money, and institutions, the service basis of exchange is not always apparent
FP3: Goods are a distribution mechanism for service provision	Goods (both durable and non-durable) derive their value through use – the service they provide
FP4: Operant resources are the fundamental source of competitive advantage	Operant resources are the essential component of differentiation. The comparative ability to cause desired change drives competition
FP5: All economies are service economies	Service is only now becoming more apparent with increased specialization and outsourcing; it has always been what is exchanged
FP6: The customer is always a co-creator of value	There is no value until an offering is used – experience and perception are essential to value determination
FP7: The enterprise cannot deliver value, but only offer value propositions	Since value is always co-created with and determined by the customer, it cannot be embedded in the manufacturing process
FP8: A service-centred view is inherently customer oriented and relational	Because service is defined in terms of customer-determined benefit and co-created, it is inherently customer oriented and relational
FP9: All social and economic actors are resource integrators	All economic entities exist to serve society and themselves through the integration and application of resources
FP10: Value is always uniquely and phenomenologically determined by the beneficiary	Value is idiosyncratic, experiential, contextual, and meaning laden

Adapted from: Lusch *et al.* (2007) and Vargo and Lusch (2008)

It should be emphasised at this point that the concept does not only concern the marketing discipline – indeed, Vargo and Lusch (2008) explicitly indicate that S-D logic does not exclusively apply to marketing management. Instead it is a generalised mindset, a “lens through which to look at social and economic exchange phenomena so they can potentially be seen more clearly” (Vargo and Lusch, 2008, p. 9), and thus has a much wider focus that (as shown towards the end of this chapter) also affects the role of the salesperson and the field of personal selling.

3.2.3.1 From G-D Logic to S-D Logic

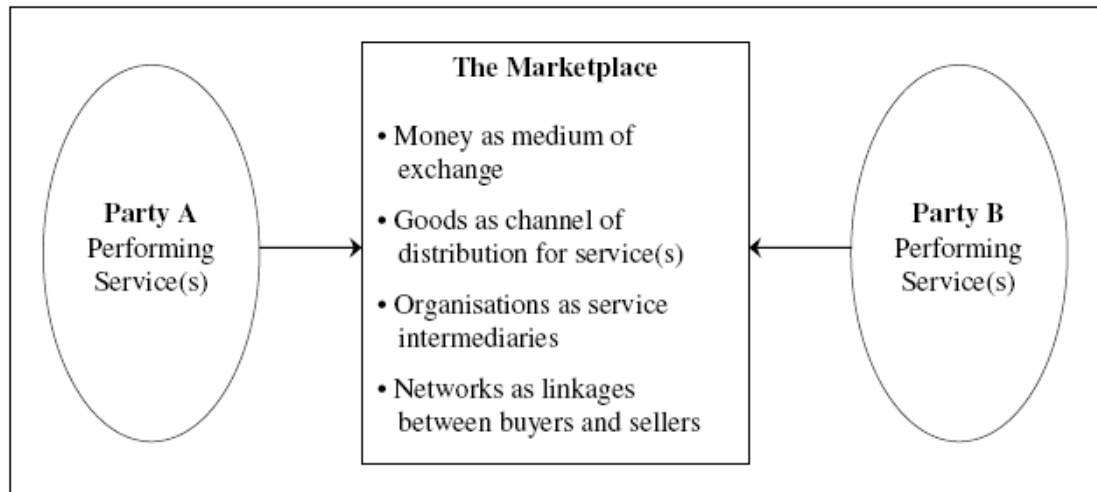
According to Vargo and Lusch (2004a), marketing inherited a goods-dominant (G-D) logic from economics that centres around the physical exchange of units of manufactured output. In essence, G-D logic regards the production, distribution and selling of tangible objects (matter or goods) that are embedded with value and utility during the manufacturing process as the focus of economic activity. All decisions of the organisation are geared towards profit maximisation, and to achieve the utmost production efficiency, the output is standardised and inventoried until demanded by a consumer. The customer is a passive consumer who is targeted, segmented and marketed to – i.e. the customer constitutes an *operand* resource that has to be acted upon to produce an effect (Lusch *et al.*, 2007; Vargo and Lusch, 2004a).

In this line of thinking, services are considered to be a specific type or subset of good that is inevitably characterised in comparison to products (Grönroos, 2006; Lusch and Vargo, 2006b; Lusch *et al.*, 2007). Although different numbers of features have been identified (e.g. Lovelock, 1991), the most common ones are intangibility, heterogeneity, inseparability and perishability (Zeithaml *et al.*, 1985). These characteristics have become common marketing knowledge and are rarely challenged, even though they only define services by exclusion, i.e. as lacking the properties of tangible products, and thus imply a certain inferiority to goods. Accordingly, marketing regards these features as limitations that have to be resolved, e.g. by making as many aspects of a particular service tangible as possible (Vargo and Lusch, 2004b).

Postulating that marketing needs to break free from its economic roots, service-dominant (S-D) logic, in contrast, considers *service* – defined as “the application of specialized competences (... knowledge and skills), through deeds, processes, and performances for the benefit of another entity or the entity itself” (Vargo and Lusch, 2006, p. 43) – as the primary unit of exchange and the foundation of all economic activity. Individuals or organisations trade the service, i.e. specialised skills and knowledge, which they can offer for service they require from other entities. Thus, service is essentially exchanged for service (Lusch *et al.*, 2010; Vargo and Lusch, 2011), and is “superordinate to goods in terms of classification and function, but not superior in terms of importance” (Vargo and Lusch, 2006, p. 46). S-D logic does not

define service via its differences to goods, but instead focuses on the relationship between the two, i.e. goods being mechanisms for providing service (Lusch and Vargo, 2006b; Lusch *et al.*, 2007). Since manufactured goods become service appliances to generate value, all businesses are ultimately service businesses (Aitken *et al.*, 2006; Ballantyne *et al.*, 2011). This interrelation is depicted in Figure 4:

Figure 4: Service(s) Exchanged for Service(s)



Source: Lusch and Vargo (2006a)

S-D logic views customers as *operant* resources, i.e. dynamic resources that have the capability to act upon others, and therefore rejects the ‘promote to’ and ‘market to’ philosophy of G-D logic. Instead, the concept embraces a ‘market with’ orientation in which the customer is seen as a partner who creates value in collaboration with the organisation and both parties enter into a dialogue (Ballantyne *et al.*, 2011; Jacob and Ulaga, 2008; Lusch *et al.*, 2007). In line with this perspective, customers actively assess the value of goods they buy on the basis of the solution and performance they provide *in use* – meaning that no matter whether they purchase goods or services, customers always acquire service experiences (Grönroos, 2008; Vargo and Lusch, 2011) as “the goods purchased become *service appliances*” (Ballantyne and Aitken, 2007, p. 363). ‘Service’ as the basic denominator of all exchange therefore encompasses experiences arising from direct interaction with service providers as well as interaction with manufactured goods that become mechanisms for service (Ballantyne and Aitken, 2007; Ballantyne and Varey, 2008; Lusch and Vargo, 2006b).

Regarding customers as the ultimate arbiters of value that is co-created by the consumer and the organisation in an interactive process also implies that the firm itself can only make value propositions and coordinate the compilation of resources for the customer (Ballantyne and Aitken, 2007; Vargo and Lusch, 2004a; 2006). This outlook does not only dramatically alter the perspectives of functions such as marketing or sales, but also highlights that S-D logic is inherently relational (Vargo and Lusch, 2011). To operate successfully, organisations have to develop strong relationships and networks with customers and suppliers – with the former to enter into a dialogue as well as to co-create service experiences and thus ultimately value through direct or indirect (i.e. via goods) interaction, and with the latter to share and integrate operant resources such as specialised skills and knowledge to develop superior value propositions for customers and build competitive advantage (Cova and Salle, 2008; Lusch *et al.*, 2010; Prahalad and Ramaswamy, 2004b).

3.2.3.2 Value-in-Exchange versus Value-in-Use

Two types of customer value – value-in-exchange and value-in-use – play a crucial role in the transition from G-D to S-D logic, and therefore these need to be investigated in more detail. Value-in-exchange, the prevalent concept in G-D logic, comprises the notion that customer value is implanted into goods by the manufacturer during the production and distribution process (Grönroos, 2006; 2008; Vargo and Lusch, 2004a). S-D logic, in turn, suggests that customers assess the value of a product or service *in use*, i.e. in a consumption experience or value-generating process in which the customer interacts with the good and/or service in a use context (Holbrook, 2006; Woodruff and Flint, 2006). Accordingly, value-in-use is defined as “a customer’s outcome, purpose or objective that is achieved through service” (Macdonald *et al.*, 2011, p. 671). Thus, the determination of value-in-exchange is always provisional upon the customer’s subsequent experience of what a good or service can actually do for them. Before value-in-use is realised, only value potential can exist – the seller can only make value propositions (Ballantyne and Varey, 2008; Grönroos, 2006; Vargo and Lusch, 2004a).

S-D logic's focus on value-in-use, however, does not mean that value-in-exchange becomes completely irrelevant – rather the two constructs are intertwined (Michel *et al.*, 2008). Value-in-exchange can not occur without value-in-use, as the customer is only willing to purchase a service (directly or via a tangible good) if the experience or solution derived from it meets or exceeds expectations. If it does not or the customer can not use a good altogether, then the value-in-exchange is zero. Thus, value-in-use is a higher-ranking construct to value-in-exchange, and the latter is a function of the former (Grönroos, 2008; Grönroos and Ravald, 2009; Michel *et al.*, 2008). In practice, value-in-exchange of course still exists, and should be seen as a monetary instrument to obtain financial feedback and learn from the market how highly customers rate the value-in-use of a service (Vargo and Lusch, 2006).

However, it has been noted that the term 'value-in-use' can be slightly misleading and misinterpreted to refer only to functional benefits (Macdonald *et al.*, 2011). Vargo and Lusch (2006) emphasise that this is not the case – since S-D logic conceptualises customer value as an individually determined phenomenological experience (see FP 10), it can also comprise expressive or hedonic satisfaction, which may be of even greater significance for customers than utilitarian advantages depending on the good or service and the interaction context. In addition, "value emerges and unfolds over time, rather than being a discrete, production-consumption event" (Vargo, 2009) p. 375, thus highlighting the importance of interaction between the co-creating actors. Therefore, Vargo *et al.* (2008) have subsequently suggested the term 'value-in-context' to reflect the full scope of meaning that S-D logic assigns to the concept of customer value. Grönroos (2009) points out though that this expression is misleading itself, as context is seen as a static construct, while usage is a dynamic process. To acknowledge the significance of context for value creation, he proposes the term 'value-in-use dependant of the context', shortened to the original 'value-in-use', which has been adopted for this work.

3.2.4 The Co-Creation and Co-Production of Customer Value

As discussed earlier, the notion of value co-creation entails that customer value is not rooted in an offering and consumed by a passive customer, but instead realised

jointly by the customer and the selling organisation in an interactive and relational process (Ballantyne *et al.*, 2011; Jacob and Ulaga, 2008; Vargo and Lusch, 2011). Although value co-creation is at the heart of S-D logic, the concept is neither entirely new nor has it been developed only in conjunction with S-D logic. Termed as ‘customer participation in production’ or ‘co-production’, a very similar construct encompasses the actual contribution – depending on the customer’s resources and capabilities – in the development of the offering itself. As co-production is suggested to increase competitive advantage by actively involving the customer (Prahalad and Ramaswamy, 2004b), it is implemented in manufacturing, where goods are being utilised for service provision, but also in service settings. In the latter context, co-production is defined as “constructive customer participation in the service creation and delivery process” necessitating meaningful and co-operative input (Auh *et al.*, 2007, p. 361). Although the construct has been explored since the late 1970s (Czepiel, 1990; Lovelock and Young, 1979; Prahalad and Ramaswamy, 2000), the majority of research is conceptual and most work has so far concentrated on the seller’s perspective of co-production (Bendapudi and Leone, 2003).

In line with the prevailing G-D logic, three levels of customer participation (particularly in services) have been identified: *firm production*, meaning the customer only needs to be present while the offering is completely produced by the organisation; *joint production*, i.e. the customer and the organisation’s contact employees interact and both participate in production, as the buyer’s input customises the offering, and *customer production*, meaning the offering cannot be created without the buyer’s active participation or is entirely produced by the customer (Bitner *et al.*, 1997; Meuter and Bitner, 1998). The main economic advantage of these types of customer participation is increased productivity, as co-production reduces employee labour costs and thus allows the organisation to offer its product or service at a lower price than its competition (Fitzsimmons, 1985). Within these levels of service co-production, however, customers can engage in distinct roles: they can act as *productive resources*, i.e. supplying input similarly to an employee of the service provider, or function as *contributors to the offering’s quality and value*, thereby increasing their own satisfaction. Furthermore, customers can constitute *competitors* to the selling organisation when having the choice of acquiring a service or performing it – fully or in part – themselves. These roles, while

very different, are not mutually exclusive and aspects of each may occur in any given purchase or service encounter (Bitner *et al.*, 1997).

The main difference between customer participation in production as discussed above and the concept of co-creation as advocated by S-D logic is that the latter centres on the generation of ‘value’ in an abstract sense and from the customer’s point of view instead of focusing on the benefits for the seller only. According to S-D logic, value – tangible or intangible, utilitarian or hedonic benefits – is always co-created through the joint actions of the organisation and the customer, but only the customer can ultimately determine the value of the service in use (Cova and Salle, 2008; Etgar, 2006; Lusch *et al.*, 2010). The organisation itself can only make value propositions, but since in S-D logic value is not embedded in a good or service during its production process, it can not deliver value on its own (Vargo and Lusch, 2008).

The two very similar constructs analysed above, co-production and co-creation, are consolidated in S-D logic in that value co-creation is a higher-ranking construct comprising both the *co-creation of value* and *co-production* as sub-categories (Ballantyne and Varey, 2008; Lusch *et al.*, 2007). Thus, while the customer always co-creates value, the participation in co-production is contingent and, similar to Meuter and Bitner’s (1998) typology of co-production, can range from extensive involvement to none at all (Lusch and Vargo, 2006b; Vargo and Lusch, 2008). Furthermore, co-production can vary from e.g. co-design or co-promotion to co-distribution and co-maintenance, and participation is not restricted to customers only, but can include suppliers or other stakeholders (Lusch and Vargo, 2006b; Sheth and Uslay, 2007). The extent to which in particular a customer contributes to co-production depends, according to Lusch *et al.* (2007), on the following factors:

- the customer’s level of *expertise* relevant for the development of a particular offering
- the degree of *control* the customer wants to exert on the production process
- the amount of *physical capital* required from the customer for co-production
- the level of *risk taking* involved in co-production (e.g. physical, psychological or social risk-taking)

- the *experiential (emotional) benefits* the customer gains from participating in co-production
- the *economic benefits* a customer can obtain from engaging in co-production

In the context of interpersonal relationships in credence services – such as the fine arts auction business – Auh *et al.* (2007) identified four antecedents:

- the extent and depth of the customer-salesperson *communication*, as well as the clarity of the task required
- the customer's *competence*
- the customer's *affective commitment* to the salesperson and the service provider
- the level of *interactional justice*, i.e. the evaluation of the fairness of the interpersonal treatment, perceived by the customer.

While co-production increases uncertainty for the service provider as the service quality depends on the input of both customer and selling organisation, it affords the former with perceived higher levels of control and further customises the service generation and delivery process. In addition, the customer's involvement in production contributes significantly to the development of loyalty to the service provider (Auh *et al.*, 2007). Although Vargo and Lusch (2004a) conceptualise that customers actively engage in co-production and co-creation, Woodruff and Flint (2006, p. 190), however, point out that “we know very little about whether customers see themselves as playing this role”. Therefore, more research is needed into the processes of co-production to investigate how aware customers are of their function in the co-creation of value.

3.2.4.1 The Role of the Organisation in the Value Co-Creation Process

Value co-creation “clouds who is seller and who is customer, because each is involved in creating value for the other” (Woodruff and Flint, 2006, p. 187). However, while S-D logic makes clear that customers are co-creators and ultimately the arbiters of value (Grönroos, 2008; Vargo and Lusch, 2006), the role of the firm in the value co-creation process is not that explicitly defined. The original version of FP7 (“The enterprise can only make value propositions” (Vargo and Lusch, 2004a))

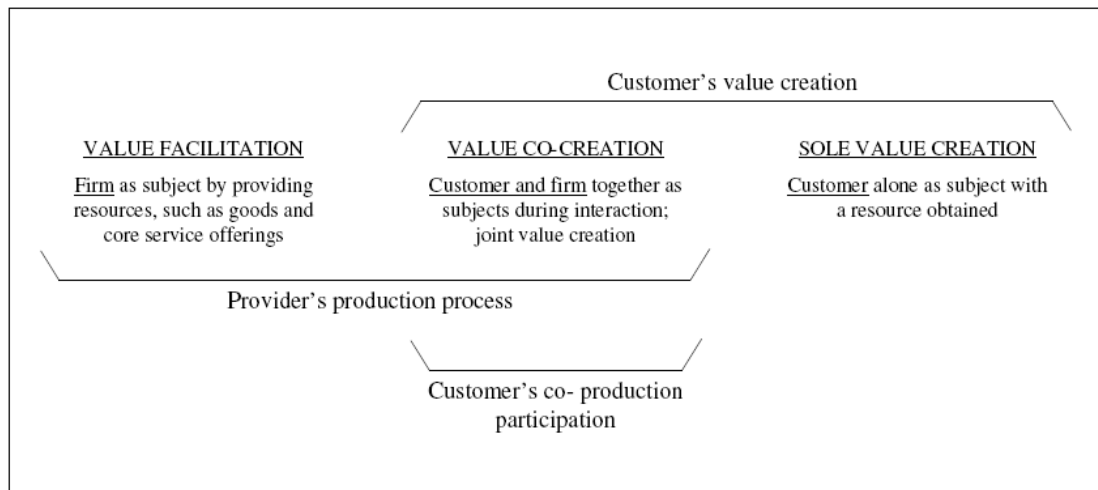
has often been misinterpreted to mean that once the organisation has offered its value proposition, its task in the value co-creation process is completed. However, this is a misconception: The organisation can not deliver value *independently* (see the current version of FP7 in Table 3), but the term ‘*co-creation*’ and the focus on relationships in FP8 entail that the firm and the customer cooperate to create value (Vargo and Lusch, 2008).

Grönroos (2006; 2009; 2011) offers further clarification of this issue by conceptualising that when following a service logic, organisations always act as *value facilitators* and potentially also as *value co-creators*. The latter notion is also supported by the framework for value co-creation suggested by Payne *et al.* (2008), which highlights the interactive and relational nature of the co-creation process and bears considerable resemblance with Grönroos’ conceptualisation. As a value facilitator, the service provider – e.g. represented by a salesperson – provides the customer with a value foundation by producing and delivering necessary (tangible and intangible) resources that have *value potential* (the organisation’s value proposition) (Grönroos, 2009). With the help of their own resources (e.g. other goods, skills or information) a customer utilises the service provider’s resources and thus transforms their value potential into actual value-in-use (Payne *et al.*, 2008). In this sense, the organisation *facilitates* the customer’s value creation (Grönroos, 2008; Grönroos and Ravald, 2009). For a goods manufacturer without any customer interaction, this constitutes the limit of its opportunities to influence value creation. However, since in S-D logic the aim of marketing is value co-creation and value is considered to be value-in-use, a relational customer orientation becomes crucial for organisations. By seeking direct interaction with customers through its salespeople (and potentially other employees) to realise this objective, the firm is not limited to its role as a value facilitator, i.e. providing value potential only, but can directly impact on their value fulfilment. To do so, it is not sufficient to identify the customer’s requirements, but salesperson has to know their *value systems*, i.e. the kind of value the buyer seeks to realise, such as time-saving or convenience benefits, knowledge enhancement or improved internal processes. In addition, the salesperson also has to understand and take part in the customer’s value-generating process or *value chain*, i.e. how they endeavour to obtain the outcome necessary to achieve these values (Flint *et al.*, 1997; Grönroos, 2004; Payne *et al.*, 2008). Thus, the

customer's value systems and chain are inextricably linked, as the former naturally direct the value-generating process and the fulfilment of the identified needs.

The notion that customers – be it commercial, institutional or individual buyers – have value chains that need to be recognized by the seller in order to (co-)create actual value was first introduced by Porter (1985), who defined the construct as the sequence of activities performed by the customer in which the seller's offering fits. Continuous value creation requires the seller to understand the customer's value chain, “not only as it is today but also as it evolves over time” (Slater and Narver, 1994: 22), meaning that just like the concept of value, the customer's value chain is a dynamic and non-linear phenomenon (Payne *et al.*, 2008). Vandermerwe (2000), in turn, further extends the conceptualization of the buyer's value-generating processes by depicting them as a cycle: the customer-activity cycle, which assists sellers in identifying opportunities for (joint) value creation by recognising the buyer's value experience and taking part in their value-generating activities. The customer's processes – instead of a product or offering – become the focus of a relational strategy, and the organisation's skills, resources and own internal practices are adapted accordingly (Payne *et al.*, 2008), meaning that value co-creation occurs in the customer's sphere. Thus, by participating in customers' value generating processes, organisations truly become *value co-creators*. Without any form of interaction, however, value co-creation is impossible (Grönroos, 2009; 2011; Grönroos and Ravald, 2009). Conversely, this means that co-creation is contingent on buyer-seller interaction as the “locus of value creation” (Prahalad and Ramaswamy, 2004b, p. 10). This interrelation is depicted in Figure 5:

Figure 5: Value Facilitation, Value Creation and Value Co-Creation



Source: (Grönroos and Ravald, 2009)

For service providers, this interaction occurs as a matter of course, while goods manufacturers have to create opportunities for interaction by e.g. providing call centre services, delivering products or communicating with customers via a website (Grönroos and Ravald, 2009). To enable value co-creation, organisations have to determine which kinds of encounters customers prefer and how these influence the cognitive, emotional and behavioural aspects of the customer's value generation and relationship experience. This knowledge ultimately allows the firm to facilitate superior customer experiences and thus constitutes a substantial competitive advantage (Payne *et al.*, 2008). Since any involvement in the customer's processes is performed by customer-facing employees such as salespeople, they – instead of the organisation as an abstract entity – are probably ultimately the ones who co-create value and impact on the customer's value fulfilment (Grönroos, 2011). However, the focal point of attention is still always the customer:

“... it is not the customers who get opportunities to engage themselves in the supplier's processes, but rather the supplier which can create opportunities to engage itself with its customers' value-generating processes. It is not the customer who becomes a value co-creator with a supplier, rather, it is the supplier which, provided that it adopts a service logic and develops firm-customer interactions as part of its market offerings, can become a co-creator of value with its customers.” (Grönroos, 2008, p. 307)

By supporting the customers' value creation and interacting with them to get involved in their processes and act as a co-creator, the organisation also creates value for itself. Accordingly, Vargo (2009, p. 374) states that “value creation is mutual and

reciprocal (i.e. service is exchanged for service) almost by definition”, as through the customer’s contribution to the co-production process, the actors also realise value for the organisation. Nevertheless, it has been suggested that the seller is unlikely to require the customer’s ‘service’ beyond the financial means provided by the latter (Vargo, 2009). However, since the notion of ‘actor-to-actor (A2A)’ value generation has so far apparently mainly been conceptualised (e.g. Vargo and Lusch, 2011), further empirical research into the creation of mutual value for both buyer and seller is called for (Grönroos, 2011). This is of particular importance as – while customer value has already been the subject of comprehensive marketing research (e.g. Biggemann and Buttle, 2011; Ulaga and Eggert, 2006a) – the value a seller can obtain has only received little attention so far (Songailiene *et al.*, 2011). Although Walter *et al.* (2001) propose a number of direct and indirect ‘value functions’ related to order volume, safeguarding, entering new markets and getting access to various stakeholders, these aspects are not derived from *co*-creation, i.e. active engagement of the customer in a joint value realisation process. The identified elements also only comprise financial or economic benefits, thus disregarding the potential experiential dimensions of value. Songailiene *et al.* (2011), in turn, name ‘co-creation value’ as only one aspect of supplier-perceived value that is of secondary importance compared to financial or strategic value derived from the relationship with a customer. Both studies therefore do not consider the co-creation context in full; in particular as they only focus on one side of the buyer-seller dyad. They also only investigate value on the organisational level and in B2B settings. The present work intends to contribute to closing these gaps by examining the joint value realisation process on the individual level from the perspectives of both actors’ involved and by exploring if salespeople can also derive value from customer interaction in B2C contexts.

3.3 Personal Selling in the Era of Relationship Development and Value Creation

As customer-facing employees such as salespeople can be argued to engage themselves in the customer’s value generating processes to act as value co-creators (Grönroos, 2011) and this work explores the personal interaction between the customer and salesperson, the discipline of personal selling and its development in

the era of building relationships and creating value with customers has to be considered. Therefore, the following section integrates the previously discussed concepts of customer relationships and value (co-)creation by examining their influence on personal selling and the function of the salesperson. After outlining the evolution of the most important approaches to personal selling, the significance of the salesperson in establishing trusting relationships and realising customer value is analysed. Finally, an account is presented of the relevant salesperson behaviours that result in the development of trustful long-lasting cooperative connections to customers, thereby bringing together the literature on relationship marketing and interpersonal trust as discussed in the previous chapter.

3.3.1 The Evolution of Personal Selling

A focus on building relationships with important customers does not only influence the marketing outlook of an organisation, but its orientation as a whole, turning all employees with customer contact into ‘part-time marketers’ representing the organisational culture and service orientation to external stakeholders (Grönroos, 1990; 2004). As the attention has shifted away from transactional marketing to establishing long-term relationships, however, the role of salespeople has probably evolved the most – from ‘personal selling’ in the production era to ‘relationship selling’ in the partnering era (Jolson, 1997; Weitz and Bradford, 1999). Table 4 summarises the development of the salesperson role.

Table 4: Salesperson Roles

Era/role	Production	Sales	Marketing	Partnering
Sales force objective	Making sales	Making sales	Satisfying customer needs	Building relationships
Sales force orientation	Short-term seller needs	Short-term seller needs	Short-term customer and seller needs	Long-term customer and seller needs
Critical tasks of salespeople	Taking orders, delivering goods	Convincing buyers to buy products	Matching available offerings to buyer needs	Creating new alternatives by matching buyer needs with seller capabilities
Activities of salespeople	Making sales calls and informing customers about the firm's offering	Influencing customers using a hard-sell approach	Influencing customers by practicing adaptive selling	<ul style="list-style-type: none"> ▪ Building and maintaining customer relationships ▪ Organising and leading a sales team ▪ Managing conflict
Role of salesperson	Provider	Persuader	Problem solver	Value creator
Focus of sales management (selection, training, motivation, evaluation, and compensation)	<ul style="list-style-type: none"> ▪ Individual Salespeople ▪ Emphasis on efficient resource allocation and motivating salespeople to work harder 	<ul style="list-style-type: none"> ▪ Individual Salespeople ▪ Emphasis on efficient resource allocation and motivating salespeople to work harder 	<ul style="list-style-type: none"> ▪ Individual salespeople ▪ Emphasis on selection and training to improve ability and motivating salespeople to work harder 	<ul style="list-style-type: none"> ▪ Sales teams and their leaders ▪ Emphasis on the selection and motivation of teams and developing leadership and conflict management skills in account managers

Source: Weitz and Bradford (1999)

Before discussing each role in more detail, it has to be noted that the evolution of the sales roles should not be seen as exclusively chronological. While each has dominated its respective era, all roles existed in each era (Weitz and Bradford, 1999). This still applies today: As outlined in the previous chapter, relationship marketing has not replaced transaction marketing as the new hegemonic paradigm, but both coexist on opposite ends of the strategy continuum, and organisations have to decide where on the continuum to place themselves according to the nature of their offering (Grönroos, 1994a). In addition, most organisations have a variety of different types

of relationships ranging from one-off transactions to close long-term connections (Blois, 1998; Harker and Egan, 2006). Therefore, all sales roles outlined here can be found in current sales practice.

The first roles, labelled 'production' and 'sales', correlate to the strategic orientation of transaction marketing. While the former usually occurs in markets with little competition and demand exceeding supply, the latter focuses on eliciting demand and persuading customers using rather aggressive selling techniques (Weitz and Bradford, 1999). The activities of sales personnel in these roles are often described as the traditional 'seven steps of selling', which comprise:

- Prospecting, i.e. searching for customers via networking, referrals and 'cold calling'
- Preapproach, i.e. activities before the first visit, e.g. researching the customer's requirements in relation to the product to be sold
- Approach, i.e. the strategies employed by salespeople when approaching a customer for the first time and developing rapport
- Presentation, i.e. introduction of the product or service
- Overcoming objections, i.e. convincing the customer of the offer's benefits and answering questions
- Close, i.e. the successful completion of the sale
- Follow-up, i.e. ensuring the order has been delivered on time and the customer is satisfied (Moncrief and Marshall, 2005).

These activities aim predominantly at one-off sales, with sales personnel being experts on their products – however, in-depth insight into the buyer's organisational processes is deemed unnecessary (Sharma, 2007). Sales encounters are seen as discrete, and each sale repeats the same steps over and over again (Sheth and Sharma, 2008). The 'marketing' role, in turn, is slightly more customer-orientated, although the range of solutions presented to meet the customer's requirements is restricted to the organisation's current products and service offers, as the main objective is still making a sale (Weitz and Bradford, 1999). In this role, adaptive selling techniques are employed to persuade customers by using and adjusting different influence tactics (e.g. recommendations, threats, promises or ingratiation)

depending on the type of buyer and the selling situation (McFarland *et al.*, 2006; Park and Holloway, 2003).

Finally, instead of selling *to* customers, the focus of the last role lies on relational selling and ‘partnering’ *with* customers, and sales personnel act as relationship managers and consultative value creators (Liu and Leach, 2001; Moncrief and Marshall, 2005; Sheth and Sharma, 2008). They acquire in-depth knowledge about their customers’ requirements as well as personal characteristics and preferences (Frankwick *et al.*, 2001; Jolson, 1997; Weitz and Bradford, 1999). Each problem is regarded to be unique and provided with an individually tailored solution that exactly meets these needs and adds substantial value for the customer (DelVecchio *et al.*, 2003). Therefore, the ‘partnering’ role overlaps with other selling approaches that focus on identifying customer needs, solving problems and assisting customers to achieve their objectives, such as customer-oriented selling (Franke and Park, 2006; Schwepker Jr, 2003; Wachner *et al.*, 2009) and consultative selling (Liu and Leach, 2001). In their function as a relationship manager and partner to the customer, salespeople hold a key position in the connection between an organisation and its customers by personifying the firm’s expertise and abilities, thus having significant influence on their perception of an organisation’s reliability and the benefits of its service (Guenzi, 2002; Weitz and Bradford, 1999). Therefore, salespeople can positively enhance relationships, and their commitment to cultivating them is crucial (Frankwick *et al.*, 2001).

Most recently, the concept of value-based selling has emerged in the literature in response to the growing recognition of the importance of customer value. It is suggested to move beyond relationship selling and partnering by explicitly concentrating on the customer’s value-in-use and including the complete domain of value creation instead of individual facets only (Terho *et al.*, 2012). Defined as “the degree to which the salesperson works with the customer to craft a market offering in such a way that benefits are translated into monetary terms, based on an in-depth understanding of the customer’s business model, thereby convincingly demonstrating their contribution to customers’ profitability”, value-based selling consists of three dimensions: comprehension of the customer’s business model, devising the value proposition and finally communicating the specific value (Terho *et al.*, 2012, p. 178).

This definition displays considerable similarities to the concept of integrated solution selling in terms of exceeding predefined customer requirements to identifying unarticulated needs and opportunities for value creation (Brady *et al.*, 2005; Davies *et al.*, 2007; Tuli *et al.*, 2007). Value-based selling is also reminiscent of the conceptualisation of Grönroos (2008; 2011) with regard to the organisation's necessity to understand the customer's value-generating processes to be able to jointly realise value. In contrast to the suggestions of Grönroos, however, value-based selling does not give a lot of room to the notion of co-creating value (although this is implied in its definition), but mainly focuses on the creation of customer value by the seller. Furthermore, perhaps due to its conceptualisation in a business-to-business context, the approach concentrates exclusively on monetary value creation opportunities (Terho *et al.*, 2012), and thus disregards other, e.g. experiential or hedonic, aspects of customer value (Vargo and Lusch, 2006).

3.3.2 The Significance of the Salesperson in Relationship Development and Value Creation

Salespeople have a central function in realising a successful relational approach to marketing and cultivating connections to customers (Beverland, 2001; Guenzi and Georges, 2010; Park and Holloway, 2003; Schwepker Jr, 2003). Although a service provider's perceived overall trustworthiness is more important for customers than that of an individual salesperson when first deciding which service to purchase, salespeople have a pivotal role in initiating the relationship by acting as 'ambassadors' for their organisation (Geigenmüller and Greschuchna, 2011). Since many services require a lot of customer-salesperson interaction, the personal connection between these two actors can significantly impact on the customer's assessment of the service delivered and their overall relationship to the service provider (Gremmler and Gwinner, 2000; Hennig-Thurau *et al.*, 2006; Hennig-Thurau *et al.*, 2002). Thus, interpersonal relational strategies are most effective when relationships are particularly critical and important for customers – e.g. in credence services due to the high levels of perceived risk and uncertainty – and when these connections are built with individuals rather than organisations (Bendapudi and Berry, 1997; Guenzi and Georges, 2010; Macintosh, 2009). Though individual-to-

firm relationships do occur, customers form interpersonal relations, e.g. to a boundary spanner such as a salesperson, much more easily (Bendapudi and Berry, 1997; Palmatier *et al.*, 2006; Wong and Sohal, 2002).

Not only are interpersonal relationships between customers and sales personnel more intense and last longer than individual-to-firm connections, they are also stronger (Lian and Laing, 2007; Palmatier *et al.*, 2007) – for example, judgements made by customers because they trust the salesperson are more confident and outcome-related than assessments based on trust in the organisation (Palmatier *et al.*, 2006). In a similar vein, Guenzi and Georges (2010, p. 115) argue that “in many service environments, the firm’s relational intent and ability are, to a great extent, personified and expressed in practice by the front-line employees”, i.e. salespeople. Very often interpersonal connections are even seen to be a vital aspect of the service provider’s offering (Czepiel, 1990). Therefore, salespeople play a key role in facilitating and establishing trust on the part of the customer, which in turn results in favourable buyer behaviour, improves the general quality of the relationship and makes it more resistant to potentially arising conflicts (Palmatier *et al.*, 2008; Wong and Sohal, 2002). Although this trust and the customer loyalty it induces can be conveyed to the service provider as a whole, a large proportion is linked to and controlled by the salesperson (Doney and Cannon, 1997; Palmatier *et al.*, 2007; Sirdeshmukh *et al.*, 2002). As the development and degree of trust in the salesperson is considerably more important to customers than trust in the selling organisation once an initial connection has been established (Ganesan and Hess, 1997; Howden and Pressey, 2008), the relationship between customer and service provider can be damaged if the employee leaves the organisation (Palmatier *et al.*, 2007). Thus, since the interaction of interpersonal and organisational aspects in marketing relationships is highly complex, more research into how salespeople actually establish and maintain connections to customers is still necessary (Beverland, 2001; Guenzi and Georges, 2010; Palmatier *et al.*, 2007).

While the importance of the salesperson for the development of customer relationships is widely acknowledged, there is not a lot of literature available on the function of salespeople in (co-)creating customer value (Corsaro and Snehota, 2010). This is surprising considering the prominence of the value concept on the current

academic research agenda and the recognition that the salesperson is of key strategic significance in realising the seller's value proposition (Woodruff, 1997). As Grönroos (2004; 2008; 2011) points out, the organisation has to understand and participate in the customer's value-generating processes to truly co-create value. Therefore, the co-creation of value is contingent on interaction (Grönroos, 2009; Prahalad and Ramaswamy, 2004b), which to a large extent takes place between the customer and the salesperson representing the organisation. As the main point of contact, salespeople thus presumably play a pivotal role in taking part in the customer's value chain and influencing their value fulfilment – only through its salespeople (and potentially other customer-facing employees) might the organisation be able to move from being a value facilitator to being a co-creator of value (Grönroos, 2011). Nevertheless, little empirical evidence for this notion seems to be available so far. Accordingly, Terho *et al.* (2012, p. 176) point out that “only a little is known about the value co-creation activities in selling and at salesperson level. As salesperson-related value research is still in its infancy, the fundamental questions remain open as to what behaviours salespeople should engage in from a value perspective and how these behaviours relate to the creation of value.” The present work contributes to closing this gap by providing empirical evidence into the processes involved in value co-creation in the interpersonal interaction between the customer and the salesperson.

3.3.3 Relational Selling Behaviours

Several selling behaviours as well as salesperson attributes, which contribute to the success of a relational approach to marketing and result in the customer developing trust in the relationship, have been previously identified in the literature. These behaviours are also called relationship-enhancing activities and comprise resources, actions and efforts designed to deepen a bond with a customer (Ahearne *et al.*, 2007), as “the behaviour of the salesperson operates as a signal that serves as a heuristic in assessing the quality of offerings being considered for purchase” (Sharma, 2007, p. 327). One of the most important relationship-enhancing activities is *listening*, in this context defined as “actively sensing, interpreting, evaluating and responding to verbal and non-verbal messages of present or potential customers”

(Ramsey and Sohi, 1997, p. 128). If a customer feels that the salesperson is listening to them, their trust increases and they are more inclined to enter into future interaction with that employee (Ramsey and Sohi, 1997). Another relationship-enhancing activity is *mutual disclosure*, i.e. the sharing of important or even private information. It has to be highlighted that this behaviour needs to be reciprocal, otherwise the relationship is weakened – if one party refrains from disclosing, the other will start to question the connection and suspicion might emerge (Crosby *et al.*, 1990; Macintosh, 2009).

Furthermore, *contact density*, denoting the frequency of (face-to-face or indirect) communication between salesperson and customer, demonstrates commitment to the relationship and provides customers with an opportunity to watch the representative's behaviour. This facilitates the prediction of the salesperson's likely future behaviour, provides reassurance and stimulates trust. Frequent social interaction establishes closer interpersonal relationships and improves understanding of the customer's needs, expectations and value-generating processes (Crosby *et al.*, 1990; Doney and Cannon, 1997; Palmatier, 2008). In a similar vein, Ahearne *et al.* (2007) state that *information communication*, i.e. regularly sharing information and 'staying in touch', and *diligence*, i.e. responding to customer requests in a timely and reliable manner, constitute important salesperson behaviours throughout the whole of the relationship. Apart from these behaviours, however, there is an argument that a salesperson's attitude – i.e. their affect for or against clients – is equally essential for displaying a customer orientation and establishing relationships (Stock and Hoyer, 2005).

In terms of salesperson attributes, it has been found that *similarity* and *expertise* improve the effectiveness of relationship-building efforts. The former comprises the customers' belief that sales personnel have the same values and interests as themselves and share an understanding of what kinds of behaviour, norms and objectives are appropriate. Thus, the customer ascribes benign intentions to a 'similar' salesperson and perceives them as trustworthy, which increases their satisfaction with the relationship (Crosby *et al.*, 1990; Doney and Cannon, 1997; Palmatier *et al.*, 2006). Expertise, in turn, is positively related to the ability to successfully influence a customer and being perceived as trustworthy (Crosby *et al.*,

1990). Customers are more probable to seek a close relationship with salespeople they consider to be knowledgeable and experienced, as expertise demonstrates sales personnel's capabilities across a variety of tasks and their ability to deliver on promises. Therefore, competence on the part of the seller results in increased confidence of the customer, higher probability to find solutions to problems and guarantee a successful transaction (Doney and Cannon, 1997; Palmatier *et al.*, 2006; Palmatier *et al.*, 2008).

Although these behaviours and attributes are said to contribute to the development of trust and long-term relationships, salespeople have to be very careful in applying/demonstrating them. Relational selling has to be context-dependent, as a uniform approach might be neither appropriate nor profitable (Beverland, 2001). This notion goes beyond the use of different influence tactics as employed in adaptive selling (McFarland *et al.*, 2006) – instead, the customer's relational preferences or 'mode' has to be considered on an individual basis (Grönroos, 2004). Furthermore, relationships change over time, and so relational or value-based selling and partnering strategies have to evolve correspondingly (Beverland, 2001; Terho *et al.*, 2012). At each stage of the relationship, the salesperson has to re-assess the customer's motivation and value-generating processes carefully and adjust their approach to delivering the service correspondingly if the interaction and co-operation with the customer is to be carried on in the long term.

3.4 Chapter Summary

This chapter has discussed the concept of customer value and the different types of value identified in the literature. The concept was then situated within S-D logic by outlining its core principles and dissociation from G-D logic as well as comparing the notions of value-in-use and value-in-exchange. Furthermore, the construct of co-production as an inherent part of customer value and co-creation was analysed, followed by an account of the role of the service provider as a facilitator or co-creator in the value generation process. Finally, the concepts of cultivating customer relationships and co-creating value were brought together in the discussion of their impact on the evolution of personal selling. It was established that

salespeople are the key figures in the contact between the customer and the service provider, as they are the ones who act as ambassadors for their organisation, establish relationships to customers and elicit interpersonal trust. As the customer's main point of contact, salespeople can be argued to be at the forefront when it comes to understanding the customer's value-generating processes and realising this value in their interaction.

Two issues have been identified in this chapter that are crucial for this work: First, the nature of value co-creation means that buyer and seller depend on each other, as value is generated in their interaction and the service quality is contingent on the contribution from both actors. This interdependence, in turn, entails risk for both parties, presumably making trust a necessary requirement for the successful co-creation of value. However, this potential interrelation has not yet been explored or confirmed empirically. Second, despite the prominence of the customer value concept on the academic agenda, the role of the salesperson in realising value and their activities in the co-creation process have received only little attention so far. The present work therefore contributes to the closure of this gap by exploring the interaction between customers and salespeople in the fine arts auction business and the processes taking place in their joint creation of value. The subsequent chapter describes how this was achieved by providing details about the philosophical stance underlying this study and the chosen methodology, as well as giving insight into the fieldwork process, the methods of data collection and analysis and how the rigour and quality of the findings was ensured.

CHAPTER 4

METHODOLOGY

4.1 Introduction

It is believed that any piece of scientific research is lacking if it is conducted without the researcher being clear about the philosophy underpinning their work and how it ultimately impacts on the choice of methodology. Just as a house can not be built without a foundation, scientific research and the methods applied within any study have to be based on and grounded in the researcher's ontological and epistemological worldview to be both sound and rigorous (Burrell and Morgan, 1979). This interrelationship of ontology, epistemology, methodology and methods is summarised in Table 5.

Table 5: Ontology, Epistemology, Methodology and Method

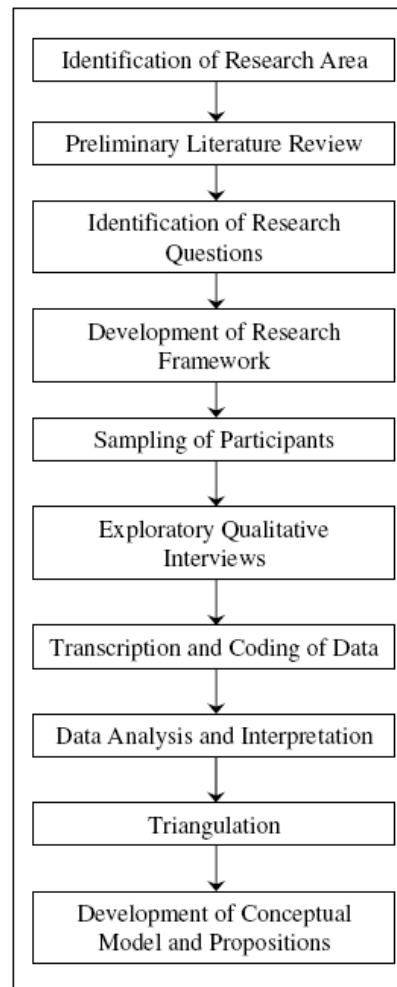
Ontology:	Assumptions that we make about the nature of reality.
Epistemology:	General set of assumptions about the best ways of inquiring into the nature of the world.
Methodology:	Combination of techniques used to inquire into a specific situation.
Methods:	Individual techniques for data collection, analysis etc.

Source: Easterby-Smith *et al.* (2002)

Adhering to a critical realist position in terms of research philosophy, this work constitutes a cross-sectional exploratory qualitative study. Employing a research framework adapted from Layder's (1993; 2006) research resource map, semi-structured interviews with both customers of fine arts auction houses and art specialists (who act as sales representatives for the auction house) have been conducted to investigate the influence of trust on value co-creation and capture the perspectives of both actors involved in the interpersonal relationship. Further interviews were carried out with marketing managers, customer service employees and board members of the six auction houses to examine the organisational level and in case additional data was needed to corroborate the findings gained from customers and specialists. The participants for this study have been recruited via convenience and snowball sampling, and were interviewed either face-to-face or via telephone.

The data generated with these methods was transcribed verbatim and analysed employing qualitative content analysis, allowing the categories and codes to emerge from the data. In addition, the researcher conducted unstructured non-participant observation to become familiar with the fine arts auction business, the consignment and auction processes as well as the language and terms commonly used in this industry. Further insight was derived from documents such as auction house catalogues, news bulletins and trade magazine articles. As the fine arts auction business has apparently rarely been subject to marketing research, the triangulation of the two main data sets obtained from the interviews (customers and art specialists) has been useful to reflect the richness and complexity of the investigated customer-salesperson relationship and generate substantial and thorough findings. The overall research process followed for this study aimed at securing a high level of validity and reliability (LeCompte and Preissle Goetz, 1982). While it is depicted in Figure 6 in a linear fashion, it has to be pointed out that in reality it was an iterative process, as the interviews were conducted in two stages and the transcription and coding of data began as soon as the first data was collected. The categories and codes emerging from the data were revised and expanded repeatedly during this process, and based on the insights that became apparent even a further research question was added.

Figure 6: The Qualitative Research Process



Adapted from Neuman (2006)

Following the hierarchy of intertwined elements of research philosophy presented in Table 5 above, this chapter examines the research design that has been adopted for this work. The author's ontology and epistemology are presented as well as contrasted with and demarcated from other prominent philosophical positions. This is followed by a discussion of the chosen methodology and how it links in with the author's philosophical stance, as well as an outline of the specific methods employed to collect and analyse the empirical data. Arguments are provided to support the notion that this specific research design is particularly appropriate for generating substantial and relevant findings. Finally, the benefits of triangulating the empirical data gained from two different samples and the overall validity and reliability of this research are discussed.

4.2. Philosophical Underpinnings

It is essential for scientific research to align the implications inherent in the author's work with their understanding of the nature of social science to effectively be able to generate thorough findings and advance existing concepts (Holdaway, 2000; Potter, 2000). The philosophical assumptions underlying a piece of research have to be appropriately comprehensive to justify the methodology and to demonstrate the purpose of the methods employed (Bartunek *et al.*, 1993; Burrell and Morgan, 1979).

Burrell and Morgan (1979) have mapped out two main approaches to social science research: objectivism and subjectivism. The former comprises a realist ontology stating that there is only one external reality existing independently of the individual's perception, and that the world is made up of hard facts and tangible structures which can be observed empirically. Knowledge of this reality can be gained via positivist nomothetic procedures such as seeking regularities and causal relationships between variables or atomistic events by testing pre-formulated hypotheses to confirm or falsify scientific laws and predict general behavioural patterns (Burrell and Morgan, 1979; della Porta and Keating, 2008; H eritier, 2008; Neuman, 2006; Potter, 2000). In contrast, subjectivism (also called constructionism or constructivism), holds that there is not one, but multiple realities created and shaped by each individual's mind, and that the social world and its phenomena are artificially constructed. Thus, knowledge of these realities cannot be acquired by searching for regularities and laws, but only by taking up the viewpoint of the individuals to be studied and immersing oneself in their social world, thereby seeking to emphatically understand (in the sense of Weber's *verstehen*) their perception of reality (Bryman, 2004; Potter, 2000; Smith, 2002; Stevenson, 2000).

Within these two very antithetic approaches, Burrell and Morgan (1979) have identified four different paradigms, within which all social science researchers can be located according to the philosophical underpinnings reflected in their work. However, though the frames of reference of these paradigms show a high degree of variation, all four are firmly placed in either the objectivist or subjectivist dimension, thus leaving little room for synthesis. The author, however, interprets these two dimensions as two ends of a continuum upon which other philosophical concepts

such as critical realism – the author’s research philosophy adopted for this work – can be placed, thus constituting alternatives to objectivism and subjectivism and opening up more room for diversity and debate.

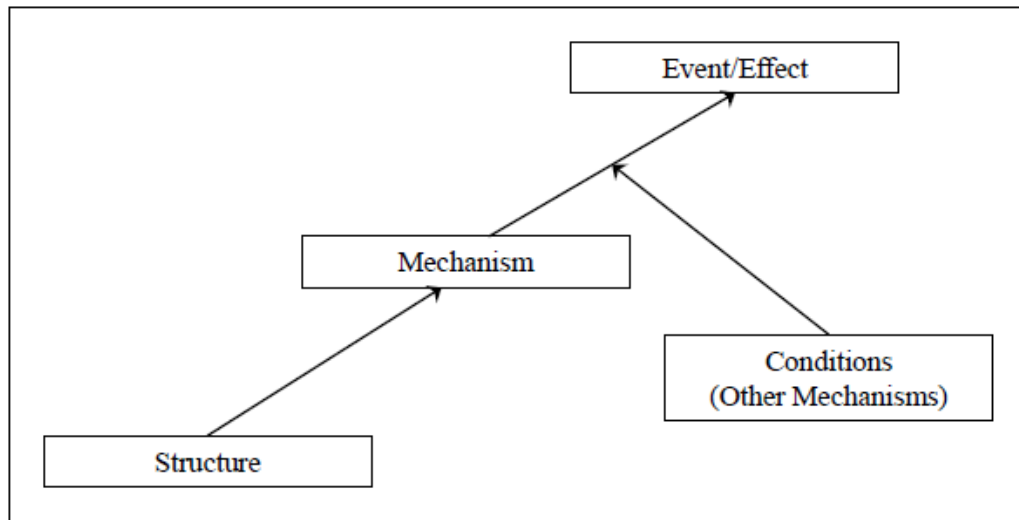
4.2.1 Ontology

Depending on the academic source consulted, critical realism is defined as an ontology (e.g. Potter, 2000) or an epistemology (e.g. Bryman, 2004). The researcher has decided to adhere to the positions of Sayer (2000) and Bhaskar (1979), who see critical realism as a social science philosophy that starts off with asking what reality has to be like for scientific activity to be possible and comprises both ontological and epistemological concepts. Thus, elements of critical realism will be discussed in this as well as the following section.

Similar to objectivism, critical realism holds that there is one reality “out there”, external to our perception of it and whether we are able to grasp and understand it or not – “reality is, however it is” (Potter, 2000, p. 189). Nevertheless, critical realism concedes that reality possesses depth and is an open system that can be interpreted differently by different individuals (Bhaskar, 1979; della Porta and Keating, 2008; Denzin and Lincoln, 2008; McEvoy and Richards, 2006). Whereas objectivists see the world as a simplistic series of atomistic events and causal regularities which can be observed empirically, critical realists distinguish between several levels of reality: the *real*, the *actual* and the *empirical*. The first denotes the realm of an entity’s inherent structures, its causal powers and liabilities, as well as the generative mechanisms that enable it to behave in particular ways and react to specific changes. In this context, structures are defined as “sets of internally related elements” (Sayer, 2000, p. 14), or objects and practices, and can be found not only within social phenomena such as societies, markets or organisations, but also individual actors in terms of their inherent characteristics, abilities and personality traits. In addition, structures can also be nested within structures (Easton, 2010; Sayer, 1992). Generative mechanisms, in turn, constitute the manner in which structured objects act by using their causal powers and liabilities (Easton, 2010).

The *actual* stratum of reality refers to states of affairs and the events potentially (but not necessarily) occurring when these mechanisms are activated (see Figure 7 for an illustration of the interrelation between structures, mechanisms and events).

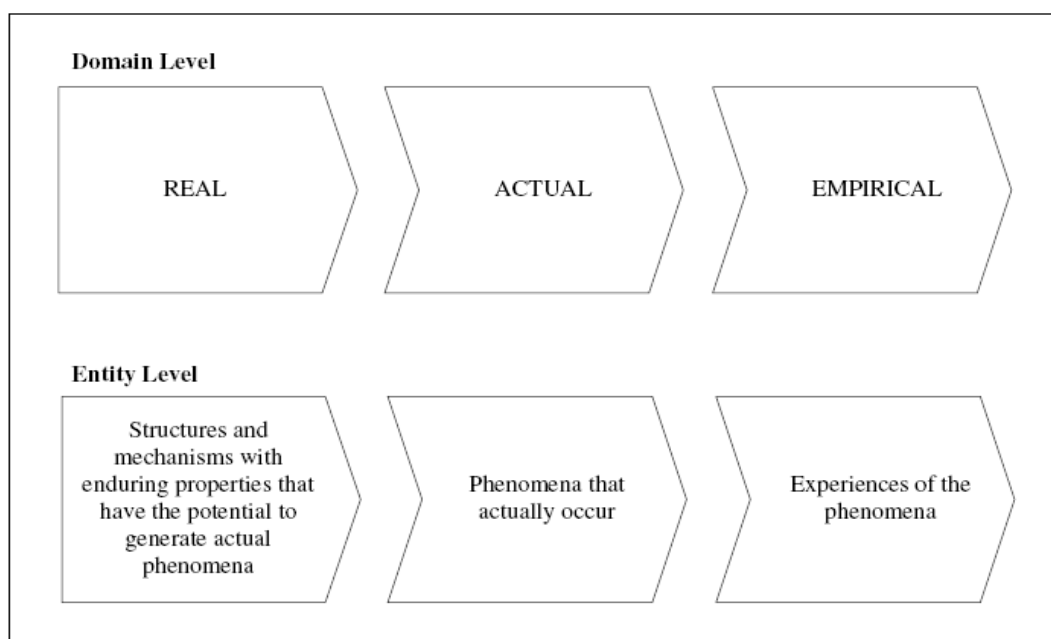
Figure 7: Critical Realist View of Causation



(Adapted from: Sayer, 2000)

Finally, the *empirical* level comprises our experiences and observations of these events – although it is contingent whether we have knowledge of the *real* and the *actual* when perceiving them (McEvoy and Richards, 2006; Potter, 2000; Smith, 2002). Figure 8 depicts these intertwined strata of reality.

Figure 8: The Three Ontological Domains (Levels of Reality) in Critical Realism



Adapted from: McEvoy and Richards (2006)

This distinction into different levels of reality also embraces the significance of the absence of events and existence of unexercised powers, thus not limiting the world to observable incidents – what has occurred does not exhaust what could occur, as all objects possess their structures and powers no matter whether we do know about them or not (Collier, 1994; Potter, 2000; Sayer, 2000). Because of this differentiation of levels of reality, critical realism is thought to purport a stratified ontology, while e.g. objectivism is a flat ontology as it is only concerned with the *empirical* and *actual* domains of reality or an indistinguishable combination of the two (Reed, 2005; Sayer, 2000; Smith, 2002).

Furthermore, in acknowledging the depth of reality, critical realism also recognises that in the social world any kind of incident cannot be simply reduced to the variables it consists of – abstractly speaking, the result is more than just the sum of its parts (Bhaskar, 1979; Collier, 1994). Social reality is characterised by *emergence*, i.e. “situations in which the conjunction of two or more features or aspects gives rise to new phenomena, which have properties which are irreducible to those of their constituents, even though the latter are necessary for their existence” (Sayer, 2000, p. 12). Social systems involve dependencies that affect the actors it consists of, and the identities and functions of individuals are intertwined in *necessary relationships* – the status and abilities of one person depend on their relations to others. For example, there is a necessary relationship between teacher and student, as the former could not be a teacher without the existence of the latter. However, these necessary relationships do not automatically have to be symmetric (Easton, 2010) – for example, a state cannot exist without the individuals living within it, but individuals can exist without forming a state. Furthermore, individuals can also be affected by features whose existence is only marginally or contingently linked to their own, but due to the human sensitivity to context these *contingent relationships* can still have great impact (Easton, 2002; 2010; Sayer, 2000). Therefore, the critical realist position accommodates several philosophical stances that are relevant for this work. While it is assumed that there is only one reality, this study acknowledges the different actors’ varying interpretations of this reality by distinguishing between the customers’ and the specialists’ perceptions of their interaction. The exploration of the interpersonal relationship from different perspectives enables to move beyond the *empirical* level of reality (i.e. the actors’

experience of their interaction) to uncover the *actual* processes of developing interpersonal trust and co-creating value and the *real* dynamics causing them.

4.2.2 Epistemology

Critical realism is believed to be an alternative to the two presumably most prevalent research philosophies objectivism and subjectivism and their related epistemologies positivism and anti-positivism (also called constructionism or interpretivism). These two epistemological stances oppose each other in terms of whether the social sciences can be treated and studied like the natural sciences, but both have been found to be impoverished and leaving important questions unanswered (Bhaskar, 1979; Potter, 2000; Sayer, 2000).

Positivism, postulating a unity of the sciences and claiming that social sciences should employ the same procedures and protocols as the natural sciences, focuses on establishing scientific laws via hypothetico-deductive methods identifying generalities and relationships among variables and predicting events under controlled conditions. Metaphysics are categorically rejected (Neuman, 2006; Potter, 2000; Smith, 2002; Smith, 2000). According to Bhaskar (1979), positivism is correct in emphasising the importance of regularities and causal laws in the social world. It fails, however, to provide rich explanations for the phenomena it studies, as “it depends critically upon the ideologically supersaturated and philosophically under-analysed notions of ‘experience’ and ‘facts’” (Bhaskar, 1979, p. 158) and the laws it seeks are reduced to empirical generalities and patterns, which are unable to live up to the challenges posed by a complex open system reality (Ackroyd, 2004).

Interpretivism, in contrast, holds that the social world is constructed and highlights the importance of interpretatively understanding the subjective perceptions, motives and emotions of each of the actors involved in a certain phenomenon by means of emotional empathy (della Porta and Keating, 2008; Potter, 2000; Smith, 2002; Stevenson, 2000). Thus, interpretivism rejects and inverts all positivist approaches to research and replaces them with interpretative themes – but overlooks that in doing so it basically accepts the positivist version of science (Collier, 1994). Though interpretivism is justified to emphasise that social science

researchers have to deal with a constructed and pre-interpreted reality, the ideology is carried to an extreme so that “nothing outside the mind [...] remains – as *verstehen* displaces faith as the means of access to an effectively noumenalised social sphere” (Bhaskar, 1979, p. 171).

Critical realism offers an alternative to these two notions by postulating that “the human sciences can be sciences *in exactly the same sense*, though *not in exactly the same way*, as the natural ones” (Bhaskar, 1979, p. 203). It conflates modified positivist stances – particularly regarding causation – with an acknowledgement of the context-dependence of social phenomena and the importance of understanding the intrinsic meaning of the social world (Bhaskar, 1979; Collier, 1994; Potter, 2000; Smith, 2002). Unlike positivism and interpretivism, critical realism does not comprise an “either/or approach” (either nomothetic or ideographic), but critically deals with these two epistemological positions and questions common concepts of the natural as well as social sciences (Sayer, 2000). In line with the acknowledgement of levels of reality that transcend the empirically observable, critical realism seeks to move beyond the objectives of the above-mentioned epistemologies: “For critical realists, the ultimate goal of research is not to identify generalisable laws (positivism) or to identify the lived experience or beliefs of social actors (interpretivism); it is to develop deeper levels of explanation and understanding.” (McEvoy and Richards, 2006, p. 69)

Critical realism’s acknowledgement of an external multi-layered reality implies a rejection of the positivist view of causation, which involves seeking for empirical regularities among successions of events in closed systems (Bhaskar, 1979; Collier, 1994). In recognising that objects have internal structures as well as causal powers and liabilities that – depending on contingent conditions – can be activated and emerge from those of their components when they are combined, it becomes obvious that the number of times an incident has been observed is not sufficient to explain *why* it has occurred at all. The world cannot simply be condensed to patterns of events (Ackroyd, 2004; Potter, 2000; Reed, 2005). Therefore, a reductionist approach to explaining these phenomena by reducing them to observable occurrences e.g. between the individuals involved and ignoring emergent properties is ineffective (Bhaskar, 1975; Easton, 2010). As the social world is an open system, incidents

“arise from the workings of mechanisms which derive from the structures of objects, and they take place within geo-historical contexts” (Sayer, 2000, p. 15). Determined by this external condition, i.e. contingency, the same causal power can lead to different results, or several differing mechanisms can produce the same outcome. Thus, for critical realist researchers *explanatory* reduction requires identifying these underlying causal powers, liabilities and mechanisms, how they work and under which conditions they are activated (Bhaskar, 1979; Collier, 1994; Denzin and Lincoln, 2008; Reed, 2005). This logic is labelled ‘retroduction’ and entails “moving from the level of observations and lived experience to postulate about the underlying structures and mechanisms that account for the phenomena involved” (McEvoy and Richards, 2006, p. 71). There is a possibility that some of these retroduced mechanisms will already have been recognised in different contexts; however, others might so far be unfamiliar and require further corroboration (Sayer, 1992) (see also Section 4.3.3 Induction, Deduction and Retroduction).

In addition, just as critical realism distinguishes between different domains of reality on the ontological level, it also encompasses the epistemological distinction between intransitive and transitive dimensions of knowledge, which is related to critical realism’s recognition that although there is only one objective reality, individuals can have varying perceptions of it. The objects of academic study such as social phenomena comprise the intransitive dimension of science, while the theories and debate about these objects form the transitive dimension (Bhaskar, 1979; Sayer, 2000). For example, competing sciences can have differing transitive entities (theories about the world), but the world they are concerned with (the intransitive dimension) is nevertheless the same (Collier, 1994). Or, as Sayer (2000, p. 11) has put it: “When theories change (transitive dimension) it does not mean that what they are about (intransitive dimension) necessarily changes too: there is no reason to believe that the shift from a flat earth theory to a round earth theory was accompanied by a change in the shape of the earth itself.” This distinction entails that the actual social world should not be commingled with our knowledge and perception of it – which in fact renders the phrase “empirical world” delusive and inaccurate. Thus, critical realist researchers should not only distinguish between the different levels of reality, but also be aware that the objects of study exist

independently of our knowledge of it when trying to uncover their underlying structures and powers (Collier, 1994; Sayer, 2000).

Another crucial element of critical realism is its recognition that all knowledge is fallible (Contu and Willmott, 2005). As there is a distinction between the objective, mind-independent reality and our perception of it, our knowledge may potentially be wrong and has to be subjected to constant revision and improvement (Bhaskar, 1979; Collier, 1994; Potter, 2000; Sayer, 2000). The correspondence notion of truth, i.e. the view whether we can and do have knowledge of reality and to what extent, is however heavily debated even among critical realists (Ackroyd, 2004; Potter, 2000). Nevertheless, the possibility of the fallibility of our knowledge is generally accepted and has several severe implications: if scientific knowledge can be wrong, scientific laws cannot be regarded as manifestations of empirical invariance anymore (Bhaskar, 1979; Reed, 2005). As the basis of causal laws is formed by complex generative mechanisms that do not necessarily always produce the same effect, the events taking place and the causal laws governing them must be seen as *tendencies*. These tendencies comprise the “powers or liabilities of a thing which may be exercised without being manifest in any particular outcome” (Bhaskar, 1975, p. 3) Thus, the positivist focus on verification or falsification is shifted and its significance diminished. Even prediction, though still desirable, is “dethroned from its pride of place” (Potter, 2000, p. 189) in the positivist account of science, as the recognition that our knowledge of reality is fallible revokes the foundation necessary for serious and substantive predictions (Ackroyd, 2004).

For this work, adopting a critical realist epistemology is justified as it entails the recognition that auction house customers and specialists may have varying perceptions of reality and thus of their relationship. Therefore, a qualitative design gave the different actors sufficient scope to express their interpretations, and enables the exploration of the relationship mechanisms at work in the customer-specialist interaction. At the same time, the qualitative design of this study acknowledges that our knowledge of reality is transitive and potentially fallible. Instead of searching for nomothetic predictions or hypotheses, the exploratory qualitative approach is more tentative and leaves room for adjustments emerging themes.

4.3 Methodology

In accordance with Table 5 above, a methodology determines how the investigation of any phenomenon is approached. Different methodologies cannot be true or false, but only more or less appropriate for the study of a particular occurrence (Silverman, 2001). As the social world is an open system and highly complex, critical realism rejects standardised toolbox prescriptions, but allows for a wide variety of methodological approaches and data collection methods – though it emphasises that the research design should depend upon and be appropriate for the theme of study and the research objectives (Holdaway, 2000; Sayer, 2000).

To guide the research process and the exploration of the themes identified in the literature review, a framework (see Table 6) was developed based on Layder's (1993; 2006) research resource map that focuses on interrelated levels of social organisation. While Layder's (1993) original map serves to locate the individual's 'self' and 'situated activity' (i.e. social interaction) in relation to their position in society and history, its multi-level approach has been adapted to fit the purposes of the present research. The framework below considers and embeds the roles and interaction of the individual actors within the broader organisational setting and the market they operate in. This customisation is justified, as the research map is intended to "throw light on the analysis of social activity" in its respective context (Layder, 1993, p. 9). It can thus be part of the initial research methodology as well as be used as a tool to relate the obtained insights to general social sciences theory (Layder, 1993). Here the adapted framework was employed for both purposes.

Table 6: Research Framework

Research Question	Level of Reality	Level of Analysis	Data Sources	Theoretical Concepts
1. Which antecedent structures lead to the emergence of interpersonal trust in customer-specialist interaction?	<ul style="list-style-type: none"> ▪ Empirical ▪ Actual ▪ Real 	<ul style="list-style-type: none"> ▪ Market ▪ Organisation ▪ Individuals 	<ul style="list-style-type: none"> ▪ Interviews ▪ Documents ▪ Secondary data 	<ul style="list-style-type: none"> ▪ Interpersonal trust (incl. risk and inter-dependence)
2. How does interpersonal trust evolve in customer-specialist interaction?	<ul style="list-style-type: none"> ▪ Empirical ▪ Actual ▪ Real 	<ul style="list-style-type: none"> ▪ Organisation ▪ Individuals 	<ul style="list-style-type: none"> ▪ Interviews 	<ul style="list-style-type: none"> ▪ Interpersonal trust ▪ Interaction/relationships
3. How does interpersonal trust influence the co-creation of value in customer-specialist interaction?	<ul style="list-style-type: none"> ▪ Empirical ▪ Actual ▪ Real 	<ul style="list-style-type: none"> ▪ Individuals 	<ul style="list-style-type: none"> ▪ Interviews 	<ul style="list-style-type: none"> ▪ Interpersonal trust ▪ Interaction/relationships ▪ Value co-creation
4. What kind of value structures are co-created in customer-specialist interaction?	<ul style="list-style-type: none"> ▪ Empirical ▪ Actual ▪ Real 	<ul style="list-style-type: none"> ▪ Organisation ▪ Individuals 	<ul style="list-style-type: none"> ▪ Interviews 	<ul style="list-style-type: none"> ▪ Value co-creation ▪ Customer value and value propositions ▪ Episode and relationship value

Adapted from: Layder (1993; 2006)

The framework was devised to organise the research in a systematic and gradually narrowing manner by moving from general market-related and organisational factors that influence the examined trust-building and value co-creating processes to the specific level of the individuals (i.e. customers and art specialists) involved in the investigated interaction. Simultaneously, it moves through the *empirical* and *actual* levels of reality identified in critical realism to the *real* level – that way, the research questions (and the data sources needed to answer them) build upon each other to enable exploring the identified theoretical concepts and uncovering the structures and mechanisms underlying the customer-specialist interaction and the joint value realisation process. Therefore, the framework “acknowledges the richness, complexity and depth of the social universe” (Layder, 2006, p. 273).

The following section outlines the aspects of the research design chosen for this work and the facets according to which the different methodologies can be distinguished, such as the time dimension (longitudinal vs. cross-sectional) and the purpose of the research (explanatory, descriptive or exploratory). Subsequently, the concepts of induction, deduction and retroduction are outlined and contrasted and the nature of qualitative and quantitative research designs is discussed, justifying why a retroductive qualitative approach has been adopted for this work. The final section explains how a methodological fit between the research topic and the chosen research design and data collection methods has been achieved.

4.3.1 Cross-Sectional vs. Longitudinal Research

A major typology distinguishes between cross-sectional and longitudinal research designs. The first comprises studies that “take a snapshot approach to the social world” (Neuman, 2006, p. 36) by collecting data from a sample at a single point in time (Bryman, 2004). While cross-sectional research is inadequate to capture social change, it is straightforward, cost-effective, and can be used within both qualitative and quantitative designs and exploratory or descriptive methodologies (Easterby-Smith *et al.*, 2002; McGivern, 2003; Neuman, 2006). Longitudinal studies, in contrast, involve the collection of data from a particular sample on at least two or more occasions over a longer period of time, typically several years (McGivern, 2003). Although they are well suited to follow and trace social change, they are also more complex and expensive than cross-sectional research (Bryman, 2004; Neuman, 2006). Therefore, while it might have been desirable to document the development of customer-specialist relationships over time to explore how value is co-created in the interaction, constraints in terms of time and budget resulted in a cross-sectional research design being chosen for this work.

4.3.2 Purpose of the Research

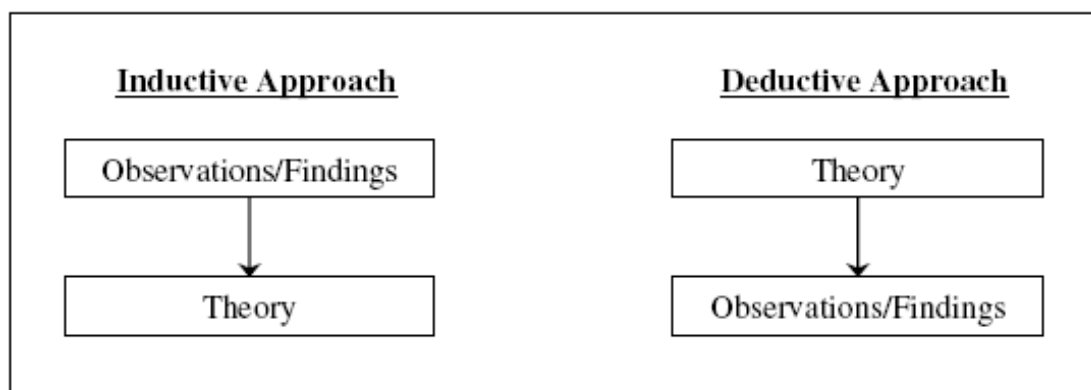
Just as research designs can be differentiated according to their time dimension, they can be distinguished by their purpose. Exploratory research intends to clarify

new phenomena or little understood subject matters to generate new ideas or frameworks, often by using qualitative data. Descriptive studies, in turn, deliver precise and detailed pictures of a particular environment, thereby documenting causal processes or creating typologies (Johnson and Harris, 2002; McGivern, 2003). Explanatory research strives to identify reasons why events take place and to elaborate existing theories or test predictions (McGivern, 2003; Neuman, 2006). Within the scope of this work, the literature review revealed that despite its prominence on the research agenda, some gaps in our knowledge of the concept of trust in business relationships still remain (Nooteboom, 2006). At the same time, value co-creation and its inherent relational processes have been conceptualised repeatedly, but there is a considerable lack of empirical data (Bendapudi and Leone, 2003; Vargo *et al.*, 2008). To elucidate these two constructs and to find out how interpersonal trust and value co-creation are linked and influence each other, a qualitative exploratory research design therefore was considered to be the most appropriate choice.

4.3.3 Induction, Deduction and Retroduction

Before embarking on any scientific study, researchers have to be clear about the relationship between theory and research in their methodology. The two main directions of theorising are deduction and induction (Bryman, 2004; Harrison, 2002), which are illustrated in Figure 9.

Figure 9: Inductive and Deductive Research Designs



Adapted from: Bryman (2004)

When applying an inductive approach, theory is the *result* of the research. Beginning with empirical data on a general topic, the researcher gradually refines their initially vague ideas based on the themes emerging from the evidence, thus moving from observation to drawing inferences and developing propositions or precise theoretical concepts (Layder, 1998; Neuman, 2006; Reichertz, 2004). Deductive research, in turn, begins with abstract concepts derived from the extant academic literature and deduces hypotheses based on this body of work, which are then tested by gathering empirical evidence (Easterby-Smith *et al.*, 2002; Harrison, 2002; Reichertz, 2004). However, the distinction between inductive and deductive methodologies is often not as clear-cut as it appears at first sight, as each approach entails elements of the other and researchers move back and forth between theory and data (Bryman, 2004). “In practice, the neat distinction between induction and deduction is of limited use since theorising will always involve the iterative use of both processes, with the added ingredient of inspiration.” (Partington, 2002, p. 155)

In line with this argument, the critical realist position of this work offers a further approach to the research process that has been briefly mentioned in the discussion of the author’s epistemological stance: retrodution, which aims at explaining events by identifying mechanisms that are capable of producing them (Sayer, 1992). This mode of inference therefore progresses from “knowledge of some phenomenon existing at any one level of reality, to a knowledge of mechanisms, at a deeper level or stratum of reality, which contributed to the generation of the original phenomenon of interest” (Lawson, 1997; p. 26). Deduction and induction proceed from general theory to particular data and vice versa at the actual and empirical strata of reality, i.e. occurrences and our perceptions of them (Easton, 2010). In contrast, retrodution moves back and forth in an iterative process between the description of events and the discovery and explanation of the structures, powers and liabilities of the involved entities and how they act (i.e. generative mechanisms) as well as the necessary or contingent relations between them (Carter and New, 2004). The concept therefore contains both deductive notions (e.g. determination of the phenomenon of interest or linkages to existing studies) and inductive aspects (e.g. the research data to be explored and analysis of the derived explanations) (Easton, 2010).

The present study has been implemented with a retroductive approach by exploring the research questions identified in a preliminary literature review, which was then refined based on the emerging themes. A retroductive design was considered to be the most appropriate due to the critical realist position underlying this work and the resulting focus on uncovering the structures, powers and generative mechanisms that cause the described event to take place. Once the data was analysed and triangulated, the identified mechanisms were conceptualised in a tentative model and a set of propositions intended to contribute to the theory related to interpersonal trust in buyer-seller relationships and value co-creation.

4.3.4 Qualitative vs. Quantitative Research Designs

The distinction between quantitative and qualitative research has a long-standing tradition in the social sciences, even though it remains debatable how clear-cut this differentiation actually is (Gibson and Brown, 2009; Johnson and Harris, 2002; Silverman, 2001). On the surface, the former is concerned with nomothetic description and produces numerical data gathered through e.g. surveys or panels from relatively large samples (Johnson and Harris, 2002; McGivern, 2003). There is a clear focus on quantification in data collection and analysis, as quantitative research adheres to a positivist epistemology and the objectivist ontological position that there is only one external reality that consists of hard facts and can be observed empirically. It is therefore usually associated with deductive reasoning, i.e. the numerical data is subjected to statistical analysis to confirm or reject pre-formulated hypotheses (Bryman, 2004; Grbich, 2007; McEvoy and Richards, 2006).

Qualitative data, in contrast, generates idiographic description, i.e. 'thick' or in-depth context-rich data usually in the form of words or pictures collected through interviews or observations from comparatively small samples. The aim is to uncover meaning and create detailed insight rather than measuring variables (Dey, 1993; Gibson and Brown, 2009; Silverman, 2001). Therefore, qualitative research is generally attributed to a subjectivist ontology and a constructionist/interpretivist epistemological position, which assumes the existence of multiple realities and the artificial construction of the social world depending on an individual's perspective.

In line with this worldview, qualitative research is commonly associated with induction, i.e. distilling generalisations or theory from the data through analytical interpretation rather than statistical manipulation (Grbich, 2007; Johnson and Harris, 2002; McEvoy and Richards, 2006). These differences between quantitative and qualitative research are summarised in Table 7.

Table 7: Common Contrasts between Quantitative and Qualitative Research

Quantitative	Qualitative
Numbers	Words
Point of view of researcher	Points of view of participants
Researcher distant	Researcher close
Theory testing	Theory emergent
Static	Process
Structured	Unstructured
Generalisation	Contextual understanding
Hard, reliable data	Rich, deep data
Macro	Micro
Behaviour	Meaning
Artificial settings	Natural settings

Source: Bryman (2004)

As it has been pointed out earlier, these differences are not necessarily as clear-cut as they appear to be – rather, they should be seen as tendencies (Bernard and Ryan, 2009; McEvoy and Richards, 2006). In turn, studies adhering to a realist position may apply either quantitative or qualitative designs or both (Brannen, 2004). Nevertheless, while adopting a critical realist stance, the present work has adhered to combining a retroductive research design with qualitative data collection methods as a way to obtain insightful findings. Not only was it deemed important to consider the perspectives of both actors involved in the customer-specialist relationship, the intention was to uncover meaning and make sense of the processes inherent to value co-creation in their natural context to facilitate understanding of the unfolding theory.

4.3.5 Methodological Fit

For any scientific study, it is not only significant to be consistent in terms of its purpose or relationship between theory and research, but also to ensure a methodological fit between the topic and data collection to obtain relevant and meaningful results. According to Edmondson and McManus (2007), management theory can be placed along a continuum from nascent to intermediate and mature depending on the developmental stage of the specific theory. This state impacts heavily on the choice of research methodology, as mature (i.e. fairly saturated) theories require different methods to generate substantial and meaningful results than nascent (i.e. emerging) theory. The former encompasses well-studied concise concepts and models, which constitute an agreed cumulative body of knowledge. Research questions addressing mature theory concentrate on elaborating specific elements of extant concepts and are thus most effectively analysed by developing hypotheses and collecting quantitative data. Nascent theory, in turn, suggests tentative insight into new phenomena or subject matters that lack previous theorising. Research questions are explored inductively, allowing the themes to emerge from the data instead of from *a priori* developed hypotheses (Edmondson and McManus, 2007).

It is believed that the concepts of trust and buyer-seller relationships fall into the category of mature theory, as they have been on the research agenda for several decades. Nevertheless, the literature review revealed that there are still gaps in our understanding of both constructs that require advancement and refinement. Value co-creation, however, has to be classified as nascent theory, as most conceptualisations still necessitate clarification and hardly any empirical studies have been conducted so far to examine the implications of the construct in practice (Bendapudi and Leone, 2003; Vargo *et al.*, 2008). To generate the detailed and evocative data required to explore nascent theory, ethnography or interviews are often used, while content analysis enables the identification of themes and categories in a process in which data collection and analysis commonly alternate (Edmondson and McManus, 2007). This affords the flexibility necessary to follow up on issues not previously considered – for example, over the course of the data collection for the present work, the fourth research question addressing the nature of the customer value co-created

was added, as this notion promised further fruitful insights. The findings of exploratory research into nascent theory are often ‘translated’ into new constructs or frameworks intended to be elaborated in subsequent research (Edmondson and McManus, 2007). Since the co-creation of customer value and its inherent interactive processes constitute the heart of this work, its overall methodology has been adapted according to these prerequisites by employing qualitative data collection methods within a retroductive approach to ensure a methodological fit between the research design and the questions that have been explored.

4.4 Methods of Data Collection and Analysis

As defined by Easterby-Smith *et al.* (2002) in Table 5, research methods are specific sets of techniques for the collection and analysis of primary and secondary data. Just like different methodologies, these methods can not be true or false in themselves, but only more or less effective for the particular study at hand, depending on the topic and the research design employed to investigate it (Silverman, 2001). Therefore, the subsequent section outlines the methods used to collect and analyse the empirical data for this work, discusses their advantages and disadvantages, as well as explains why these techniques are adequate for the present investigation and how they fit with the chosen methodology and philosophical underpinning.

4.4.1 Sampling

Whether designing a quantitative or qualitative study, “defining sampling units clearly before choosing cases is essential in order to avoid messy and empirically shallow research” (Gobo, 2004, p. 435). Sampling methods, however, vary greatly for quantitative and qualitative investigations. The former usually employ probability sampling, i.e. selecting a sample randomly so that every unit, be it individuals, organisations, regions etc, has the same chance of being chosen and is representative of its population, thus ensuring that the findings are generalisable (Bernard and Ryan, 2009; Bryman, 2004). Qualitative studies, however, are more concerned with

exploring and understanding social phenomena and contexts than a sample's representativeness (Neuman, 2006). Thus, non-probability sampling methods are very often used in qualitative research, the most common ones being convenience, snowball and quota sampling – although the latter method is mainly used in commercial market rather than social academic research and is thus not further discussed here (Bryman, 2004; Warren, 2001).

Convenience sampling entails selecting a sample based on its accessibility to the researcher, and is particularly common in organisation studies (Bryman, 2004). Snowball sampling – also called chain referral or network sampling – involves identifying an individual or a small number of people who are relevant for the research and using their recommendations to contact other subjects from their social network (Bernard and Ryan, 2009; Bryman, 2004; Gobo, 2004). As Warren (2001) notes, this type of sampling often begins with acquaintances and then progresses to strangers. Both methods are often criticised for their inability to produce generalisable findings, as it remains unknown of what population the identified samples are representative (Bryman, 2004). As this line of reasoning, however, seems to be tendentiously positivist, it should be emphasised that qualitative research is usually more concerned with 'analytical' than statistical generalisability (Yin, 2003). As Gobo (2004, p. 453) indicates, in qualitative studies

“generalisability concerns general structures rather than single social practices, which are only an example of this structure. The [researcher] does not generalise one case or event that ... cannot recur but its main structural aspects that can be noticed in other cases or events of the same kind of class.”

This is particularly applicable to critical realist research: As it aims at uncovering and generalising about the inherent structures and mechanisms of a phenomenon in a specific situation – but not the situation itself – the procedure acknowledges that the context in which these mechanisms work may indeed be contingent. Nevertheless, this does not exclude generalisations about the mechanisms themselves (Ackroyd, 2004). With regard to the present study, this view implies that the researcher does not claim the auction house context to be representative for sales encounters in other service sectors. However, it is assumed that the analysis of the structures at work when value is co-created in a trusting relationship between a

specialist and a customer will indeed allow for tentative generalisations about the mechanisms influencing the value co-creation process in other service industries.

Following Bryman's (2004) practical reasoning as well as Gobo's (2004) and Ackroyd's (2004) methodological rationale at the same time, the participants for the present work were identified via both convenience and snowball sampling. The owner and managing director of a leading German auction house was approached due to being a personal contact of the researcher. This German auction house is a member in an international association of major fine arts auction houses, of which seven members are European and one is US-American. The option of extending the research to all members of the association was suggested by the managing director of the German auction house as the topic was deemed to be very interesting from a practitioner's point of view. The researcher was therefore invited to present the study at the association's annual meeting, where six of the eight member houses were attendant. After outlining the aims of the investigation, these six auction houses agreed to participate.

When it came to gaining insight into the customers' perception of their relationship with the specialists, only two auction houses were approached and asked to provide customer details. This was due to two reasons: First, it turned out during the data collection among auction house employees that language barriers were sometimes greater than initially expected (e.g. in France and Italy) and it was anticipated that this would constitute even more of a problem when conducting telephone interviews with customers. Second, the issue of allowing access to customers was considered difficult by some of the association members, so that in the end only those two auction houses were approached in that matter to whom the researcher had established a particularly good relationship and who had shown interest in that aspect of the study during the initial presentation.

Both auction houses (one German, one US-American) asked specialists across all departments to name customers who might be willing to be interviewed. These were then contacted by the respective organisation, informed about the purpose of the study and asked for permission to pass on their name and telephone number to the researcher. In addition, the interview guide was forwarded in case customers wished to see the questions prior to giving their consent. In total, the German auction

house contacted 14 customers, of whom 10 agreed to be interviewed and one was willing to answer the questions in writing. These written answers were not included in the subsequent analysis, however, as they were deemed to be too short and thus did not contain much insightful information. The US-American auction house contacted 5 customers, of whom three consented to participate and two did not reply to the request, which was interpreted as a refusal. As the auction houses initially identified the customers who were interviewed, the researcher did consider the possibility that the selection might be biased in that only customers with a particularly benign attitude towards the auction house were selected for the study. During the interviews, however, this concern was dispelled, as most respondents displayed a mainly balanced (appreciative of some aspects, critical of others) opinion.

The samples derived from these two methods – convenience and snowball sampling – were similar in size, as Table 8 shows:

Table 8: Interview Sample Details

Sample Type	Breakdown
18 specialists from 6 auction houses	3 specialists per auction house
13 customers of 2 auction houses	10 customers from the German auction house 3 customers from the US-American auction house
15 other auction house employees	6 marketing managers 5 customer services employees 4 members of the management board

Although it is generally very difficult to establish the appropriate size of a sample, particularly in qualitative research looking for ‘theoretical saturation’ (Bryman, 2004), there is evidence that 20-60 knowledgeable individuals are sufficient to gain understanding of any specific lived experience (Bernard and Ryan, 2009). The total number of participants in the present study amounts to 46, of which 31 belong to the core respondent groups this study focuses on (i.e. auction house customers and specialist), thus corresponding with this argument.

4.4.2 Interviews

On a general level, interviews are defined as “social encounters where speakers collaborate in producing retrospective (and prospective) *accounts* or *versions* of their past (or future) actions, experiences, feelings and thoughts” (Rapley, 2004, p. 16). Structured or standardised interviews are usually associated with quantitative research designs, as the sequence of questions and their wording is predetermined and must not be changed during the interview process. These surveys mainly contain closed or fixed-choice questions covering a specific topic and thus give respondents only limited space to express their viewpoint (Easterby-Smith *et al.*, 2002; Fontana and Frey, 2000; Gibson and Brown, 2009).

Qualitative or in-depth interviews, in contrast, are both terms used to describe unstructured and semi-structured interviews, and are one of the most common methods applied in qualitative research (Bryman, 2004; Hopf, 2004) intended to obtain interpretations and ‘thick’ descriptions, i.e. rich and elaborate responses from participants (Rapley, 2004; Warren, 2001). Unstructured interviews comprise – often informal – ‘conversations’ without following a set of predetermined questions, thus allowing respondents room to focus on the issues they consider relevant for the particular topic under investigation (Fontana and Frey, 2000; Gibson and Brown, 2009). Semi-structured interviews are positioned between standardised and unstructured interviews on the rigidity scale. Based on a list of questions, also called interview guide, they ensure that specific topics are covered while simultaneously being flexible in that the sequence of questions is variable and queries can be added or omitted depending on the course of the interview and the issues addressed (Bernard and Ryan, 2009; Bryman, 2004; Hopf, 2004). In that sense, the researcher tries to “fit their pre-defined interests into the unfolding topics being discussed, rather than forcing the interviewees to fit their ideas into the interviewer’s pre-defined question order” (Gibson and Brown, 2009, p. 88). This process enables participants to express their points of view, but also allows drawing comparisons across interviews in the following data analysis (Bernard and Ryan, 2009).

Following this rationale, semi-structured interviews were chosen as the appropriate method for this work. A general interview guide – containing both open and closed questions – was developed to address the individual research questions

identified from the preliminary literature review, while also allowing room for additional topics to emerge during the interview process to generate rich insight into the respondents' experiences. The interview guide was tested by distributing it to six MBA students with previous professional experience in business and management to ensure that the questions were clear and understandable. Several questions were rephrased and the order of some changed according to their feedback. In the following, a pilot-interview was conducted with the President of the British Art Market Federation, who has more than 40 years of experience as an art expert at one of the world's leading fine arts auction houses. This interview was intended to ensure that the interview guide would generate answers that were relevant for the exploration of the research questions. Again, the guide was revised afterwards, with one question being taken out and minor adjustments being made to two others. Finally, five slightly different versions were produced on the basis of this interview guide and adapted to the respective respondent groups, i.e. auction house specialists, customers, marketing managers, board members and customer service employees. The interview guides for the respective respondent groups can be found in Appendices I-V.

The interviews with auction house employees were conducted between March and June 2010, while the data collection among customers was carried out between February and April 2011, as it took considerably longer than expected to obtain consent from the auction houses to contact customers and to set up interview appointments. In total, 18 art specialists and 15 other employees from six fine arts auction houses were interviewed (see Table 7). These latter 15 interviews were used to obtain insight into the organisational context in which the customer-specialist interaction takes place. They were also intended to provide an 'external' perspective on the interaction between customers and specialists, and to corroborate the findings generated from the interviews with these latter two respondent groups if necessary. Furthermore, 13 customers were interviewed from two of these six auction houses. Table 9 provides an overview of the demographic profile of the respondents.

Table 9: Demographic Profile of Respondents

Alias	Age	Gender	Position / Job Title
Specialist 1	30-40	Male	Specialist for Old Masters
Specialist 2	50-60	Male	Head of Contemporary Art Dept., Board Member
Specialist 3	40-50	Male	Specialist for Art Deco/Jewellery, Managing Director
Specialist 4	40-50	Female	Head of Modern Art Department
Specialist 5	40-50	Male	Specialist for Modern Art and Silver, Board Member
Specialist 6	40-50	Male	Head of Furniture and Decorative Arts Department
Specialist 7	30-40	Male	Head of Fine Art and Antiques Dept., Board Member
Specialist 8	50-60	Male	Specialist for Modern Art
Specialist 9	40-50	Male	Specialist for Modern Design
Specialist 10	30-40	Female	Specialist for Photography
Specialist 11	50-60	Male	Specialist for Old Masters and Sculptures
Specialist 12	40-50	Female	Specialist for Applied Arts
Specialist 13	30-40	Male	Head of 19 th Century Paintings Department
Specialist 14	40-50	Male	Specialist for Old Masters
Specialist 15	50-60	Male	Head of Old Masters Department, Managing Director
Specialist 16	30-40	Male	Specialist for Autographs
Specialist 17	40-50	Male	Head of Africa-American Fine Art Department
Specialist 18	30-40	Female	Specialist for Prints and Drawings
Customer 1	60+	Male	Private collector
Customer 2	50-60	Male	Private collector
Customer 3	50-60	Male	Unknown
Customer 4	60+	Female	Private collector
Customer 5	30-40	Male	Private collector
Customer 6	30-40	Male	Private collector
Customer 7	50-60	Male	Private collector
Customer 8	60+	Female	Private collector
Customer 9	40-50	Male	Professional art dealer with private collection
Customer 10	50-60	Male	Unknown
Customer 11	50-60	Male	Professional art dealer with private collection
Customer 12	40-50	Male	Professional art dealer
Customer 13	50-60	Male	Private collector and professional art consultant
Marketing Manager 1	30-40	Male	Marketing & Communications Director
Marketing Manager 2	30-40	Female	Marketing Communications Manager
Marketing Manager 3	30-40	Female	Marketing & Press Relations Manager
Marketing Manager 4	40-50	Male	Press Relations Manager
Marketing Manager 5	30-40	Male	Marketing Manager
Marketing Manager 6	30-40	Female	Media Relations Manager
Board Member 1	30-40	Male	CIO, CMO
Board Member 2	60-70	Male	Managing Director
Board Member 3	30-40	Male	Member of the Managing Board
Board Member 4	30-40	Male	President
Customer Services 1	40-50	Female	Director of Customer Services
Customer Services 2	20-30	Female	Customer Service Executive
Customer Services 3	50-60	Female	Head of Customer Services Department
Customer Services 4	50-60	Female	Head of Transport and Customs
Customer Services 5	40-50	Female	Head of Customer Services

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

All participants were informed about the purpose of the research prior to and/or at the actual start of each interview. The questions were e-mailed to a contact person at each auction house approximately 10 days before the agreed interview appointments so that they could be forwarded to the individual participants. At the start of each interview, the researcher explained the background of the study as well as ensured the respondents that all information would be made anonymous and treated as confidential, and that questions could be left unanswered if they wished to do so. In addition, all interviewees were asked if they agreed to the conversation being tape-recorded. On average, the employee interviews lasted 60 minutes, with the shortest taking 40 minutes and the longest lasting 1.5 hours. The customer interviews lasted on average 35 minutes; the shortest taking 15 minutes and the longest lasting 1 hour and 13 minutes.

4.4.2.1 Face-to-Face vs. Telephone Interviews

Irrespective of whether they are carried out within a quantitative or qualitative research design, interviews are most often conducted face-to-face or via telephone. The former provide more comprehensive or richer data, as aspects such as facial expressions, gestures and other body language are visible to participants and can potentially even be recorded. Additional material, e.g. pictures or documents, can be included to elicit responses (Gibson and Brown, 2009). The interview setting is marked by high contextual naturalness that results in more accurate and thoughtful answers. Respondents are often met within their everyday surroundings, making them feel more comfortable and balancing the power asymmetry that might occur due to the role allocation of one person being the questioner and the other the respondent. Thus, the interviewer can build rapport with the respondent and address complex or sensitive issues more easily (Shuy, 2001). Simultaneously, however, the face-to-face interview does not give participants a lot of time for reflection, as questions have to be answered comparatively spontaneously. Furthermore, meeting respondents in their natural environment may involve extensive travelling for the interviewer, thus making face-to-face interviews an expensive and time-consuming method of data collection (Gibson and Brown, 2009).

Telephone interviews, in turn, are considerably less cost-intensive and usually quicker and easier to set up – provided the participants to be contacted have access to a telephone. There are less interviewer effects, i.e. influences conveyed by characteristics of the interviewer, and questions can be standardised better if necessary (Bryman, 2004; Shuy, 2001). However, there are no visual cues that the researcher can use to react to the respondent and possibly adapt the questions accordingly or contextualise the conversation (Gibson and Brown, 2009). Additionally, it is more difficult for the researcher to sustain the attention of the participant, who might be busy with other things while being on the telephone, resulting often in shorter interview times (Bryman, 2004).

The present work has employed both face-to-face and telephone interviews. Five of the six auction houses participating in the study are based in Europe and were therefore visited for two days each to conduct face-to-face interviews with specialists and other employees. This approach enabled the researcher not only to collect in-depth data during the interviews, but also to get to know the environment in which the art experts usually interact with their customers, thus providing valuable insight into the context of their relationship. As the sixth auction house is based in the USA, the interviews with its specialists and other employees were conducted via telephone due to financial restraints. Since the large majority of auction houses could be visited in person, however, it was felt that telephone interviews with the US-American organisation would not compromise the richness of the data. The subsequent data analysis confirmed this view, as the telephone interviews lasted on average as long as the face-to-face interviews and provided a comparable amount of material relevant for the conceptual framework.

The customer interviews were all conducted via telephone, as it was the most convenient method for the auction house clients contacted and also provided them with the highest degree of anonymity, as the researcher received only names and telephone numbers from the two auction houses that had agreed to enable access to customers. In addition, all customers lived in geographically scattered locations across the domestic markets of the two auction houses (Germany and the USA), rendering a visit to each of them to carry out face-to-face interviews impossible within the time and budget constraints of this work. Though the customer interviews

were on average shorter than the conversations with the specialists, this can partially be explained by the fact that the interview guide had been condensed to avoid taxing customers' patience too much and to ensure that they were not being discouraged from participating by the number of questions.

4.4.3 Non-Participant Observation

The qualitative method of observation can be differentiated into two main types. In *participant observation*, the researcher immerses themselves in the social setting to be investigated and actively takes part in it (Lüders, 2004). *Non-participant observation*, in contrast, constitutes the direct opposite – the researcher remains a passive observer without getting involved (Bryman, 2004). Both types of observation can be structured, i.e. following a predetermined schedule or rules for systematically observing and recording information to facilitate aggregation, or unstructured, i.e. aimed at collecting as much data as possible in an iterative manner without employing an observation schedule (Gibson and Brown, 2009).

For the present work, the researcher employed unstructured non-participant observation by attending individual auctions and viewings. The objective was to become familiar with the fine arts auction business, in particular the auction process, and the terminology most commonly used in this sector. The latter issue proved to be important when conducting the interviews, as using a 'common language' showed the participants that the researcher was knowledgeable about the context and seemed to assure in particular the customers. However, overall this method was of less importance than the interviews, as it mainly served to convey an understanding of the auction setting and gain useful insights into the context of the research. The direct interaction between customers and specialists could only be observed on a rather superficial level, i.e. how customers were greeted in viewings or prior to auction sales. As it was impossible to observe conversations or negotiations between the actors, no data directly relevant for the research questions could be derived from this method. Therefore, no observation schedule was employed and it was not considered necessary to inform the customers attending the auctions that a researcher was present – the employees were, however, always notified accordingly.

4.4.4 Recording and Transcription of Data

Qualitative interviews, whether unstructured or semi-structured, are usually tape recorded and transcribed to facilitate data analysis (Poland, 2001). According to Bryman (2004), this procedure enables the researcher to collect very comprehensive data that can be analysed repeatedly and more thoroughly, as field notes alone may omit important aspects of an interview or unintentionally distort answers. In addition, recording interviews means that the data is publicly available and can be examined by other researchers, thus facilitating the assessment of the original analysis and refutation of possible allegations that the data interpretation might be inappropriately biased (Bryman, 2004; Silverman, 2010). Nowadays, audio data such as interviews are commonly recorded using digital tape recorders, and transcribed verbatim. Whether the focus lies on the actual content (i.e. *what* is being said), or the context (i.e. *how* something is being said) is included in the transcript as well, depends on the purpose of the research and the data analysis method applied (Gibson and Brown, 2009).

Field notes, in turn, are notes taken prior, during and/or after interviews and constitute a vital component of qualitative data collections (Bernard and Ryan, 2009). Ideally, they contain the central aspects of a participant's responses and also capture details of the interview procedure such as location, atmosphere etc (Flick, 2006). However, field notes significantly condense the data that can be derived from an interview. Therefore, they should only be considered to complement other methods of data collection such as audio or video recording – unless a participant refuses to be taped during an interview (Bernard and Ryan, 2009).

In line with these issues, both the face-to-face and the telephone interviews for this study have been digitally recorded. All respondents were asked at the beginning of the conversation whether they agreed to the interview being tape recorded, and since anonymity and confidentiality of the data was guaranteed, all participants consented. The interviews were transcribed verbatim with a focus on their content, i.e. intonations, pauses, changes in volume etc were not included as they are more relevant for methods such as conversation analysis than the qualitative content analysis chosen for this study (Bernard and Ryan, 2009). Due to the large amount of data collected – 47 interviews resulted in approximately 45 hours of audio data – 17

transcripts were produced by professional transcription services, while the remaining 30 were done by the researcher. The outsourced transcripts were, however, thoroughly checked for transcription errors and to ensure that the punctuation employed adequately reflected what was being said. In total, the process of data transcription and examination lasted approximately 3.5 months.

To complement the recorded interview data, field notes were taken during each interview to summarise the responses, and afterwards to reflect on the atmosphere during the interview, the rapport built with the participant, their body language etc. This did not only provide valuable ‘background’ information, but proved to be particularly important when interviewing non-native English speakers. As they often used gestures or mimic to give examples when they did not have sufficient vocabulary to express their viewpoint verbally, some recordings would have been difficult to make sense of during the transcription and analysis stage without the explanatory field notes.

4.4.5 Qualitative Content Analysis

Content analysis is considered to be one of the most important research methods in the social sciences, and defined as a “technique for making replicable and valid inferences from texts (or other meaningful matter) to the contexts of their use” (Krippendorff, 2004, p. 18). In reaction to critiques that dismissed the originally largely quantitative method as overly simplistic reductions of data or ‘counting games’, researchers developed a qualitative content analysis approach that adheres to the systematic nature of the original technique, but avoids unnecessary or precipitant quantifications (Elo and Kyngäs, 2008; Krippendorff, 2004; Mayring, 2004). It aims at achieving a condensed portrayal of a phenomenon by closely examining and distilling considerable amounts of text into relevant contextual categories (Elo and Kyngäs, 2008). *Qualitative content analysis* is therefore defined as “a research method for the subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes or patterns” (Hsieh and Shannon, 2005, p. 1278). It is not only concerned with gaining insight into the meaning of communication, but also with identifying critical processes and

contexts, making it more complex, flexible and less formulaic than its quantitative equivalent (Elo and Kyngäs, 2008).

Qualitative content analysis is most commonly applied within an inductive research design (Hsieh and Shannon, 2005; Mayring, 2000; Potter and Levine-Donnerstein, 1999), but no literature has been found that contradicts the use of this methods within retroductive methodologies. Hsieh and Shannon (2005) distinguish between three types: conventional, directed and summative. The former involves the emergence of categories from the data, without imposing the researcher’s preconceived ideas. In directed qualitative content analysis, coding categories are developed from previously defined key concepts to validate or expand a theoretical framework. Summative content analysis, finally, quantifies specific contents to explore its contextual usage and interpret its underlying meaning – it is therefore not merely quantitative (Flick, 2004; Hsieh and Shannon, 2005). The differences between these three types of qualitative content analysis are outlined in Table 10.

Table 10: Major Coding Differences among Three Approaches to Qualitative Content Analysis

Type of Qualitative Content Analysis	Study Starts With	Timing of Defining Codes or Keywords	Source of Codes or Keywords
Conventional content analysis	Observation	Codes are defined during data analysis	Codes are derived from data
Directed content analysis	Theory	Codes are defined before and during data analysis	Codes are derived from theory or relevant research findings
Summative content analysis	Keywords	Keywords are identified before and during data analysis	Keywords are derived from interest of researchers or review of literature

Adapted from: Hsieh and Shannon (2005)

For the present study, conventional qualitative content analysis was chosen as the appropriate method to analyse the data, as the categories and codes emerged from the interview data. Furthermore, the researcher also has to determine the unit of analysis and whether to focus on manifest or latent content (Elo and Kyngäs, 2008; Hsieh and Shannon, 2005). According to Graneheim and Lundman (2004), the former can comprise individual words, persons, organisations or even nations. Since

the ideal unit of analysis is considered to be an interview, however, this was also deemed to be suitable for the present study. Manifest content is explicit communication, i.e. the obvious elements on the surface of a text, while latent content is inferred communication, i.e. a more in-depth interpretation of a text's essential meaning (Hsieh and Shannon, 2005; Potter and Levine-Donnerstein, 1999). As this study intends to explore the diverse perspectives of customers and salespeople on the influence of trust on value co-creation in their interaction, it was decided to take into account manifest content as well as interpret its underlying implications (the latent content) wherever possible.

In terms of the practical implementation, NVivo was used to classify and analyse all data. Starting off with reading each interview transcript, broad categories were defined in relation to the individual research questions and the responses of the participants. These categories were then 'translated' into codes, which were gradually refined and increased in number according to the interviewees' accounts. Whenever a new code emerged, all previously coded material was reconsidered in light of this new aspect. This iterative coding process was intended to ensure that the richness of the data was exhausted and understanding of the encountered descriptions and patterns refined (Appendix VI gives an overview of the codes employed for the data analysis). While the transcripts of the customer and specialist interviews were completely analysed throughout, the 15 transcripts of the interviews with other auction house employees were coded selectively, as mainly the data giving insight into the market and organisational context of the investigated relationship was considered.

It has been emphasised that the categories used for the analysis should be exhaustive and mutually exclusive, i.e. no data is supposed to match more than one or sit between two categories (Krippendorff, 2004). Graneheim and Lundman (2004), however, point out that it is not always possible to generate mutually exclusive codes or categories when a text covers human experiences or viewpoints as these are often interrelated. This issue also applies to the present study: while it has been attempted to derive clearly defined categories and codes, it was found during the data analysis that they sometimes overlap. However, no indication has been encountered in the literature that this necessarily weakens the quality of the findings. Furthermore, while

categories should be clearly defined, they should not be too constricted: “If qualitative data are compressed too much, the very point of maintaining the integrity of narrative materials during the analysis phase becomes lost.” (Elo and Kyngäs, 2008, p. 113) Thus, the main challenge is not to create strict classifications that are exhaustive and mutually exclusive, but to generate categories that are conceptually and empirically grounded (Dey, 1993).

4.4.6 Triangulation

Derived from navigation and land surveying (Easterby-Smith *et al.*, 2002; Scandura and Williams, 2000), triangulation is very common in the social sciences and defined as “the use of more than one method or source of data in the study of a social phenomenon so that findings may be cross-checked” (Bryman, 2004, p. 545). Denzin (1978) distinguishes between four different types:

- Data triangulation involves data derived from different sources and/or different time frames to enable richer descriptions of a phenomenon.
- Investigator triangulation means employing several observers or interviewers to reduce subjective influences and biases.
- Theoretical triangulation entails approaching the data analysis with a number of potentially relevant theories or hypotheses in mind, or applying models from another discipline to uncover new insights.
- Methodological triangulation is ideally applied as a ‘between-method’ approach and involves more than one method of data collection, e.g. combining qualitative with quantitative techniques, to balance their respective inherent weaknesses and strengths (Easterby-Smith *et al.*, 2002; Flick, 2004; Seale, 1999; Silverman, 2010).

Triangulation was originally seen as a strategy to obtaining validity in qualitative research (Denzin, 1978), but this approach has been rejected by constructionists and postmodernists as seeking an objective ‘truth’ where – from their point of view – there can be none (Flick, 2004). As such, triangulation only makes sense within a realist epistemological position that acknowledges the existence of a single reality (Seale, 1999). Critical realism, the research philosophy

underlying this work, does so, but at the same time recognises that individuals can have different perceptions of this reality. As it also considers all knowledge to be fallible (Sayer, 2000), it seemed appropriate for this study to employ data triangulation by comparing the views of customers and art experts to reduce the potential fallibility of the data and to explore the fundamental structures and mechanisms inherent to the individuals' accounts of reality. Therefore, collecting data from three different groups of participants allowed "adjudicating the accuracy of interview accounts by increasing sensitivity to the variable relationship between an account and the reality to which it refers" and enhanced the credibility and plausibility of specific accounts as part of a fallibilistic research approach by affording additional ways of producing evidence (Seale, 1999, p. 59). Triangulation thus results less in validity and objective interpretation, but in deeper understanding and greater knowledge about a phenomenon (Denzin and Lincoln, 2000; Flick, 2004; Silverman, 2001).

4.5 The Quality of Qualitative Research

Any scientific work must be able to stand up to scrutiny from the academic community. The most common criteria for assessing the quality of any kind of research are the concepts of validity and reliability (Easterby-Smith *et al.*, 2002). Coming from a positivist background, validity generally refers to "measuring what you claim to be measuring" (Gibson and Brown, 2009, p. 59) and can be differentiated into three different types: Construct validity assesses to what extent an instrument intended to measure a specific construct really reflects that construct. Internal validity is concerned with the degree to which proposed causal relationships between two or more variables are substantiated and biases or the effect of extraneous variables are eradicated. External validity, in turn, considers the level of generalisability of a study beyond its original particular research context (Bryman, 2004; Easterby-Smith *et al.*, 2002; Seale, 1999). Reliability refers to the repeatability of results and the consistency of the applied measures (Bryman, 2004).

These quality criteria are however often criticised for their clearly underlying positivist stance. In particular interpretivists and postmodernists reject the notion of

measuring the ‘truthfulness’ of human experiences via a fixed referential system, as social reality is seen to be in a state of flux (Gibson and Brown, 2009; Silverman, 2010; Steinke, 2004). To strike a balance between the advocates of strict positivist criteria for qualitative work and those who reject these outright, two main alternatives have emerged: Lincoln and Guba (1985) suggest the concept of *trustworthiness*, (consisting of credibility, transferability, dependability and confirmability) to assess the quality of interpretive qualitative research. LeCompte and Preissle Goetz (1982), in turn, have adapted the afore-mentioned concepts of validity and reliability to facilitate the evaluation of realist qualitative studies. According to Easterby-Smith *et al.* (2002), these viewpoints can be summarised as follows (see Table 11):

Table 11: Perspectives on Validity, Reliability and Generalisability

	Viewpoint		
	Positivist	Realist	Constructionist
Validity	Do the measures correspond closely to reality?	Have a sufficient number of perspectives been included?	Does the study clearly gain access to the experiences of those in the research setting?
Reliability	Will the measures yield the same results on other occasions?	Will similar observations be reached by other observers?	Is there transparency in how sense was made from the raw data?
Generalisability	To what extent does the study confirm or contradict existing findings in the same field?	What is the probability that patterns observed in the sample will be repeated in the general population?	Do the concepts and constructs derived from this study have any relevance to other settings?

Adapted from: Easterby-Smith *et al.* (2002)

Of these perspectives, the realist viewpoint described in Table 11 is particularly relevant for this work. It finds a middle ground between the positivist and constructionist stances by assuming the existence of an objective reality whose structures and patterns can be identified, while acknowledging that this reality is seen through individually differing perspectives – a research account cannot reproduce, but only represent it (Silverman, 2001). Thus, the quality of the present study should be assessed using the realist interpretation of reliability and validity by LeCompte

and Preissle Goetz (1982). According to their suggestion, *external reliability* is concerned with the degree to which a research project can be reproduced. Since it would be possible for other researchers to imitate the present work by gaining access to the same fine arts auction houses and interviewing the same respondents, good external reliability has been achieved on a general level. However, as the social world cannot be ‘frozen’, i.e. the circumstances and experiences of participants change, the exact replication of the results might still be difficult. *Internal reliability*, in turn, covers the congruence of interpretations and findings between different members of a research team. As this study was only conducted by the author, this criterion is not applicable here.

Internal validity constitutes a good match between the research findings and the conceptualisations derived from them, and is generally a strength of qualitative studies (LeCompte and Preissle Goetz, 1982). Since the author interviewed a large number of participants and the data was analysed in a long and iterative process necessitating repeated exposure to scrutiny and interpretation, it can be assumed that a high degree of internal validity, i.e. consistence between results and theory developed from it, has been obtained. Finally, *external validity* is concerned with the extent to which the derived conclusions are generalisable across different settings, e.g. industries. While LeCompte and Preissle Goetz (1982) claim this to be a weakness of qualitative research due to comparatively small samples, the researcher would disagree with this viewpoint: As critical realism seeks to generalise about the identified underlying mechanisms and structures of social phenomena, but not the context in which these occur (Ackroyd, 2004), adopting this epistemological position indeed enables the achievement of high external validity.

In summary, it can thus be argued that while the notion of internal reliability does not apply to this work, the present study has attained high degrees of both external and internal validity and as good a level of external reliability as possible in qualitative research. Further, the concept of *judgemental rationality* enables critical realist researchers to enhance the quality of their work by publically debating their ideas and arguments, thereby allowing other members of the research community to evaluate them as well as potential alternatives to arrive at justified – albeit provisional – conclusions about the nature of reality (Easton, 2010). In addition to

the validity and reliability of this study as discussed above, the author has therefore strived to achieve such judgemental rationality by repeatedly presenting aspects of this work at international conferences (see list of papers on p. 2) as well as internal annual doctoral colloquia, in order to enter into a discourse with other researchers and receive feedback from them that could strengthen the author's reasoning.

4.6. Chapter Summary

This chapter has outlined the author's research philosophy and discussed the ontological and epistemological concepts of critical realism underlying and informing the methodology that has been used for this work. An exploratory qualitative research design following retroductive reasoning has been employed, and reasons have been given why each of these elements is considered appropriate for the overall methodology and constitutes a good fit for the investigated dynamic mechanisms of building trust and co-creating value in the customer-specialist relationship. Subsequently, the data collection stage has been outlined. The preparation and realisation of semi-structured face-to-face and telephone interviews with specialists and other employees from six international auction houses and with customers of two of these organisations has been explained in detail, as well as the employed sampling strategies – convenience and snowball sampling – justified. This was followed by a description of the data analysis process, i.e. how the data was recorded, transcribed and analysed using conventional qualitative content analysis, why this particular data analysis technique was appropriate for this study, as well as how the findings were triangulated to deepen understanding of the occurring phenomena. Finally, the important issue of quality assessment in qualitative research was discussed and LeCompte and Preissle Goetz' (1982) realist interpretation of validity and reliability identified as the most suitable quality criteria for this work. By assessing this work against these criteria, it was shown that this research and its findings can be considered to have a high level of validity and reliability. In addition, it was explained how the author strived for judgemental rationality by debating parts of this study and its findings with other researchers. This provides a sound basis for the analysis and discussion of the results in the subsequent two chapters, in which the data will be examined in light of the individual research questions to uncover the

structures and generative mechanisms underlying the relationship-building and value co-creation processes between customers and specialists of the participating fine arts auction houses.

CHAPTER 5

ANALYSIS I:

THE AUCTION HOUSE CONTEXT AND THE NATURE OF TRUST IN THE CUSTOMER-SPECIALIST INTERACTION

5.1 Introduction

After having discussed the methodology of the present study in the previous chapter, the following two explore the insights gained by the empirical data collection. In this first one, an overview of the fine arts auction business and the process of auction sales is given, including an introduction to the auction houses participating in this study, their diverse customer groups and in particular the clients interviewed for this work. The aim of this section is to put the customer-specialist interaction into context, i.e. to identify external contingencies and structural features of the auction houses' practices that may influence the mechanisms and tendencies underlying the analysed interaction. The role of the auction house expert is examined, in particular their function as relationship managers for their clients, as well as the determinants influencing whether the interaction between the two parties takes on a transactional or relational character.

The subsequent section builds on this analysis by exploring how interpersonal trust evolves in the connection of the two actors. The importance of trust for both customers and specialists is established, as well as contingencies such as the risks they are exposed to in their interaction. Furthermore, the present chapter investigates which structures contribute to the perceived trustworthiness of the two actors, and how the latter concept acts as a mechanism to establish interpersonal trust. This is followed by an analysis of how trust evolves over the course of their interaction, drawing a coherent picture of this process by triangulating the interview data derived from both experts and clients.

In line with the critical realist distinction of the *real*, *actual* and *empirical* levels of reality incorporated in the framework that guided this research (see Table 6), the analysis chapters attempt to differentiate between these three levels.

Reflecting the rich data collected the empirical research, they provide information on the state of the fine arts auction market, the participating auction houses, their activities and the function of the art experts (i.e. the occurrences and involved entities in the *actual* stratum), while also offering insight into how the respondents of this study perceive and experience the customer-specialist interaction (i.e. the *empirical* level of reality). These strata are then brought together with theoretical insight derived from the literature review to analyse the trust-building and value co-creation structures and mechanisms at work in the customer-specialist relationship (i.e. the *real* level of reality). The two analysis chapters also strive to differentiate between the intransitive and transitive dimensions, as these should not be conflated (Sayer, 2000): The former, i.e. the auction house setting, the social occurrences taking place within it and the involved actors, is explored to evaluate the latter, i.e. the so far existing theories about these phenomena and how they might change in light of the findings derived from the present analysis.

5.2 The Structure of the Fine Arts Auction Business

The following section offers an overview of the fine arts auction business on the *actual* stratum by outlining the structure of the market, its most important players and the processes involved in a sale. Furthermore, the main customer groups of auction houses are introduced and details are given about the auction houses and clients participating in this study. Existing literature on the arts market is used to ‘set the scene’ and embed the subsequent analysis of empirical findings into a wider context to facilitate understanding of the investigated phenomena.

5.2.1 The Auction Houses

“Auctions are all about loot and hope. They are fundamentally larcenous rituals, with buyers hoping to steal a bargain, while sellers hope to extort a ridiculous price. It is the auctioneer’s job to glide between these two irreconcilable illusions, extracting their own commission through the creation of magic and their ability to suspend disbelief. Encouraging both sides in their contradictory expectations, the auctioneer must be all things to all men – part confidant, part confidence trickster...” (Lacey, 1999, p. 13)

The global art market achieved a value of €43 billion in 2010, displaying considerable resilience after the economic crisis and following recession saw it decreasing from its highest-ever recorded total of €48 billion in 2007 to €28 billion within two years (TEFAF, 2011). Of this value, approximately 51% were generated art by dealers and 49% through auction sales, resulting in a global auction turnover of €20.9 billion in 2010. The most important markets by value are Europe, the US and China (McAndrew, 2011). Although it is the record prices that make the international headlines, 90% of artworks sold at auction achieve less than €10,000 (McAndrew, 2008).

Alongside dealers, auction houses basically act as intermediaries in the fine arts market.

“The principal role as an auctioneer, as an agent accepting property on consignment from its selling client, is to identify, evaluate and appraise works of art through specialists, and to stimulate purchaser interest through marketing techniques, and to match sellers and buyers through the auction process.” (Robertson and Chong, 2008, p. 6)

Three aspects of this role are particularly relevant for this work: First, that both vendors and purchasers of fine art are customers of an auction house, meaning that all three parties are necessarily related. The organisation receives remuneration from both actors (Drinkuth, 2003) (see also section 5.2.2 “The Auction Process“) and in return performs a large number of diverse services, such as transporting and storing a work of art after it has been consigned, analysing its provenance and authenticity, cataloguing, photographing and exhibiting the item as well as collecting payment from and arranging delivery to the buyer after the auction. For prospective bidders, functions include providing advice and condition reports, telephone and online bidding, receptions and other social events, transporting artworks to ‘visit’ potential buyers in other cities or even countries and maintaining offices in different geographical areas (Thompson, 2008). Second, similar to other intermediation industries, customer relationships and personal contact are vital for success. And third, the auction house sales personnel – officially referred to as ‘specialists’ and informally called ‘experts’ – has a key function in the auction process and in establishing relations with customers (Drinkuth, 2003; Robertson and Chong, 2008; Thornton, 2008).

The fine arts auction sector is divided into three tiers, which are necessarily related as changes in e.g. the structure of one will inevitably affect the others. The first tier comprises only two auction houses, but these are unrivalled all over the world: Christie's and Sotheby's, which have dominated the industry throughout the last decades and have a combined share of 36% by value of the global fine and decorative auction market (McAndrew, 2011). For high value art, Christie's and Sotheby's almost hold a duopoly – of 810 works of art sold for over \$1 million in 2006, 801 were auctioned at the two organisations (Thompson, 2008). The second tier consists of national auction houses that generate considerable sales, are often leading in their home markets and also operate internationally, although their value or turnover is inferior to Christie's and Sotheby's. Bonham's in the UK or Phillips de Pury are representative of this second tier and constitute the closest rivals to the two market leaders in terms of individual auction houses with a respective share of 5-6% in value. Regional or local auction houses are present in most national art markets and make up the third tier, conducting business mainly in their domestic areas. Though small, they are significant because they often specialise on particular sections of the market. Furthermore, auction houses that sell art alongside other items such as property or machinery also have to be counted into the third tier. All in all, it is estimated that there are approx. 5,000 businesses operating in the fine and decorative art auction market (McAndrew, 2008).

The six auction houses that have participated in the present study (one from the US, the others from five different European countries) belong to the second tier, as they are leading auction businesses in their national markets, have an international customer base and maintain offices in several different cities in addition to their headquarters. There is a contingent relationship between these auction houses and their competition across the three tiers, as they exist independently from the other organisations, but can still be influenced by them (e.g. in terms of their pricing structure, organisation of auctions etc.). Furthermore, these organisations are all members of an international association of auction houses, which has in total eight affiliates. The network was founded to compete more effectively with the two leading players, Christie's and Sotheby's, by enabling customers to benefit from joint advertising and catalogue mailings as well as worldwide previews of auction highlights through the member organisations. The association publishes a

comprehensive magazine twice a year and the current catalogues of all affiliates are displayed at each of the auction houses' headquarters. It is a requirement of the association that each country may only be represented by one auction house to avoid internal competition. As all members operate independently (with the exception of the joint marketing activities described above), but can still affect each other, they are only contingently related. While each business on its own belongs to the second tier, the association as a whole constitutes the third player in the fine and decorative arts auction market (by turnover) after Christie's and Sotheby's (Drinkuth, 2003).

In addition to these joint endeavours, each auction house implements a range of individual marketing activities as mechanisms to generate attention for its services, strengthen its brand name and reputation as well as enhance customer loyalty. To achieve the former, the most important marketing instruments of an auction house are its catalogues. Sent out to customers worldwide three to four weeks before each auction, the catalogue conveys the quality of the available lots and proves the specialists' expertise by containing information about each object's provenance, condition, importance and estimated price (Drinkuth, 2003; Thompson, 2008; Thornton, 2008). The more significant a piece of art is, the more detailed the accompanying essay will be. The specialists also often use the catalogue as a marketing tool when trying to acquire important consignments by offering potential sellers to place their object at prominent positions in the catalogue, e.g. the front or back cover, as these usually generate the most attention among buyers. Potentially interested buyers can then examine the lots in a viewing. These viewings usually last several days, and the items to be auctioned are presented as in an exhibition. For this limited period of time, all consignments are publicly accessible, thus facilitating a purchase decision (Drinkuth, 2003). Furthermore, all auction houses advertise their viewings and sales dates as well as invitations to consign in relevant national and international special interest and trade magazines as well as major national newspapers. Direct mail campaigns are implemented for the same purposes. Most auction houses also publish online newsletters as well as their own printed magazine, e.g. on a six-monthly basis, to inform their customers about the results of the previous auction season and review current market trends.

Apart from these mass communication activities, all auction houses investigated for this study also implement a number of customised events to cultivate loyalty among customers and provide their specialists with opportunities to meet clients on a more informal basis. These events can either have a purely social nature, such as cocktail parties and receptions combined with private viewings for particularly important customers (Joy and Sherry, 2003; Lacey, 1999; Thornton, 2008), or have educational purposes, e.g. lectures and workshops on specific subjects or 'behind the scenes' tours giving insight into the operations of the auction business. Both types acts as mechanisms to strengthen the clients' relationships with the auction house and its experts, as the preferential treatment and the status derived from being affiliated with the auction house increase a customer's loyalty and outweigh the economic advantages potentially gained from a purely transactional approach (Hennig-Thurau *et al.*, 2002; Palmer, 1994).

Most auction houses also cooperate with major banks, law firms or consultancies, which invite their clients to receptions on the auction house premises. These co-operations generate attention among an attractive target group and introduce potential new customers to the auction house. Sometimes these two types of events, social and educational, are also intertwined: one auction house regularly organises small lunches (maximum 10 people) during which collectors get the opportunity to meet prominent external experts or museum directors. The photography department of another auction house has hosted 'Ladies' Nights' targeted at female collectors, who still constitute a small minority among private customers. Yet another auction house has established a club called Young Collectors, which provides young people with an opportunity to meet like-minded individuals and informs them about the auction business and market developments, thus rearing a new generation of potential customers. These small-scale activities account for the realisation that because all leading auction houses implement dinners, cocktail parties etc., events have to become even more tailored to provide clients with truly unique experiences that strengthen their bond to the organisation.

5.2.2 The Auction Process

Most fine arts auctions today take place as ‘open English auctions’. ‘Open’, in this context, means that the bidding is freely exposed so that all participants know who and how many else are bidding.² ‘English’ signifies that the auction starts with an opening bid determined by the auctioneer and continues with incrementally ascending bids until only one bidder is left (D’Souza and Prentice, 2002; Sinha and Greenleaf, 2000; Thompson, 2008).³

For each lot (i.e. item to be auctioned), the auctioneer begins with a bid that lies somewhere under the secret ‘reserve’, meaning the threshold amount or lowest price the seller is willing to accept for his consignment (Massad and Tucker, 2000; Thornton, 2008). The reserve of an artwork never exceeds the low estimate, i.e. the expected price range that is established by the specialist and reflects aspects such as the item’s quality, condition and provenance (ownership and exhibition history of a lot) (Robertson, 2008). The bids are then raised by usually 10% of the current bid (Sinha and Greenleaf, 2000; Thompson, 2008). If bidding appears to be stopping below the reserve, auctioneers are sometimes said to take ‘chandelier bids’, i.e. fake bids taken ‘off the wall’ to encourage the last remaining bidder to exceed the reserve (Adler, 2003; Robertson, 2008; Thompson, 2008). The bidding itself is rather fast-paced, and often up to two lots are sold per minute (Hildesley, 1997; Lacey, 1999). Buyers can choose between several bidding methods: Apart from the most traditional one of being present at the auction, interested customers can also bid via telephone. An auction house representative then calls the buyer, informs them about the course of the auction and bids on their behalf. Furthermore, written bids can be left with the auction house, meaning that the auctioneer bids on the buyer’s behalf until the limit of the written bid is reached (Drinkuth, 2003; Hildesley, 1997). Some auction houses also conduct pure online sales or broadcast their auctions in real-time via the Internet, thus offering buyers the opportunity to observe the sale and place bids online (Drinkuth, 2003).

² In contrast, in ‘sealed’ auctions bidders do not know who is bidding and how many other bidders there are (Subramanian and Zeckhauser, 2004).

³ The other auction form is the so-called ‘Dutch’ auction, which starts with a very high price and then moves down incrementally. As soon as a bidder is willing to buy and agrees to the current bid, the lot is sold (D’Souza and Prentice, 2002; Massad and Tucker, 2000).

If a work of art fails to reach the reserve, it is 'bought in', i.e. returned unsold to the consignor (Hildesley, 1997). To obtain particularly valuable consignments, however, auction houses sometimes offer the seller a guarantee to ensure the reserve is surpassed (Adler, 2003; Agnello, 2002). If bidding does not reach the guaranteed price, the auction house has to pay the difference between the sale price and the guarantee. If the lot fails to sell completely, the auction house has to buy in the lot and pay the agreed total sum to the vendor itself. It will then try and sell the item later on (either in another auction or a private sale) to recover its costs. If the guarantee is exceeded, however, the seller can only claim 50-75% of the amount by which it is surpassed, as the risk of being bought in has been conferred to the auction house (Robertson, 2008; Thompson, 2008). Naturally, the auction house wants to achieve as high a price as possible for each lot – but not just for the benefit of the seller. It has a vested interest itself, as each consignor has to yield a commission that is on a sliding scale ranging from 0-20% and is based on the artwork's final bid price ('hammer price') as well as the vendor's negotiating skills and, in case of regular consignors, their combined annual sales of items. Therefore, due to this structure of the auction sale process, the ultimate aim of an auctioneer is to create a 'bidding frenzy' resulting in a work of art being sold for a hammer price that is a multiple of the high estimate (Robertson, 2008).

Once a lot has been auctioned successfully, the purchaser has to pay a so-called 'buyer's premium', an addition of usually 10-25% (on a sliding scale) of the item's hammer price, to the auction house, which therefore collects charges from both actors (Adler, 2003; D'Souza and Prentice, 2002; Hildesley, 1997; Thompson, 2008). After each sale, the bidding history for each lot is available for customers and gives details of the number of bids and interested buyers, bidding increments as well as whether the object was sold or bought in. In the latter case, there sometimes is an opportunity to purchase these items in an 'after-sale', otherwise they are returned to the consignor. If a piece of art is auctioned successfully, the auction house contacts both buyers and seller to arrange payment and potentially assist with storage, transport etc. As soon as the sale of a particular department, e.g. Modern Art, has taken place, the respective specialists start again with the acquisition of consignments for the next auction.

5.2.3 The Auction House Customers

“It is the assumption of most people today that they can be defined by their material possessions. Fine things display a fine person. Well-chosen goods have become the badges of modern accomplishment, and what was once the hallmark of a small ruling elite has become the preoccupation of a growing multitude... When people buy [at auction], they are seeking to satisfy a variety of needs. They may explain their motives in terms of taste, or history or sentiment, but they are laying out their money fundamentally in hopes of acquiring something that can bring a new dimension to their lives. They are bidding for class. The ostentatious and insecure are seeking to validate themselves in the eyes of others. The passionate collector is driven by the quasi-spiritual impulse to possess beauty. But all are making their purchase in pursuit of some extra validation for themselves.” (Lacey, 1999, p.15)

The clientele of auction houses consists of both buyers and sellers of art, meaning – as explained previously – that all three parties are internally related to each other. Though the auction house acts as an intermediary and receives remuneration from both actors, it is the great paradox of this business that the auction house focuses on attracting consignors and establishing potentially long-term relationships with them, although (due to the buyer’s premium) the purchasers are more profitable (Robertson, 2008).

“A genuine reduction in supply for the highest quality items in all but the Contemporary market... combined with a broader based more liquid demand and improved methods of sale, has led to a striking imbalance in favour of the seller over the buyer.” (Robertson, 2008, p. 32)

As demand exceeds supply, auction houses compete over consignments, while bidders are assumed to follow the art – important works of art automatically attract buyers (Thompson, 2008). It is thus estimated that auction house specialists spend approx. 80% of their time obtaining consignments, and only 20% liaising with buyers (Thornton, 2008). However, these two parties are often inseparable, as many customers consign objects to an auction house and purchase others in turn. Customers – be it buyers, sellers or both simultaneously – can be structured into four groups: private individuals, professional dealers, museums and corporations (Agnello, 2002; Drinkuth, 2003; Robertson and Chong, 2008). There are many diverse mechanisms for purchasing or selling art, but it has been shown that these can be condensed into three interrelated motives: attaining prestige, investment

(including speculation) and the wish to satisfy aesthetical needs (Burns, 2011; Drinkuth, 2003).

Private individuals consist only for a minor part of real connoisseurs, who often build up significant collections, have distinctive expertise in the area/period they are interested in and can thus assess an object and market developments on their own (Drinkuth, 2003). The majority of private individuals does not comprise accomplished collectors, but rather buys single objects from time to time – often for prestige or decorative reasons – and requires the assistance of the auction house to evaluate consignments (Lacey, 1999; Thompson, 2008).

“You can see on our customer base that 60 or 70% of our customers are short-term customers. They inherit something and sell it, they need a sofa so they buy a sofa and that’s it. It’s a [smaller] part of the market containing customers, often collectors, who are coming again and again and again.” (Specialist 8)

Nevertheless, as approx. 90% of the objects annually sold at auction fetch under €10,000 each and thus constitute the lion’s share of the business, the importance of these ‘lay buyers’ should not be underrated (Hildesley, 1997). Private individuals selling objects at auction have mainly a monetary motif for doing so. While connoisseurs sometimes consign lower-value items to generate financial means to buy other more important works of art to improve their collection, most sellers are simply hard-pressed for money. The reasons for selling are thus often caricatured as the ‘three D’s’: death, debts and divorce (Drinkuth, 2003; Thompson, 2008; Thornton, 2008). On the other hand, in particular private collectors are sometimes very loyal to an auction house and build up sound relationships that can span decades or even generations.

“The best for us is that we have a lot of clients – this I hear on a daily basis – telling us ‘Well, our mother and father bought at your auctions so now I’m selling at your auction’ or vice versa, we have a lot of families, generations, who are doing business with us...” (Specialist 7)

Dealers and gallerists, on the other hand, usually act as retailers by investing and buying at auction in the hope of reselling the object and gaining profit (Robertson and Chong, 2008). They also purchase directly on behalf of private individuals or museums if those do not want to go through the auction process or wish to remain completely anonymous. For selling art at auctions, dealers again have

financial reasons: Despite the commission, they hope to obtain better prices at auction than if they sold the object themselves, as auction houses generally reach a wider audience (Drinkuth, 2003). Museums, in turn, buy at auction to improve their collections, although they sometimes struggle with the very high price level common at international auction houses (Thompson, 2008). Items that have been bought by a museum are often regarded to be ‘in captivity’, as they are likely to remain part of the museum’s collection in the long-term and are thus lost for circulation in the market (Lacey, 1999). The practice of ‘museum de-accessioning’ – originating in the US – is also increasingly common and comprises the abandonment and sale of works of art of minor importance to gain financial means for new acquisitions (Drinkuth, 2003). Corporate art collections, finally, usually serve commercial goals. Businesses – often investment bank or law firms – build up collections for prestige reasons and to generate publicity and brand recognition. A prominent example is Deutsche Bank, who owns the world’s largest corporate collection comprising 50,000 works of art displayed throughout their branches (Robertson and Chong, 2008). Corporate customers buy and sell individual items at auction to restructure their collection, or consign a number of lots to raise funds for other purposes (Drinkuth, 2003).

Although most customers fall into one of these categories, it has to be noted that the clientele of first and second tier auction houses is nevertheless very heterogeneous. For example, not only are buyers and sellers of Old Masters very different from those interested in Contemporary Art, but the art market in general is not the domain of a small elite anymore. Several respondents pointed out that customers come from all walks of life, diverse educational and professional backgrounds as well as social standing. “It’s rather interesting that who is interested in art is completely socially independent. And it’s also independent of how much money you have. It’s living in you... you cannot learn to love art. You have it in your heart.” (Specialist 8) Similarly, Specialist 7 stated:

“It’s a very strange world, our business, because a lot of our clients... don’t have the same background. In a lot of other businesses you have people being educated in the same way, so you have a certain language that you’re all speaking and so on – but here you meet a lot of different people, so you have to be very aware of with whom you’re talking... You really have to have the skills of being able to read people.”

In addition to this diversity, the structure of the auction houses' customer base is also marked by a high degree of internationality. While an auction house used to mainly attract buyers and sellers from its home market just a few decades ago, today its clientele often spans the whole globe.

“When I started in this business 20 years ago, you took the chic districts of [this city], maybe three of them, and you had 80% of your buyers from these three districts... now maybe only 20% of the buyers are coming from these districts and 80% are coming from Sweden, Russia, China, United States, so of course it changes the relationship you have, because the clients are not anymore your neighbours, they are just far away and sometimes you never see their face.” (Specialist 3)

In line with this example, several specialists mentioned that the business has become more anonymous as technological advancements such as the live-streaming of auctions means clients' presence in the sales room is not required. The internationalisation of the customer base is a structural feature that has also resulted in the tendency of fiercer competition among auction houses, as consignors and buyers are not restricted to national markets anymore. Reputation alone is no longer sufficient as a mechanism to attract customers (in particular sellers) and generate repeated transactions. Instead, the auction houses have to actively pursue relationship marketing strategies to elicit customer loyalty – just like other industries that have moved away from transactional exchange when faced with increased competition and saturated markets (Harker and Egan, 2006; Sheth and Parvatiyar, 1995).

“Working in an auction house, we were waiting for the client to come to you... now we have to take much more care of the client, make phone calls, inviting them, a lot of marketing which once was not so common.” (Specialist 15)

The customers who participated in the present study are clients of either the US or German auction house and are all based in either of the two countries. Since the researcher was only given their names and telephone numbers, but no further details, it was initially not known to which customer group the individuals belong. Over the course of the interviews, the majority turned out to be private collectors, although one interviewee is a professional dealer who does not own works of art privately. The 'status' of two customers could not be established. Furthermore, the client structure discussed above proved to be blurry in practice, as one private collector also sometimes acts as a dealer and art consultant (while having held an unrelated

day job until retirement), whereas another individual is a dealer with an extensive private collection. During the interviews, some mentioned their area of interest – ranging from Chinese porcelain to medieval art and antique furniture – but others did not. 11 of 13 customers are both buyers and consignors, while two have so far only bought from the respective auction house. The length of their connection to the auction businesses varied greatly, from three to 40 years. In line with the characterisation of customers above, two respondents reported even generation-spanning relationships: “My parents were already customers of [this auction house] before World War II ... After the war, this relationship was continued by my husband and me – so all in all, it already exists for about 80 years.” (Customer 4) “How long I am doing business with [this auction house]? Personally, for approximately 25 years, but my grandfather has already been bidding there. So if I include my grandfather, and my parents, then it is 70 to 80 years.” (Customer 7)

5.3 The Role of the Auction House Specialist

It is generally acknowledged in the literature on the auction business that the specialists employed by an auction house perform key services offered to customers and hold a vital position when it comes to developing relationships with them (Drinkuth, 2003; Thompson, 2008; Thornton, 2008). On the *actual* stratum, they can be considered to be sales personnel (Thornton, 2008), although on the *empirical* level of their own perspective, most specialists would presumably reject this denotation. To understand their exact function in the processes of establishing relationships and co-creating value, therefore, it is necessary to identify the specialists’ powers and liabilities as well as gain insight into how they themselves perceive their role within the auction environment and the interaction with customers.

When asked about their background, two main structures became apparent: Most specialists have either studied art history or similar subjects at university level (in some cases followed by a doctorate), or have a completely unrelated education and worked their way up from unqualified positions such as porter or customer services assistant to being a specialist in a particular department. This structural feature offers one explanation for the disparity between the function of specialists

and their self-perception: A lack of business and management education might mean that specialists are not necessarily familiar with the role of modern salespeople and leads in a clichéd and old-fashioned image of the persuasive sales representative. This is also an example for how the intransitive and transitive dimension of knowledge are intertwined in the social world – while the specialists’ business-related ignorance constitutes part of the former, the resulting view of salespeople is part of the latter.

The diversity of the experts’ background is also reflected in their job description, and the question of how the specialists would describe their role generated a variety of answers. The most common themes, which can be seen as causal powers, were:

- providing expertise and information
- offering advice and guidance
- acting as an intermediary and business-getter
- being customers’ main point of contact and relationship managers.

All of these aspects were reported by the specialists and are therefore situated on the *empirical* stratum, while the first two were also observed by the researcher during visits to the auction houses, specifically the attendance of viewings, and therefore took place on the *actual* level of reality. The first task, providing expertise and information, is probably the most obvious one and also characteristic of most salesperson roles as outlined by Weitz and Bradford (1999). The specialist evaluates works of art that are brought in by potential consignors, assesses their authenticity, quality, condition, provenance as well as cultural importance, and based on these criteria offers an estimate of the price the work is likely to obtain at auction. Furthermore, they have to consider the current market situation for each individual item, as trends and prevalent preferences among potential buyers can significantly influence the bidding process.

“A specialist is the one who knows what he sells, is able to give a good description, a good estimate. And it’s not just the question to know what we sell, it’s to know how it could sell, how much it could reach, and this is very important... the knowledge of the market and of course the knowledge of the business...” (Specialist 3)

Apart from providing customers with objective evaluations and information, it is also the specialist's task to offer advice and guidance. In line with a salesperson's role as a consultative value (co-)creator in the 'partnering' era (Liu and Leach, 2001; Sheth and Sharma, 2008; Weitz and Bradford, 1999) or the tailored approach of customer-oriented selling (Franke and Park, 2006; Schwepker Jr, 2003; Wachner *et al.*, 2009), they can exert their causal power to advise sellers on the best point in time to consign a work of art, i.e. when the market conditions are beneficial, and buyers whether a particular object would e.g. be a profitable investment or fit into their collection. To ensure that this power results in the desired event, i.e. the acquisition of a consignment or the close of a sale, the specialist has to be familiar with the taste and preferences of a customer to tailor their advice accordingly (Frankwick *et al.*, 2001; Jolson, 1997; Weitz and Bradford, 1999). This latter notion can therefore be regarded as a generative mechanism.

“Of course the specialist has to know the collectors, so when he sees a piece, he says ‘okay, I know right now that maybe this piece will interest this guy in Paris, this guy somewhere else, because I know that they are looking for that’.”
(Specialist 3)

As Specialist 2 argued, the expert can furthermore draw the customer's attention to particular objects or artists if the client appears to be receptive, thus using their causal powers to influence the focus of their collection and potentially laying the foundation for future purchases. Since such a tendency positively influences a customer's experiential value (which, in case of a purchase, can be translated into monetary terms, i.e. the increased value of the collection), this advisory task also resonates with the notion of value-based selling suggested by Terho *et al.* (2012). However, several specialists emphasised that while expertise and advice important, it is only one aspect of a very diverse job. Specialist 5 went so far as to call his profession “generalists”, as knowledge on its own is not sufficient anymore in today's fast-changing and competitive arts market – specialists have to act as intermediaries between buyers and sellers and at the same time be business-getters. As Specialist 7 explained:

“For us, selling is two different things; it's selling the seller the idea that he or she has to sell it at our auction house, and also to convince a potential buyer that he or she has to buy it at our house.”

“In my opinion, the specialist... should be a good business man. First of all we are brokers, we are connecting the seller with the buyer and in that connection we have the midpoint, so when we are doing a good job, we are making a good sale for the seller and a good buy for the buyer and that’s the finest time for the broker.” (Specialist 8)

Since buyers are assumed to ‘follow the art’, Specialist 6 particularly emphasised the expert’s function as a business-getter in terms of obtaining attractive consignments:

“The most important thing is the acquisition part, because if you have nice things you will always be able to sell them. But if you don’t get [them] from the beginning, you will not have a sale, so we... must be able to get things in the house and we cannot just be experts to give... authentication. You have to be able to compete, to be a businessman, to make a deal. More and more of our time is not [spent] to make the catalogue, it’s to concentrate on acquisition and deals.”

Related to their role as intermediary, on the *empirical* level most specialists also see themselves as ‘relationship managers’ (Moncrief and Marshall, 2005) and the main point of contact for customers in the auction house. “I have a lot of customers that I have had throughout my whole career, and my feeling is they feel comfortable with having a person they know.” (Specialist 8) Specialists 6 called this mechanism being “an ambassador for your client at the auction house”, since particularly new customers often have to overcome inhibitions when dealing with a long-established and reputable auction house for the first time. Specialist 4 highlighted that it is of great importance for customers today to have their own personal advisor among the auction house experts. This interpersonal connection is another vital generative mechanism as it balances the high level of risk and uncertainty involved in utilising an auction house’s service, which, like many other services, is realised and consumed over some time (Crosby *et al.*, 1990; Palmatier *et al.*, 2006).

“Often sellers or professional collectors will associate with the experts... they are like equals, they are the ones that have the knowledge and appreciation of the pieces, whereas customer service, all the other aspects of doing business with an auction house, are in a way for them necessary evils. Of course there is obviously a limit to how bad a service can be and customers still have good relations with an expert. But I think the expert is the focus, that’s where you form longer term relationships.” (Specialist 9)

In that sense, specialists have a key function in the necessary relationship between the auction house and its clients, as they possess the causal power to personify the organisation's expertise, thus influencing customers' *empirical* perceptions of its reliability and the quality of its service significantly (Guenzi and Georges, 2010; Hennig-Thurau *et al.*, 2006; Hennig-Thurau *et al.*, 2002). This results in the tendency that a specific expert becomes their main contact person and is always consulted, even with regard to issues that are handled by other departments, e.g. shipping or accounting. Several specialists mentioned having had clients for more than a decade: "Especially in my department, there are relationships that have carried on since the beginning of the department; I'm working with clients that have stayed with me since my first auction." (Specialist 17) In particular for consignors the specialist is the most important contact person in the auction business, the "chokepoint" (Specialist 10). As Specialist 14 indicated:

"... it's more a close relationship between the seller and the auction house, because with the market today, the catalogues are seen worldwide, so why they choose an auction house or another, one reason may be... the relationship between the seller and an expert."

To enhance these ties, which constitute a necessary relationship, the specialists use their causal powers to activate a number of generative mechanisms, such as a high level of contact density, i.e. the frequency of direct or indirect interaction and communication (Crosby *et al.*, 1990; Sharma, 2007). This displays commitment and enables customers to evaluate the specialist's behaviour, thus offering reassurance and stimulating trust (Crosby *et al.*, 1990; Doney and Cannon, 1997; Palmatier *et al.*, 2008). All experts emphasised that they put a lot of effort into providing buyers as well as sellers with a steady stream of relevant information, be it regarding the provenance of an individual work of art or the auction catalogue. Furthermore, they try to communicate regularly with important long-term customers (another generative mechanism), often contacting them proactively to strengthen the relationship when a client has not been in touch for some time. Specialist 7 outlined a typical procedure:

"If I have a high-end potential buyer or seller, I try to contact them via a direct mail campaign, via our catalogues, and if they visit us, I'm very – you could say – 'on them'. If I get a conversation with them, breaking the ice, then I'll contact them for instance by telephone if there's something I would like to talk

to them about, for example an item they have where the prices are very good at the moment. So I'll try to convince them that they have to sell it. Or if there's something I find might have their interest then I'll invite them to a private preview."

Communicating via telephone, e-mails and letters are obvious options, nevertheless, several specialists pointed out that it is personal interaction that moves the relationship-building process forward the most.

"...once you have had a face-to-face meeting, I'd say that certainly could improve chances of things happening as opposed to a short e-mail. After all, a big difference is a face-to-face meeting... I think a lot of relationships are just cemented once I meet the client, once I get in their home and see the work, we can talk about it together, that's usually when things crack." (Specialist 17)

To cultivate this individual contact and increase opportunities for personal meetings, the specialists also attend art fairs or other events related to the art market to meet consignors and buyers in a more sociable setting. These activities serve as mechanisms that deepen the relationship to promising clients and move it beyond purely business-oriented contacts, which is of particular importance as interpersonal connections differ in their structural features from customer-to-firm relationships: in essence, they are more easily formed, stronger and long-lasting than the latter (Lian and Laing, 2007; Palmatier *et al.*, 2006; Palmatier *et al.*, 2007; Wong and Sohal, 2002). At the same time, being present at important events offers a platform to meet potential new clients and demonstrates that the specialist is up to date with the latest developments in the market.

"[The experts] go to galleries to meet new clients, they go to openings of museum exhibitions and then they meet other new clients, too, or they meet clients they already have, it's all very important. You have to be seen by the field, by the market, by the viewers, by the collectors, you have to be where the things are going on, you have to be in Basel, you have to be in Maastricht, you have to be in Miami..." (Specialist 3)⁴

It has been mentioned at the beginning of this section that in the *actual* stratum of reality, specialists can be considered to be the sales personnel of an auction house (Thornton, 2008), although on the *empirical* level the experts interviewed for this study apparently prefer denominations such as 'representative', 'advisors',

⁴ Art Basel and its sister exhibition Art Basel Miami Beach are two of the largest and most important fairs for contemporary art, while TEFAF (The European Fine Arts Fair) in Maastricht is the world's leading fine art and antiques fair (excluding contemporary art).

‘consultants’ or even ‘brokers’. However, their causal powers and the generative mechanisms discussed above – providing expertise, offering advice and guidance, acting as a business-getter and intermediary as well as being customers’ main point of contact and a relationship manager – very much resonate with the structure of relationship selling in the partnering era (Weitz and Bradford, 1999) as well as customer-oriented selling (Schwepker Jr, 2003; Wachner *et al.*, 2009) and value-based selling (Terho *et al.*, 2012). Therefore, it seems appropriate to state that the specialists of fine art auction houses indeed act as salespeople or sales representatives, meaning they constitute a suitable population to draw a sample from in order to develop a framework conceptualising the trust-building and value co-creation processes in customer-salesperson interaction.

5.4 Determinants for the Development of Transactional or Relational Customer-Specialist Interaction

Of those auction house specialist roles discussed above, the last one – acting as a relationship manager – is of particular significance for the exploration of the value co-creation processes taking place in customer-expert interaction. Therefore, the following sections will examine the prerequisites of their relationship development, i.e. the mechanisms leading to transactional or relational exchange respectively, as these might subsequently impact on the kind of value that is realised.

5.4.1 The Importance of the Customer

As it is impossible for organisations *not* to have relationships (Blois, 1998), every auction house and individual specialist has a portfolio of customer connections. It has been pointed out before though that these are not all the same: Customer relationships vary greatly in their depth and temporal orientation and range from discreet exchanges to ‘real’ connections in which client and salesperson are both committed to continued cooperation (Blois, 1998; Palmer, 1994; Turnbull *et al.*, 1996; Weitz and Bradford, 1999). From the perspective of the specialist, the profitability and importance of a customer are particularly relevant structural features

in this context. Especially because the customer base of fine arts auction houses has become larger and more demanding, experts have to exercise their inherent causal powers to make strategic decisions as towards which clients they should direct their relationship-building activities. It has been stated previously that organisations and salespeople have to determine which connections are to be cultivated, as not all customers are profitable and worth keeping (Harker and Egan, 2006; Sheth and Shah, 2003). As establishing a relationship requires investments in terms of the experts' time, effort and resources, which constitute a maintenance cost, some clients have to be prioritised over others (Blois, 1998). In line with this argument, the interviewed specialists clearly identify the tendency of not spending the same amount of time and effort on every customer. As Specialist 12 pointed out, even if she wanted to cultivate relationships with all of her clients, it would not be possible – looking after approximately 6,000 customers means that having only sporadic contact with most of them is inevitable.

Apart from the sheer number of clients, however, specialists are aware that low-end buyers, consignors offering low-quality works of art or generally one-time customers are not profitable enough to justify the effort required to establish personal long-term connections.

“[If] a buyer contacts me for a particular autograph that has almost no value, I have no reason to encourage that relationship... On the other hand, if there's a huge buyer in some part of the world where there's a market that I don't tend to reach, and they buy frequently from my auction, I'll find out what the buyer is most interested in, if they're buying on behalf of someone else... I'll send them reminders or personalised notes accompanying auction catalogues, so the relationship will be different depending on the potentiality of fruitful future interaction.” (Specialist 16)

“Of course we're personally more attentive to the people that are potentially our biggest clients... You know, we're trying to say that all customers... get an acceptable level of service, but we have to have some extra to put on top to the high-end buyers and sellers.”

Thus, this 'extra' consists of two mechanisms: marketing activities such as educational workshops or social events, and increased effort from the specialist to deepen the personal contact to the customer. “The better the pieces are, the more it will tend to gravitate toward personal interest and personal relationships.” (Specialist 9), or, as Specialist 17 explained: “Big relationships come usually around big

consignments”, i.e. the more important the customer, the more time the expert will invest into meeting them personally and developing a potentially long-term connection.

“When someone has something really interesting, something spectacular... you take the time, you sort of get your other duties behind for a while and then you go out and talk to these people... You could probably give them a price on the phone, but... you go there and you talk to them.” (Specialist 9)

As their time is naturally limited, however, specialists have to carefully weigh up which customers are the most promising targets for their relationship marketing efforts.

5.4.2 The Relational Preferences of the Customer

As Specialist 2 emphasised: “Interpersonal relationships are our main tool, so you have to love these human relations and be interested in other people.” However, the profitability of a customer is not the only structure that tends to influence the type of interaction between a customer and a specialist. Even though personal connections to important clients are vital for business success, the structural relational preferences of the customer – i.e. whether they are in a transactional or relational mode (Grönroos, 2004) – ultimately impact on the form and frequency of the actors’ encounters and are therefore necessarily related to them. “It’s the client who decides how close [the relationship] is.” (Specialist 14) A large number of clients will just consign or purchase once, while others deal with the auction house repeatedly, but are not interested in any form of contact that exceeds the immediate transaction. “Some clients want to keep a certain distance, and you have to respect that and let them come to you.” (Specialist 2)

“Some clients [you see] only at the auction days or at viewing times. You have clients who know that you are going to call them every time there’s a viewing and that’s the whole thing... Some of them don’t want any relation and some of them want very much of you.” (Specialist 5)

“Not everyone is completely engaged, some people, they just want to sell and be done with it.” (Specialist 17) Since competition – in particular for consignments – is fierce among auction houses, customers do not necessarily have to maintain a

relationship to the specialist, but can choose to do so based on their dedication to the individual expert or the organisation as a whole (Bendapudi and Berry, 1997). Any effort to deepen the connection to a client is futile, however, if they are not interested in contact exceeding the bare necessity (Berry, 1995; Harker and Egan, 2006; Sheth and Shah, 2003). Accordingly, Specialist 5 stated:

“I think that is a thin line to walk on. If [the client] isn’t open to you, you shouldn’t try to be his friend, then they are going to cut you off... It is very unpleasant if someone is trying to be too close to you if you don’t know that person.”

“The first thing is just to keep the lines of communication open, to... try to build a more personal relationship. It depends on the person, it depends on how they like to do business, not everybody likes that. You have to have a sense of how much of your direction people necessarily want.” (Specialist 17)

The experts thus have to sense what ‘mode’ of relationship and communication the client wishes to have, and adapt their behaviour accordingly, as only sporadic contact with an important customer is preferable to alienating them by being too pushy.

“It’s a reflection of how good you are, to be knowledgeable about a person’s inner side..., the empathy that you have when you are talking to the customer. It’s a very important skill because some customers... like a social relationship to you, but then there are also a lot of important customers who do not like that kind of treatment... [You have to know] how much contact from you they are comfortable with, and when you are boring them with your phone calls and e-mails. So it’s a good thing to be alert, but not annoying.” (Specialist 8)

5.5 The Nature of Trust in the Customer-Specialist Interaction

While the previous section mainly focused on the *actual* stratum to outline the structures of the fine arts auction business in which the customer-specialist interaction takes place, the following section builds on this analysis by exploring how interpersonal trust evolves in the connection of the two actors. It thus provides answers to the first and second research question by using the experiences of the respondents, i.e. the *empirical* stratum, and bringing them together with the previously identified structures and relevant literature to uncover further mechanisms and causal powers on the *real* level. The general significance of trust for the studied

relationship is established – because if the respondents did not consider trust to be an important mechanism within the auction context, it would presumably not have any particular influence on the co-creation of value either. This section also contains a description of the risks customers and specialists are exposed to in the auction market in general and their interaction in particular. Subsequently, the present chapter strives to identify which structures contribute to the perceived trustworthiness of the two actors, and thus constitute antecedents to interpersonal trust. This is followed by an account of *how* trust evolves over the course of their interaction, drawing a coherent picture of this process by triangulating the interview data derived from both experts and clients.

5.5.1 The Importance of Trust in Customer-Specialist Interaction

Trust is commonly acknowledged to be one of the key variables in establishing customer relationships (Ahearne *et al.*, 2007; Grönroos, 2004; Morgan and Hunt, 1994; Young and Albaum, 2003). Going one step further, Berry (1995, p. 242) has named it “the single most powerful relationship marketing tool available to a company” as it reduces the inherent uncertainty and vulnerability for the actors involved and convinces them to invest into the relationship (Blois, 1999). In particular for credence services such as the fine arts auction business, whose quality is difficult for customers to assess even after it has been co-produced and consumed and which thus entails high levels of risk, trust is of pivotal significance (Eisingerich and Bell, 2007; Guenzi and Georges, 2010). Due to these structural features, the vast majority of specialists as well as customers did indeed deem trust to be not only an important mechanism, but essential for their connection and dealings with each other. When asked what trust means to them in the auction house context, terms such as honesty, reliability and transparency were mentioned the most.

“In the easiest described word it would be honesty... like among friends. And in certain aspects of business it also means being able to be vulnerable to someone without fearing that they are going to use the information directly or indirectly against me... I wouldn't go to an auction house that I didn't feel that sense of trust...” (Customer 13)

This example resonates very much with the definition of trust by Rousseau *et al.* (1998) used for this work. It also shows that trust entails the assumption that the other actor's intentions are benevolent and opportunistic behaviour will not take place, thus preventing the trustor from safeguarding in an attempt to control the situation's inherent uncertainty (Bendapudi and Berry, 1997; Das and Teng, 2001; McEvily *et al.*, 2003).

5.5.1.1 The Customer's Perspective

To gain as much insight into the significance of trust in the customer-specialist relationship as possible, the interviews differentiated between the two actors involved. First of all, both parties felt that the *customer's* trust in the expert – not only the auction house – is fundamental, thus supporting the argument that a large proportion of customer trust is associated with the salesperson instead of the organisation (Howden and Pressey, 2008; Sirdeshmukh *et al.*, 2002). “I would say trust is about the most important thing that we look for when we're consigning and actually also buying, you need trust in both sides of the transaction.” (Customer 11) “Trust is our main asset. We cannot work without trust. If the customer does not feel that he can trust us, we lose the basis of our profession.” (Specialist 2)

“I think trust is generally the basis for every relationship, whether in private life or business, and even more so in the arts market... There has to be trust between a collector and the expert, otherwise you do not need to work together.” (Customer 5)

“[Trust] is tremendous... Our whole system really kind of runs on the honour system... Our customers are counting on me to be as honest and fair as I can – they are trusting me to do that.” (Specialist 18) In line with these examples, the large majority of experts thought that trust on the customer's part is vital for their business. Specialist 8 even went so far as to state that assuming the clients' trust is his default position – only if he felt they did not consider him trustworthy would his behaviour be inflicted, indicating that the absence of trust is as much a mechanism influencing the actors' behaviour on the *empirical* stratum as its presence. Only one of 18 experts interviewed did not see trust as important for customer relationships, because she perceives ‘trust’ to be too strong and intimate a concept to be applied to business

connections and prefers the term ‘reliability’. Among the customers participating in this study, in turn, only one of 13 explained that he does not consider it necessary to trust the specialist, implying that the mechanism is absent. Instead, he relies only on his own knowledge and instincts, as experts always had a vested interest in realising transactions. This experience suggests that the absent mechanism is replaced by another (the customer’s own expertise), which enables the tendency to occur, i.e. interaction between client and specialist. However, it might be possible that the interaction has a slightly different nature or structure, as it is based on a different generative mechanism.

5.5.1.2 The Specialist’s Perspective

Apart from the customer’s trust in the auction house expert, the interviews also covered the reverse constellation, i.e. whether it is important for the *specialist* to be able to trust the client. While interpersonal trust does not necessarily have to be reciprocal (Blois, 1999; Schoorman *et al.*, 2007), most respondents felt that mutual trust is desirable, as it makes selling relationships sounder and more effective on both the *empirical* and *actual* level (Smith and Barclay, 1997). “[Trust] is a very significant concept, for the customers as well as for us, the auction house employees, because in our relationships trust has to be the basis for both parties. It has to be there, period.” (Specialist 11) When asked which is more important, the client trusting the expert or vice versa, Customer 5 said: “Both [are vital], because one does not work without the other, because I think both sides depend on each other.” In line with this argument, the majority of specialists considered it to be crucial that they can trust the client, as this mechanism has significant impact on their own behaviour and their attitude towards the customer. Specialist 11 agreed:

“The situation is always the same, but the customers are all different. You can not just ignore the feelings you have when you meet somebody... So if I do not trust someone who comes to me and says ‘I would like to sell this piece’, then I’ll be cautious, very critical, and I’ll scrutinise the offer much, much more thoroughly.”

Similar to the findings related to the reverse constellation, only two experts did not consider trust in the client to be a significant generative mechanism. According

to Specialist 13, trusting a customer might constrain him in assessing a consignment's authenticity objectively, i.e. impact negatively on his causal powers. Specialist 14 in turn thought that trust in the customer is an added bonus, but not a necessity because on the *actual* level all clients receive the same level of service regardless of the expert's personal feelings towards that individual. In this specialist's opinion, trust is therefore only contingently related to his interaction with clients. In line with most specialists, however, the majority of customers participating in this study believed that being perceived as trustworthy is necessary for their relationship with the expert. Customer 4 deemed the expert's trust as important as trusting the specialist herself, as mutual trust is a prerequisite mechanism for working together. As Customer 2 posited:

"I think such a [relationship] can only exist in the long term if it is based on mutual trust. The expert acts on my behalf, it can even get to the point where he bids for me, and it would be terrible if I let him down, that would upset me deeply... So it is crucial for me that the expert trusts me and knows that I stand behind that with my good name."

Only Customer 12 pointed out that his risk is greater than the specialist's, as the latter is protected by contracts and legal agreements, meaning that being perceived as trustworthy is less important than trusting the expert. Considering the fact that the large majority of respondents regarded *mutual* interpersonal trust to be a highly significant generative mechanism for their interaction, however, it is surprising that most research to date seems to have overlooked the salesperson's perspective. This study contributes to closing this gap by exploring the structural antecedents of trustworthiness and the development of interpersonal trust from both the customer's and the specialist's point of view, thereby providing first insight into a so far under-researched perception.

5.5.2 Risk and Interdependence for Customers and Specialists

In accordance with the argument that there is a necessary relation between trust and risky situations (Das and Teng, 1998; 2001), the previous two sections have established that interpersonal trust is a vital mechanism for establishing a connection between specialists and customers as it serves as a social decision heuristic for both

actors (Kramer, 1999). The majority of respondents also considered mutual rather than unidirectional trust to be necessary and more desirable, as it balances the *actual* and *empirically* perceived uncertainty and interdependence of the service encounter, in which each actor depends on the beneficial intentions of the other without being able to control them (Rousseau *et al.*, 1998). These tendencies can be explained when considering the kind of risks that both customers and specialists are exposed to in their interaction due to the characteristics and structural features of the overall auction business (i.e. the intransitive dimension).

For sellers, there is a risk that the specialist does not advise them accurately, e.g. to gain a consignment although it could achieve a higher price elsewhere.

“You can say there are challenges to your ethical standards. For instance, if you see a nice piece and... in the best of worlds you would maybe not sell it here in [this country], you would prefer to sell it in another country. You would sometimes say ‘well, this is the market price we can see for it here’, without necessarily informing the seller that if you went somewhere else you could probably expect to get that much [more].” (Specialist 9)

“The problem is, when you’re in your acquisition phase you have to be honest about the object’s potential, but then there is a competition situation. You don’t want to promise too much, but then you know that there are other [experts] doing it to get it in the house. You want to be balanced and not out of what is reasonable, so that could also mean that you have to discuss with yourself how much you should... overestimate [a piece].” (Specialist 6)

Irrespective of the recommendations of the expert, there is always a risk for sellers that their consigned object is not sold in the designated auction. While a piece of art can be promoted in the catalogue, print advertisements and during the viewings to generate attention among potential buyers, the ultimate result in the auction is determined by demand from the market. The transaction thus contains an uncontrollable element that renders trust in the specialist and the precision of their advice even more important for the consignor.

Buyers, in turn, have to be able to trust the expert to provide truthful information about the value, provenance and condition of an object. Today many restorations and repairs can be implemented at such a high standard that often even experts can hardly discern them. In addition, there are an unknown number of undetected fakes circulating in the art world. While the recent international forgery

scandal around the ‘Collection Werner Jägers’ (Michalska *et al.*, 2011) showed how numerous specialists from renowned auction houses can fall prey to fake pieces, the buyer generally has to trust the expert to research each object meticulously and thus minimise this risk. Both these viewpoints described above – the risks involved for buyers and sellers in the intransitive dimension – support the transitive argument that the purchase of credence services such as those of the auction house entails a considerable amount of vulnerability for the customer, as the service’s quality cannot be completely assessed even after it has been consumed (Guenzi and Georges, 2010; Howden and Pressey, 2008).

However, this dependence is not unilateral, as the specialist is also exposed to considerable risk in their dealings with customers. When new buyers register for a particular auction, they are usually only asked for their address, but not financial details, so the auction house has to trust that they are genuinely interested in acquiring the lot they are bidding on and will not default on it. With regard to sellers, the experts have to rely on both private collectors and dealers to supply truthful background information when they consign an object, e.g. concerning restorations, appearances in previous auctions⁵ or how it was originally acquired. As Specialist 8 highlighted: “There’s a lot of art pieces where you have to rely on the customer that they are not selling fake things or that... they are not lying about provenance and so forth. That’s of big importance.” These examples show that there is substantial risk and interdependence for all actors involved in the transaction, which explains not only why interpersonal trust is so significant for customers and specialists, but also why both respondent groups consider mutual instead of unidirectional trust to be a necessary mechanism for their interaction: The unknown number of fake objects, as well as the nature of the sale and the role of provenance and the specialist’s expertise in evaluating consignments, constitute respective structural features of the art market and the auction houses’ practices that assume the causal power to manifest themselves in the tendency of rendering mutual trust necessary for customer-specialist interaction.

⁵ Pieces of art that have not sold at auction are considered to be ‘burnt’, i.e. they lose value and should not be offered again for several years until the market situation has changed (Thompson, 2008).

5.6 The Structures Underlying Trustworthiness and Interpersonal Trust

Building on the finding that reciprocal trust is essential for the majority of both customers and specialists, it now has to be explored which structures result in interpersonal trust to emerge on the parts of the two actors. As Mayer *et al.* (1995) have pointed out, there are trustor- as well as trustee-specific antecedents. Although the trustor's propensity to trust might also be decisive for the development of interpersonal trust in the customer-specialist relationship, this characteristic has not been considered in the interviews as it describes an actor's overall disposition to trust (Rotter, 1967; Zaheer *et al.*, 1998) and depends on highly individual factors such as personal experiences and cultural background (Kramer, 1999; McEvily *et al.*, 2003), whose investigation would go beyond the scope of this study. Therefore, the empirical data collection focused on trustee-specific antecedents, i.e. structures inherent to the trustee that cause the trustor to perceive the other actor as trustworthy, to provide a sound basis for understanding the dynamic phenomenon of trust and exploring its influence on value co-creation. Additionally, it has to be pointed out that the interviews did not differentiate between cognition-based and affect-based trust as suggested by McAllister (1995). As the two trust dimensions are highly interrelated (Massey and Dawes, 2007; McAllister, 1995) and human thought always contains both affect and cognition (Swan *et al.*, 1999), it would have been very difficult for participants to distinguish between them. Thus, the following sections present the findings related to the structures of perceived specialist and customer trustworthiness, which then result in the development of interpersonal trust. In line with the critical realist notion of *emergence*, however, it has to be pointed out that despite the subsequent attempt to identify these variables, interpersonal trust cannot be reduced to them, as it is ultimately the interplay of structures that gives rise to the social phenomenon. Although these structures and the mechanism that they cause are necessarily (but asymmetrically) related, the latter has causal powers that are irreducible to those of the structures it emerges from (Sayer, 2000).

5.6.1 Structures of Perceived Specialist Trustworthiness

When talking about the structures that result in a specialist being perceived as trustworthy, the element of ‘expertise’ or ‘ability’ was considered most important by the large majority of respondents. On the *actual* level, it comprises knowledge or competence (Johnson and Grayson, 2005; Nooteboom, 2007) and enables the trustor to believe that the other party has the capacity to deliver on their promises (Crosby *et al.*, 1990; Doney and Cannon, 1997; Swan *et al.*, 1999). “Competence... I have to know that I am dealing with someone who is competent and conducts even more research – I have to be convinced that they are doing that.” (Customer 4) The denotation ‘ability’ has been chosen here for the auction business context as the term has a task- and situation-specific quality (Mayer *et al.*, 1995), which manifests itself on the *actual* level in a specialist’s extensive art historical knowledge of specific periods and/or areas, detailed background research and quality analysis as well as accurate catalogue descriptions. According to Specialist 17, another important aspect of ability that induces trust on the *empirical* level is their track record, i.e. the number of successful auctions and the quality of the objects acquired for auction. All these facets are particularly important as auction house customers often have a certain level of expertise themselves and are thus able to assess the specialist’s performance. “Many clients... have knowledge about the market, but still they are happy to make contact with you and have this relationship, because they know that you must have more knowledge than them, about the market prices, objects...” (Specialist 4) This argument is supported by Customer 9:

“Predominantly, [the expert] has to be incredibly competent, he has to be much more competent than I am, so that I can really hold him in high regard and say ‘That man knows his trade, he has got what it takes.’”

However, on the *actual* stratum ‘ability’ does not only denote a specific set of skills, but also technical and market knowledge (Guenzi and Georges, 2010; Selnes, 1998). In the auction context, this means that comprehensive art historical expertise and in-depth research of an object’s provenance and quality are not sufficient. Specialists also need to have detailed knowledge of market developments and important actors in their respective field, as these features enable them to provide both buyers and sellers with valuable advice and achieve high prices for consignors.

“[I trust the expert] when I get the feeling that they have international knowledge, meaning that they are not only informed about individual local areas, but that they have international contacts... as that is the only way to keep up to date and gather information about a specific area.” (Customer 1)

“The one part is sort of basic intellectual knowledge about a piece. Then to a large extent you have to have a sense of the business. You can know all in the world there is to know about a painter or the history of a certain period, but if you have no sense of the market it’s really not worth that much...” (Specialist 9)

The second most important structural feature of a specialist’s perceived trustworthiness arising from the data can be categorised as ‘integrity’. On the *actual* stratum, this element involves the trustor’s conviction that the trustee adheres to the same or similar moral principles, thus enabling the trustor to estimate the other actor’s intentions and future behaviour (Doney and Cannon, 1997; Massey and Dawes, 2007; Xie and Peng, 2009). According to both customers and specialists, on the *actual* level of the auction setting integrity means the same as in most other businesses: delivering on promises, transparent processes and providing reliable and honest advice.

“[Trust] means the honesty and capability to make people sure that you honesty will serve them... It’s what we call ethics, which is very important... I always say, when I sell something to a client I must [anticipate] that maybe he will give me the objects to sell back [later]. So I want to be in good mind with that what I sell at a certain price, I have to be able to sell it back again in two years, five years, ten years.” (Specialist 3)

“What really matters is being able to deliver what you’ve promised, being able to make sure that all the small details that are tailor-made for this specific client... are being done correctly and in time, and also that the sale goes as you think it does. So the client at last sees that the result is according to the promise.” (Specialist 7)

As Mayer *et al.* (1995) point out, the perception of whether a trustee – in this case a specialist – has integrity depends on factors such as consistent actions in the past, convincing communication and the assumption that the trustee has a pronounced sense of justice. In the auction context, the respondents experienced the manifestation of this structure on the *empirical* level through facets similar to those mentioned by Specialist 7 above: offering a client a steady level of advice and service even though the value of their consignments might differ from one transaction to another, and refraining from giving unrealistic estimates to acquire a

consignment or making persuasive promises, e.g. in terms of proposed marketing activities to promote an object, if it is uncertain whether these can actually be kept. According to Romàn and Ruiz (2005), apart from competence such ethical behaviour is indeed the most significant antecedent for a customer's trust in a salesperson. The auction house customers interviewed corroborate this notion, with the large majority emphasising that honesty and integrity are fundamental for the development of trust in their relationship to a specialist. "Trust does not emerge when you want to earn money quickly, but only when you say that you want to make a good name for yourself in the business in the long run, one that guarantees quality, and behave accordingly." (Customer 2) This emphasis on integrity is of particular importance in a business in which forgeries often make headlines (e.g. Michalska, 2011) and restorations can reduce the value of authentic pieces, as Customer 10 pointed out: "If I ask whether [an object] is in sound condition or damaged, then [the expert] has to give me an honest answer. Very often... the repairs are so delicate, they are not even visible to the naked eye."

"The most important [aspect] is just that I feel like I am being treated honestly, because I don't assume that auction houses are all honest... But the one that I have absolute no suspicion about is [this auction house]... I don't have any problems buying something from them without seeing it in person, because I would trust [the expert]... to fully and conservatively describe it." (Customer 13)

Open communication and 'fair play' are thus vital for the clients' assessments of whether a specialist is trustworthy or not. Several customers stated that they would forgive mistakes if the expert communicated them truthfully, resulting in trust being restored.

"I think intent or honesty are the two crucial things. I have God knows made zillions of mistakes. I don't expect [this expert] to not make mistakes. If mistakes end up costing me money, that can be okay depending on the context, as long as I know that the mistake was an honest mistake." (Customer 13)

These examples show that customers expect honesty and openness, and consider a specialist to have integrity when they betray these characteristics on the *empirical* level. This structural feature in turn contributes to the emerging perception that the expert is trustworthy, as it enables the client to gauge the specialist's actions and intentions (Doney and Cannon, 1997; Massey and Dawes, 2007).

A third underlying structure of a specialist's trustworthiness that arose from the interviews can be labelled 'benevolence'. On the *actual* level, it comprises a trustee's perceived benign attitude towards the trustor, i.e. the willingness to do them good without extrinsic rewards (Ganesan and Hess, 1997; Sirdeshmukh *et al.*, 2002; Xie and Peng, 2009). With regard to auction house specialists, this implies that on the *empirical* stratum customers have to be convinced that the expert has their best interests at heart and cares for their success in the auction sale – whether this concerns a purchase or achieving a high price for a consignment. When asked why clients perceive him to be trustworthy, Specialist 3 explained: "Because I'm able to say to somebody 'I don't feel this object is so good for your collection... maybe this lot has to be passed over because I think, in my deep opinion, that maybe it's too expensive.'" Specialist 8 agreed with this notion of goodwill: "Trust is that I will always be so happy when I have a client who makes a written bid of €200,000 on something that maybe [has an estimate of] €20,000, and they get it for €22,000." Several customers of those interviewed supported this view as well, with a few mentioning that because collecting can be an emotional activity on the *empirical* level, they need to know that the specialist cares for their objectives. "For me, trust comprises the knowledge that the other person is reliable. I have to be certain that [the expert] is truly dedicated and committed to me as a customer." (Customer 4)

Apart from these structures – ability, integrity and benevolence – it was also found that the customer's evaluation of the expert's trustworthiness emerges to a certain extent from the rapport the latter is able to build with them. Consisting of an enjoyable interaction and personal ties (Gremler and Gwinner, 2000; 2008; Macintosh, 2009), establishing rapport entails that the actors regard each other as trustworthy (Bell, 2011; Schwartz *et al.*, 2011), which is supported by several clients.

"When I come to the city to deliver consignments or go to auctions... when I walk into Sotheby's or Christie's, it's cold, professional, it's proper. When I go in to [this auction house], it's just like going to a family. The expert, everybody there... knows me by first name. It's just like going into a family, and to me that does profit us both because I just know that I can go there, give [the expert] things and have a great feeling in my body... I devote 100% of my time to a job that I love, if I had to deal with other auction houses and not [this one] I may be able to do it as a business but it wouldn't be fun." (Customer 11)

"The most important is the feeling between two personalities, you know. It's everything that makes the difference in the atmosphere between two auction

houses; it's the first appointment between two people, their human contact.”
(Specialist 1)

As Customer 5 pointed out, the ‘chemistry’ has to be right on the *empirical* level between the customer and specialist during their meetings. Similarly, Customer 1 explained that the specialist’s demeanour, i.e. how he was greeted and made to feel welcome in the auction house, was of particular importance at the beginning of their relationship as he does not get along with new acquaintances easily. Specialist 6, in turn, mentioned that on the *empirical* stratum new customers – mostly those with little to none experience in the business – sometimes feel slightly intimidated by the reputation and sophistication conveyed by the auction house. In this situation, building rapport as a structural feature has the causal power to enable the expert to release this tension, make the client comfortable and give them the feeling of being understood. Creating the impression of ‘being on the same wavelength’ (Bell, 2011) on the *empirical* level of reality is therefore a highly relevant structure in initial encounters, especially as it also impacts on the customer’s decision of which service provider to choose (Day and Barksdale, 2003).

5.6.2 Structures of Perceived Customer Trustworthiness

When exploring the structures leading to the emergence of customer trustworthiness, it became apparent in the analysis phase of this work that there are similarities as well as disparities to a specialist’s trustworthiness. While most of the structures identified before are also mentioned by the respondents in this context, their weighting is considerably different. As the interview findings show, integrity is by far the most important structural feature giving rise to a perception of customer trustworthiness. With regard to clients this value congruence, i.e. shared views regarding the appropriateness of behaviours and objectives (Doney and Cannon, 1997; Massey and Dawes, 2007), becomes manifest on the *actual* level in facets similar to those linked to salesperson trustworthiness: adhering to agreements, consistent actions and behaviour as well as the willingness to provide as much background information about an object as possible. For a buyer, this mainly involves authorising the full payment in time as several experts pointed out:

“The most trustworthy [buyers] are the ones who pay regularly, because otherwise you get in a very embarrassing situation because you have to pay the seller, but you have to be paid by the buyer, so if you can’t trust them...”
(Specialist 15)

The latter factor mentioned before, providing information, in turn relates to sellers and is of particular importance according to the majority of experts. The absence of this mechanism, i.e. refusing to disclose all relevant details about an object’s condition and provenance – or even attempting to consign fakes – weakens a specialist’s trust in a customer noticeably.

“If the customer is trying to sell fakes, you think that you can’t rely on him... that could be a reason why you don’t [trust him]... Because of course [I have to trust] that what they say is true about the object’s provenance, where did you find it, or did you inherit it, all the information is important... and so I have to trust them.” (Specialist 6)

A large number of the interviewed customers agreed that a client’s integrity, mainly in relation to adhering to agreements and disclosing relevant information, is a necessary structural feature for a trusting relationship with the specialist.

“[Our relationship is marked by] honesty and mutual trust. When you also consign from time to time, you have to point out small damages etc., otherwise there will be trouble later... You have to be honest and open when dealing with each other; that can be expected from the consignor... You can’t say ‘I want to sell this’ but then conceal that it has been repaired in six places.” (Customer 10)

“It’s vital [that the expert trusts me]. I must not keep any information back from him. I have to list everything I know when I intend to sell something, that is equally important for him in order to trust me.” (Customer 4)

Benevolence, i.e. showing goodwill towards the specialist, was mentioned by respondents as another structure inherent to customer trustworthiness and on the *empirical* stratum mainly became manifest in a converse experience: sellers who regularly use the expert’s services but do not consign the object in the end or put the specialist in an uncomfortable situation by making excessive demands are met with suspicion. This shows again that even the absence of a structure can cause a social phenomenon, i.e. a tendency, to occur.

“There are some sellers that ask for your opinion... and then you see that every time it doesn’t work out because they only ask and after that they never decide

to work with you, so I don't go on to lose my time with this person.” (Specialist 14)

“Sometimes you are deceived, you think that people will choose you [to] sell his collection because you had a very good relationship for a long time with him, and then you discover... that the collection is to be sold and it's not done by you.” (Specialist 3)

While the specialist's expertise was of very high importance for the customer's evaluation of their trustworthiness, the opposite turned out to apply to the reverse constellation. A few specialists pointed out that it is easier to deal with an experienced auction house customer who knows the market well, but none stated that a client's competence was a necessary structure that resulted in a specialist trusting them. Of the customer respondents, only two explained that ability contributes to their own trustworthiness: “First of all, competence [makes a client trustworthy], being knowledgeable and able to provide information about an object and put it into context.” (Customer 9)

“If I consign something that I know more about than [the experts] might, I'll explain what it is... and they would trust what I was talking about... I think it's because they trust me when I'm describing things of theirs that have been consigned by other people, but also because we just trust each other...” (Customer 13)

It can thus be assumed that the client's ability is a structural feature of only minor importance – if at all – in the specialist's assessment of their trustworthiness. The relative absence of this structure might be related to the fact that, as Specialists 7 and 17 suggested, the experts have to deal with very heterogeneous customers with highly different backgrounds and levels of art historical knowledge. If a customer's ability was a central structure to being perceived as trustworthy, this would mean that the specialists would be unable to trust large parts of their clientele from the outset. However, this feature might be more significant in e.g. relational B2B contexts in other industries with more homogeneous customer bases.

Finally, although some respondents mentioned that it is important to make a customer feel comfortable and welcome on the *empirical* level, none of the specialists indicated that rapport between the two actors on the *real* stratum influences their evaluation of the client's trustworthiness. The absence of this structure on the individual level might be explained with a structure underlying the

auction houses' practices: The expert does not have much choice in terms of whether to deal with a customer or not, while a client can usually decide if they want to do business with a particular specialist or not and thus might consider this 'human factor' to be of greater significance (referred to as dedication-based relationship maintenance (Bendapudi and Berry, 1997)). Accordingly, Specialist 18 pointed out that the 'tone' of the interaction is mainly determined by the customer:

“Often times people will give you clues and tell you how they want to be treated and what type of interaction it's going to be, and I, personally, just follow the lead of the customer. If they're interested in having a friendly kind of jokey relationship, then we do, and if they're interested in it just being business and numbers, then that's business and numbers. But I always take my cues from the customer and operate on whatever level of interaction they're comfortable with.”

In that sense, it can presumably be argued that although rapport arises from the interaction between both customer and expert (Gremmler and Gwinner, 2000), it is the latter's task to establish it. While it might be desirable for a specialist to 'get along well' with a client on the *empirical* level, on the *real* stratum rapport is not a prerequisite structure for their interaction from the expert's perspective and thus does not automatically impact on their assessment of the customer's trustworthiness. Therefore, the findings show that there is a necessary relationship between rapport and specialist trustworthiness, as a change in the rapport between the two actors will affect the customer's assessment of the expert's trustworthiness, but a contingent relation between rapport and customer trustworthiness – the former may influence the specialist's perception, but it is not a necessity.

Although it has been highlighted that the structures discussed above are intertwined on the *real* stratum of reality when causing the mechanism of trustworthiness to emerge, the degree to which they are present in a trustee on the *actual* level and observed by a trustor on the *empirical* level can vary. Ideally, all were perceived to be high, meaning that the trustee can be considered to be very trustworthy (Mayer *et al.*, 1995). When analysing the data related to a specialist's trustworthiness, it became apparent that ability is the most significant structure, followed by integrity, benevolence and rapport. For perceived customer trustworthiness, however, the priorities of these structures and their manifestations on the *actual* and *empirical* strata are very different. The crucial feature in this

constellation is definitely integrity – if this characteristic, i.e. consistent behaviour and disclosing all relevant information, is absent on the *actual* level, the specialist will hardly consider them to be trustworthy. Showing benevolence by e.g. refraining from asking for advice but consigning to competitors does play a certain role, whereas a client’s ability, i.e. knowledge of the field of interest and the art market, is according to the respondents only of minor relevance. Finally, rapport between customers and specialists is interestingly important for the former, but not the latter’s evaluation of the other actor’s trustworthiness, meaning that rapport is necessarily related to specialist trustworthiness, but only contingently to client trustworthiness. This disparity in significance has apparently not been conceptualised or examined so far, which might be explained by the fact that trust research usually focuses on the structures of the customer’s trust in the salesperson, but not the reverse constellation (e.g. Guenzi and Georges, 2010; Kennedy *et al.*, 2001). Therefore, this study seems to be among the first to contribute insight into the opposite perspective by exploring the structural features enabling the emergence of the specialist’s trust in the customer.

5.7 The Development of Trust in Customer-Specialist Interaction

In the previous section, it has been established that despite being of different importance, ability, integrity, benevolence and rapport (on the part of the customer) are the antecedent structures giving rise to the mechanism of perceived trustworthiness, which ultimately leads to the emergence of trust. It now needs to be explored, therefore, *how* this interpersonal trust develops in the customer-specialist interaction. As some facets were found to be different when triangulating the data derived from the two respondent groups, the perspectives of both actors will again be discussed separately.

5.7.1 The Customer’s Perspective

As discussed in Chapter 2, trust is an anthropocentric concept (Mouzas *et al.*, 2007), meaning that only human beings can trust (Blois, 1999; Das and Teng, 2001)

– however, this trust can be directed towards individuals or abstract institutions (Nooteboom, 2005). Therefore, a hybrid of interpersonal and interorganisational trust is individual-to-firm trust (Geigenmüller and Greschuchna, 2011; Palmatier *et al.*, 2006). In relation to the auction business, it was discovered that not the specialist causes the customer to initiate dealings, but the auction house as a whole. As the experts do not make ‘cold calls’ to obtain consignments, it is usually the client who approaches the service provider first. In this context, only the most experienced collectors are likely to have heard of a particular specialist beforehand, whereas the majority of customers only know the name of the auction house and react to the trust instilled by that brand on the *empirical* level.

“Returning customers like to speak to specific persons... because they have a special relationship with that expert. On the other hand we have thousands of people that approach us on a daily basis through the Internet and our office downstairs, and they come to the general trust that sits in the company. And for them you are just an employee of [this auction house]. Only later if they come back you might be able to assert yourself and say, ‘Okay, I am this guy and if you have this, come talk to me’.” (Specialist 9)

These findings are substantiated by the notion that customers initiate sales encounters on the basis of the organisation’s trustworthiness (Geigenmüller and Greschuchna, 2011). Once they have instigated the interaction with a salesperson, however, the development and degree of interpersonal trust between the actors becomes more considerably important than the customer’s trust in the service provider (Howden and Pressey, 2008).

“[When] a client enters the sale room or an auction house... the first person that they meet is the expert, so... you are the auction house, so the impression you give, how much professional you are, may be the reason why he chooses your auction house or another.” (Specialist 14)

The trustworthiness of the auction house as a whole constitutes a mechanism that causes a customer to approach the specialist, meaning that there is a necessary relationship between auction house trustworthiness and the instigation of client-expert interaction. However, this necessary relation is asymmetric – although a customer would not contact the specialist without perceiving the auction house as trustworthy, they can do the latter without instigating interaction. From the moment of initiation onwards, the mechanism of the expert’s trustworthiness takes over and

to a large extent determines the quality and duration of their interaction. However, while the structures underlying interpersonal trust/trustworthiness have received considerable attention in marketing research (e.g. Guenzi and Georges, 2010; Kennedy *et al.*, 2001; Macintosh, 2009), it has yet to be analysed *how* this event emerges, i.e. how trust actually evolves in the customer-specialist relationship.

As discussed previously, trust often contains an instinct-like element or ‘leap of faith’, as it emerges in situations marked by structural features such as vulnerability and uncertainty, in which the liability of an individual’s state of incomplete knowledge about another actor’s behaviour requires them to trust that person (Johnson and Grayson, 2005; Rousseau *et al.*, 1998). This notion is shared by several of the respondents on the *empirical* level and applies to both the customers’ and the experts’ perceived trustworthiness. “The expert’s appearance shapes a client’s first impression of whether you are trustworthy. But if you really are [trustworthy], that can only arise over the course of the business relationship.” (Specialist 10) “You build trust with experience as well, it is not only an instinct – it is a feeling that you have if you first meet a person, but you have to prove it with time.” (Specialist 15) This is in line with Liljander and Strandvik’s (1995) argument that an actor’s first instinct will only be validated with time, as trust evolves over repeated interactions and service experiences (Johnson *et al.*, 2003). These do not necessarily have to be evenly allotted over time, as interaction is ‘lumpy’ and periods of frequent dealings can be followed by phases of no contact at all (Ford and Håkansson, 2006).

“I think of course you do get to know and trust each other personally over the years... but you move from object to object or from event to event. Sometimes that’s not very often and you only see each other every two years or 18 months...” (Customer 6)

Each of these exchanges, however, has to be seen in the context of the overall relationship’s past and expected future (Bendapudi and Berry, 1997; Ford and Håkansson, 2006; Harker and Egan, 2006; Medlin, 2004), as these connections are dynamic social constructs comprising interrelated interaction levels (Biggemann and Buttle, 2007; 2009; Olkkonen *et al.*, 2000). Accordingly, Ravald and Grönroos (1996) as well as Biggemann and Buttle (2011) argue that in particular customers usually assess the overall relationship to a salesperson rather than specific exchange episodes. Asked how their trust in the respective specialist evolved, most customers

emphasised that it emerged over time – be it a single series of events, e.g. consignment of an object, or several years.

“In the auction world... you need to take care of both the individual and the individual’s merchandise in a way in which it’s handled both in the courtship phase to get the merchandise, down to selling off the merchandise, to paying for it. There is a whole series of different interactions that have to go well to make the ultimate trust work.” (Customer 11)

“It takes a while [to build trust], I don’t easily get along with someone new. It takes a certain time until you’ve found out how [the expert] approaches your matters, if they understand your questions and how they answer them.” (Customer 1)

“I think [my trust to this expert] developed just over time, starting out small buying, buying things that weren’t very expensive, coming in and meeting [this expert]... So it just came with time, and also over time not having anything slip up. It’s been a very fluid process over the years.” (Customer 13)

Similarly, Customer 3 explained: “[The trust developed] because of the experiences you’ve made with each other... once the first agreements are met, it develops over time.” According to this client, the initial impression of being trustworthy became manifest in and was substantiated by the specialist on the *actual* level through mechanisms such as calling back when they had promised to do so and adhering to other arrangements, so that this first impression on the *empirical* stratum was reinforced over the course of their dealings. Customer 12 reported a similar experience: the relationship began with the sale of a single piece to ‘test the water’, and then the trust to the specialist grew throughout their interaction over the years, during which the number and quality of consignments increased considerably.

Several specialists supported the interviewed customers’ statements by explaining that it can take a long time to gain a client’s trust. In this context, Specialist 5 described a lengthy process including mechanisms such as making phone calls and delivering auction catalogues or purchased objects in person to afford direct interaction and build a trusting relationship. It can, however, take years before this approach pays off.

“Don’t rush it, keep it slowly; maybe wait for him to show that it is okay to make contact again. If they don’t do that, next auction do the same procedure again, and in two, three years you have a good relationship and he knows that

he can trust you because you don't want to sell everything [to him] like everyone else just because he has money.” (Specialist 5)

“My clients have seen me now since the 90s, and in this field it takes time to build up this relationship, it takes years, more than 10 years to when they're starting to trust in your capability and knowledge.” (Specialist 6)

These *empirical* accounts of the *actual* stratum corroborate the notion of e.g. Biggemann and Buttle (2009), Grönroos (2004) and Holmlund (1996; 2008) of relationships being temporally structured on the *real* level of reality by different but intertwined and necessarily related interaction levels such as acts (on the *actual* level becoming manifest in e.g. a phone call from the expert), episodes (e.g. making arrangements for a consignment or delivering a catalogue) and sequences (e.g. a transaction). Therefore, it can be assumed that the event of the emergence of the customer's trust in the specialist, generated by the mechanisms of the auction house's and expert's trustworthiness and the underlying structures causing them, starts with small acts that initiate the perception of being trustworthy and, once the trust is substantiated on that level, moving on to episodes such as a negotiation and then sequences, e.g. the first completed sale of an object. Over the course of these necessarily related interaction levels, the customer's trust in the expert is continuously re-examined on the *empirical* level and grows slowly if the initial instinct and perception of trustworthiness is sustained throughout. This implies that interaction is *emergent*, as its structure gives rise to the phenomenon or tendency of trust – and while these structural features can be identified, the actual event cannot be reduced to them as it is produced by their interplay. This conceptualisation of the development of trust is further supported by Customer 5, who emphasised that if after two or three exchanges there had been no indication of getting along or trusting each other, he would have stopped consulting this particular specialist and tried to find somebody else. Therefore, Holmlund's (2004; 2008) argument is confirmed that the end of a sequence is an especially vulnerable point in a professional relationship, as the actors assess the interaction that has taken place so far and might terminate dealings if the outcome is dissatisfactory.

5.7.2 The Specialist's Perspective

When exploring the development of trust from the specialists' point of view, it became apparent that the main difference to the customer's perspective lies in the initiation of trust. Whereas the auction house's trustworthiness, derived from e.g. its brand name or reputation on the *empirical* level of reality, serves as a catalyst for the customer to initiate the interaction with the expert, this mechanism is non-existent for the specialist. Instead, the trust development process apparently immediately begins with the evaluation of the client's trustworthiness based on the structures identified previously. One possible explanation on the *actual* stratum for the absence of this mechanism might be that the customers interviewed for this study were all individuals instead of representatives of an institution or organisation (even most professional dealers usually do business on their own or with just one partner (Thompson, 2008)). Therefore, if curators of museums or corporate collections had been among the respondents, the outcome might have been different. In addition, since it is usually the customer who pro-actively initiates the relationship and decides which auction house to approach, they might have a greater requirement for auction house trustworthiness as a generative mechanism to be able to choose between several competitors. This notion also supports the argument discussed before that there is a necessary, but asymmetric, relationship between auction house trustworthiness and the client's initiation of interaction with the expert.

Apart from this obvious difference in generative mechanisms, the specialists described a process quite similar to that depicted by the customers when asked how their trust in a client evolves. Several experts first mentioned the inherent instinct-like element of trust that requires further validation (Liljander and Strandvik, 1995).

“You have to have some instincts in the art market... The more work you do in this world, the more you have to have that sense of trust and know who you are dealing with... I think people's instincts come into play very quickly, so once you have actually talked with the client for a while, you just have a sense of knowing if there's that trust there.” (Specialist 17)

“[It is] just kind of instinct, you can feel if it's a good person...and over time you get some sense of him and you can figure out what kind of person you have in front of you...” (Specialist 4)

To substantiate this instinct, time and repeated interactions across interrelated levels of aggregation and structures (Biggemann and Buttle, 2009; Ford and Håkansson, 2006; Olkkonen *et al.*, 2000) were again the most common themes that pervaded the specialists' replies.

“For me, time has to prove that [a customer is trustworthy] and this is based on their way of doing business... it's not enough with the first encounter, any psychopath can convince you that he or she is a fantastic person, but they have to show it, it's based on years of working together, years of knowing what they stand for in the business.” (Specialist 7)

“If [a client] comes again and again and repeatedly buys [objects] from the same area, then you gradually get to know them better and become more and more familiar with them.” (Specialist 11)

The customers interviewed corroborated this notion by highlighting that not only their trust in the specialist, but also the reverse constellation requires time to evolve:

“It was just a matter of time, I mean when I first went in 2001, [this expert] didn't know me more than a face. But I started consigning better and better material... and so over the years that has developed into a trusting relationship, in that it's not just professional. I think it took maybe four or five years of consigning in many auctions before we started to feel comfortable with each other.” (Customer 12)

This evidence shows that mutual trust emerges slowly in an iterative process of constant re-evaluation of the other actor's trustworthiness. To understand this development, each exchange has to be seen in the context of the relationship of which it is part (Ford and Håkansson, 2006; Harker and Egan, 2006; Liljander and Strandvik, 1995), otherwise this dynamic process cannot be traced. This interplay of generative mechanism and *emergent* tendency across a temporal structure is supported by Medlin's (2004, p. 187) generalised conceptualisation of “instantaneous and continuous switching between interaction and perception/cognition, with each being essential to the other”, as the latter is necessary to understand events and arrive at conclusions about the past and future, as well as their links to the present, before the interaction can proceed. In line with this argument, the accounts given above show that the interpersonal trust between customers and specialists evolves and intensifies over the temporal structure, i.e. different levels, of interaction and series of exchanges, during which both individuals continuously re-assess each other's

behaviour so that their trust gradually increases until it finally extends to their overall relationship. This process of incremental accumulation also changes the quality or texture of trust: As the two actors gather more and more experiences of and information about each other over the course of their interaction, the bandwidth of their mutual trust fluctuates and extends considerably and thus moves beyond the context of their initial encounters (Rousseau *et al.*, 1998; Sheppard and Sherman, 1998).

5.8 Chapter Summary

The proceeding chapter has outlined the structural features of the fine arts auction market and the businesses operating within it, as well as the highly international and heterogeneous auction house clientele. It has been pointed out that the acquisition of consignments is highly competitive and one of the most important tasks of the auction house experts, who act as advisors and intermediaries between consignors and buyers and constitute the main contact person for both parties. While the promotion measures implemented by the auction houses are important mechanisms to generate attention for specific sales, the specialists are ultimately the key figures in the organisations' relationship-building efforts and manage the diverse connections to their clients. Thus, due to causal powers and liabilities such as customers' varying relational preferences and their profitability for the auction house, each specialist has a diverse portfolio of client relationships and their interaction can range from transactional to relational.

Subsequently, the research findings linked to the nature of trust in the customer-specialist relationship were analysed and it was established that being able to trust the other actor is indeed regarded as a highly important mechanism by both clients and experts. This is in part due to structural features such as the vulnerability and uncertainty inherent to any purchase situation – especially when a credence service is involved – but also due to the specific structure of the business, as forgeries and other unethical behaviour are not uncommon. Thus, it was found that reciprocal instead of unidirectional trust was seen as necessary by the respondents, i.e. both customers and specialists regard it as important that the expert can trust the

client as well, as such mutual trust alters the causal powers of both actors (see Sections 6.2.1 and 6.2.2 in the subsequent chapter).

In the following, the antecedents underlying interpersonal trust on the *real* stratum were investigated to provide an answer to the second research question. Although three of four actor-inherent structures – ability, benevolence and integrity – were named by both the customers and experts interviewed, there are clear differences in priority. Clients consider a specialist’s competence, i.e. ability, to be most significant to perceive them as trustworthy, followed by integrity and benevolence. Furthermore, rapport contributes positively to the customer’s evaluation of the expert’s trustworthiness. The specialists, in turn, view integrity as key when it comes to trusting their customers. Benevolence plays a role to a certain extent, while a client’s ability is hardly important, as customers range from complete novices to experienced collectors. Since the experts adapt their demeanour according to the cues received from clients, none of them considered rapport to be of significance, meaning that there is a contingent relationship between this antecedent and their assessment of the customer’s trustworthiness. Table 12 provides an overview of the antecedent structures underlying the actors’ trustworthiness and their manifestations on the actual and empirical strata of reality.

Table 12: Summary of Occurrences on the Empirical, Actual and Real Levels of Reality in Relation to Perceived Specialist and Customer Trustworthiness

Empirical	Actual	Real
<ul style="list-style-type: none"> ▪ Conducting more research than customer ▪ Being more knowledgeable than customer ▪ Having a sense of the business ▪ Having international knowledge and contacts 	<ul style="list-style-type: none"> ▪ Detailed background research ▪ Comprehensive art historical knowledge ▪ Market knowledge 	Specialist's ability
<ul style="list-style-type: none"> ▪ Offering steady advice ▪ Refraining from giving unrealistic estimates or making persuasive promises ▪ Pointing out invisible damages ▪ Being open ▪ Delivering on promises 	<ul style="list-style-type: none"> ▪ Adhering to similar moral principles ▪ Providing honest advice ▪ Transparent processes 	Specialist's integrity
<ul style="list-style-type: none"> ▪ Caring for customer's success ▪ Being happy if customer makes a bargain ▪ Advising against suboptimal transactions ▪ Having customer's best interests at heart 	<ul style="list-style-type: none"> ▪ Benign attitude towards customer ▪ Willingness to do the customer good 	Specialist's benevolence
<ul style="list-style-type: none"> ▪ Feeling of visiting family ▪ Being made to feel welcome and comfortable ▪ Alleviation of tension ▪ Being on the same wavelength ▪ 'Chemistry' between customer and specialist 	<ul style="list-style-type: none"> ▪ Enjoyable interaction/familiarity ▪ Personal bonds 	Rapport
<ul style="list-style-type: none"> ▪ Paying in full and on time ▪ Not consigning fake objects ▪ Pointing out damages ▪ Listing all known details ▪ Being honest about provenance 	<ul style="list-style-type: none"> ▪ Adhering to agreements ▪ Providing all relevant information 	Customer's integrity
<ul style="list-style-type: none"> ▪ Consigning the object after asking for advice ▪ Refraining from making unreasonable demands 	<ul style="list-style-type: none"> ▪ Consistent actions and behaviour 	Customer's benevolence
<ul style="list-style-type: none"> ▪ Putting object into context ▪ Explaining the significance of a consignment 	<ul style="list-style-type: none"> ▪ Being knowledgeable with regards to the object 	Customer's ability
<ul style="list-style-type: none"> ▪ Customer gives clues how they want to be treated ▪ 'Getting along' is desirable, but not necessary 	<ul style="list-style-type: none"> ▪ Auction house choice lies with customer ▪ Tone of interaction determined by customer 	Absence of rapport

Finally, the development of trust in the relationship between clients and experts was explored in response to the third research question. As in the previous two sections, the perspectives of the participating customers and specialists were compared and contrasted to move beyond the *actual* and *empirical* strata and expose the underlying *real* mechanisms of reality. It was found that trust in the auction house as a whole causes a client to first approach a specialist and initiate their interaction, meaning these two notions are necessarily but asymmetrically related. Once this tendency has taken place, however, the development of interpersonal trust between the two actors proceeds in a similar manner. While trust contains an initial instinct arising at the moment of the first encounter, this has to be validated over the course of the subsequent relationship. Thus, for both clients and specialist trust emerges and deepens iteratively over repeated and temporally structured series of interactions, starting with small incidents or acts like a first conversation, then extends over related episodes such as meetings, home visits etc. and sequences like completed transactions until it encompasses the whole relationship. During this interactive process, their mutual trust is not only strengthened, but also extended in bandwidth. This implies that interaction is *emergent*, as the development of trust can be traced by, but not reduced to its structural components, as only their interplay gives rise to the phenomenon. The occurrences identified on the empirical, actual and real strata in relation to the emergence of trust over the different interaction levels are summarised in Table 13.

Table 13: Summary of Occurrences on the Three Strata of Reality in Relation to the Development of Trust over the Customer-Specialist Interaction Levels

Empirical	Actual	Real
<ul style="list-style-type: none"> ▪ Specialist unknown before first encounter ▪ Reaction to ‘general’ trust instilled by overall auction house as a business 	<ul style="list-style-type: none"> ▪ No cold-calling from specialists ▪ Customer initiates sales encounter 	Auction house trustworthiness
<ul style="list-style-type: none"> ▪ First impression influences decision of which auction house to choose 	<ul style="list-style-type: none"> ▪ Personifies auction house in first sales encounter ▪ Determines quality and duration of interaction 	Specialist trustworthiness
<ul style="list-style-type: none"> ▪ Initial impression of customer’s character 	<ul style="list-style-type: none"> ▪ Catalyst for trust development 	Customer trustworthiness
<ul style="list-style-type: none"> ▪ No preconceptions towards customer 	<ul style="list-style-type: none"> ▪ Respondents were individuals rather than representatives of institutions ▪ No need for mechanism as decision-making heuristic 	Absence of ‘organisational’ trustworthiness as mechanism for specialist
<ul style="list-style-type: none"> ▪ Returning calls as promised ▪ ‘Courtship phase’ ▪ Instinctive reaction/feeling of trust ▪ Getting along in person ▪ Knowing the face, not the person 	<ul style="list-style-type: none"> ▪ Phone calls ▪ Meetings 	Temporal interaction structure: acts
<ul style="list-style-type: none"> ▪ Adhering to arrangements ▪ ‘Figuring out’ the other person ▪ Sense of getting to know each other slowly ▪ ‘Proving’ yourself ▪ Growing interpersonal trust 	<ul style="list-style-type: none"> ▪ Repeated negotiations ▪ Personal delivery of catalogues or objects to facilitate interaction ▪ Extension of bandwidth of trust 	Temporal interaction structure: episodes
<ul style="list-style-type: none"> ▪ Sale of single item to ‘test the water’ ▪ Initial small inexpensive purchase ▪ Proving ‘what you stand for’ in the business ▪ Experience of working together over time ▪ Feeling comfortable with each other 	<ul style="list-style-type: none"> ▪ First complete transaction ▪ Repeated purchases or sales ▪ Importance of consignments grows ▪ Continuous reassessment of other actor’s behaviour 	Temporal interaction structure: sequences

Overall, this analysis provides rich insight into the first and second research question of this work, and thus enables the analysis of the role of trust in the co-creation of value, as well as the exploration of the value dimensions realised in customer-specialist interaction following in the next chapter.

CHAPTER 6

ANALYSIS II:

THE CONCEPT OF VALUE, VALUE CO-CREATION AND THE INFLUENCE OF TRUST ON ITS REALISATION

6.1 Introduction

Although customer value and its co-creation or co-production are very prominent topics on the academic agenda, to date there is very little empirical research investigating these concepts (Bendapudi and Leone, 2003; Vargo *et al.*, 2008). The two studies identified that offer first attempts in this direction leave considerable gaps that need to be addressed: One investigates the value of the buyer-seller relationship for the customer, but this value is mainly generated by the service provider due to high information asymmetry (Howden and Pressey, 2008). The second does research the notion of value co-creation, but mainly conceptualises it as a process of joint problem diagnosis and solution-finding (Aarikka-Stenroos and Jaakkola, 2012). Therefore, one of the aims of this work is to contribute to the scarce empirical evidence and advance our understanding of the complex notion of value and its co-creation. This chapter addresses these gaps by building on the previous exploration of the customer-specialist relationship as well as the development of mutual trust and examining if and how this trust affects the co-creation of value in their interaction.

In the following, some of the mechanisms that form part of the value co-creation process are analysed, such as establishing commitment and common goals, sharing interests and working together. These were found to engender the co-creation of value in the auction house environment – however, this discussion certainly does not claim to be exhaustive, as other mechanisms or structures might come into play when considering other actors than the client and the expert or investigating different business contexts. In addition, the consequences of liabilities such as untrustworthy behaviour or disruptions to the service for the process and outcome of co-creation are considered. Finally, it is examined what kind of value is co-created in the customer-specialist interaction by exploring the causal powers of the customer's value systems

and chains in the auction context. These values sought are then compared to the service providers' value propositions to recognise potential overlapping and disparities. The intrinsic benefits the specialists themselves can obtain from engaging in the co-creation of customer value are also presented in an attempt to provide first insight into the advantages of value co-creation for the service provider.

6.2 The Influence of Trust on Value Co-Creation

After having analysed the emergence of trust in the customer-specialist interaction, it now has to be examined if and how interpersonal trust influences value co-creation. Vargo (2009) has suggested that the purpose of interaction and business relationships is the co-creation of value – how this process is actually realised, however, is not yet clarified (Vargo *et al.*, 2008). In addition, while trust has been identified as a decisive antecedents for the cultivation of professional connections to customers (e.g. Guenzi and Georges, 2010; Palmatier *et al.*, 2006; Sirdeshmukh *et al.*, 2002), the interrelation between the concepts of trust and value co-creation remains unexplored so far. Therefore, the following sections attempt to illuminate this coherence by analysing the role of trust in the value co-creation process from both the customer's and the specialist's perspective. As this is a critical realist account, it is important to point out that it is not believed that one event or tendency, i.e. the emergence of trust in client-expert interaction, causes another one, i.e. the co-creation of value (Easton, 2010). Instead, it is assumed that as a result of the development of trust, the involved actors and thus their causal powers and liabilities change and that this, in turn, might give rise to the phenomenon of value co-creation.

6.2.1 The Customer's Perspective

Asked if and how trust influences their dealings with a specialist, the customers interviewed for this study stated that it has significant impact on their interaction. There is comprehensive evidence on the *actual* level that clients are more inclined and prepared to talk about their motives, expectations and preferences when they trust the expert personally, whereas they only give away the utmost minimum of

information if they do not. This implies that there is a necessary relationship between trust and such positive communication behaviour. “If you harmonise well with the expert, you can entrust them with more details about yourself...” (Customer 7)

“If the relationship is closer, you naturally reveal more... The expert knows everything about me. He knows my financial means, he knows what I have [in my collection], what I would like to get rid of etc. He knows the score in every detail, because I trust him for many years.” (Customer 2)

These examples allow for the assumption that when interpersonal trust evolves in the customer-specialist relationship, it alters the actors’ causal powers and thus results on the *actual* stratum in the client being willing to disclose their reasons for buying and selling, personal background, expectations in terms of the service process and the benefits they hope to obtain from it – i.e. their value systems and chains related to the auction business. As the salesperson’s identification of these aspects is a prerequisite for the co-creation of value (Grönroos, 2008; Grönroos and Ravald, 2009), it can conversely be presumed that the customer’s willingness to reveal this information is also a requirement to enable the successful joint realisation of value, meaning both these powers are necessarily related to the co-creation process. Considering the evidence given above, trusting interaction with the specialist therefore seems to facilitate the customer’s disclosure of their value chains and systems to the latter on the *actual* level. Asked how this causal power of sharing information influences their dealings, the large majority of customers explained that it increases the value of their interaction and improves their overall service experience on the *empirical* stratum.

“The collaboration improves because [the expert] can provide much better advice when he knows exactly what I want. If the expert knows in which direction I’m heading and understands the orientation of my collection, he can advise me much more competently than if he only has a nodding acquaintance with me or has no idea about the pieces in my collection.” (Customer 2)

“Trust in the expert is the prerequisite for every cooperation, it’s the alpha and omega! ... And a successful cooperation can only thrive if you share all known information... It is really important that the expert gets an idea of how the client lives, what [kinds of objects] they have and what they prefer, because the entire further cooperation and relationship is built on that.” (Customer 4)

“[Sharing my views and preferences] absolutely improves our ability to work together, it really deepens the relationship, and it also deepens the sense of trust.” (Customer 13)

“The problem with my collection is that it is so specific that it is difficult to find artists that could contribute to it... and the more the expert knows, the more he can look around for me... If you give both parties enough time, then I think it can be a very fruitful cooperation.” (Customer 5)

As this evidence shows, the customer’s causal power of disclosing their value systems and chain to the specialist is directly (and necessarily) related to an apparently noticeable improvement in their collaboration on the *empirical* level and the creation of a valuable service on the *actual* stratum of reality. Since the emergence of interpersonal trust is a necessary phenomenon for the client to share this information with the expert, it can be assumed that – at least from the customer’s perspective – trust influences actors’ causal powers and thereby impacts on the value co-creation event in a positive manner, leading to more satisfying results for both actors.

6.2.2 The Specialist’s Perspective

Asked how trust affects their interaction with a customer, the large majority of specialists stated not only that dealing with the client becomes easier and more pleasant on the *empirical* level, but also agreed to the customer’s view elaborated above by explaining that the client shares information about the object, their motives and preferences more readily on the *actual* stratum if the interaction is marked by trust. “If there is mutual trust, [the customer] will tell me what he bought and where, why he did so and under which circumstances, and of course that’s important information for me.” (Specialist 2)

“[Trust influences our interaction in that] it then is a little friendlier and more affectionate than necessary... You try to get to know the client, to quiz them a little... And to collect that [information], to memorise it, that’s enormously important for us. And of course trust is very helpful there, because it enables you to get information that you would be unable to gain if the relationship was not marked by trust. So the trust is key.” (Specialist 10)

“If your personal interaction is underpinned by trust, you can find out more about the customer. If you have a trusting conversation, [the customer] will not beat about the bush regarding their preferences and interests... because it is the passion of a collector. And collectors like talking about their passion.” (Specialist 11)

While the difference in the customer's communication behaviour due to the emergence of trust was noted by most specialists, a few also mentioned a shift in the general atmosphere of their meetings (i.e. on the *empirical* level) from alert or even tense to more relaxed (evident on the *actual* stratum e.g. through subtle changes in the customer's body language), which in turn also influences the way in which agreements are obtained.

“The language tends to be more informal [if there is trust], and the interactions tend to be easier, more to the point, it just tends to facilitate everything – if there's a problem that comes up, it will make it easier to rectify.” (Specialist 16)

As discussed before, Grönroos (2008; 2009) points out that to be able to truly co-create (instead of only facilitate) value, the organisation has to participate in the customer's value systems and chains on the *actual* level. To do so, however, the service provider – here represented by the specialist – first needs to identify and understand what exactly a client values and how they generate this value. Since value chains are dynamic and non-linear constructs (Payne *et al.*, 2008), the specialist furthermore has to be aware that the value sought by a customer might change and appreciate it “not only as it is today but also as it evolves over time” (Slater and Narver, 1994: 22), i.e. over the temporal structure of their interaction. The expert thus has to exercise their causal powers to find out a customer's motives for buying or selling, as well as their expectations and preferences and possibly even their background or personal circumstances on the *actual* stratum, as changes in the latter aspects might impact on a customer's perceived value on the *empirical* level. This particularly applies to consignors, as selling a treasured work of art can be a very emotional experience for some. When dealing with these customers, determining only the ‘hard facts’ about a consignor, e.g. whether they are a collector, dealer or just want to sell an inheritance, is not sufficient. Instead, the specialist also has to understand the emotional connection between the client and the object to be able to respond to their needs and offer a truly valuable service experience. As Specialist 17 posited:

“You are dealing with very different people from all walks of life, with different interests and passions, and it's part of the pleasure of the job meeting people and getting to know their story, their personal interest in collecting. It takes patience, it takes good listening skills, people want to tell you their stories and

you have to try and see things through their eyes, where they are coming from, why they are collecting... Art is such a subjective thing, you have to be able to understand people's different sense of aesthetics and what they see in art."

"You have to take the time to understand your client, be patient, because when a seller gives you a drawing or painting, it's really important for him. It's like a part of his body. And you have to understand this to [act] appropriately."
(Specialist 1)

"[People] are very attached to things they have, for example, their mother gave them this... There is a lot of affect in the objects of art. So you have to be very attentive..." (Specialist 3)

The examples given before thus allow for the assumption that interpersonal trust between the client and the specialist facilitates the elicitation of these and other relevant details – i.e. it changes the expert's causal powers and enables them to understand the customer's value systems and chains. In line with this argument, it has been suggested that trust results in improved learning (Sako, 1998) and promotes knowledge sharing by encouraging both actors to disclose information to each other (Johnson *et al.*, 2003; McEvily *et al.*, 2003). Asked how this increased knowledge and understanding of the customer's motives, preferences and expectations (or any other information the customer wants to share) influences their dealings with each other on the *empirical* stratum, the specialists gave a number of examples: "If you understand the reason why a client is selling or buying, you may be more precise in your work." (Specialist 14) "If you try to comprehend what the taste, the preference of the customer is, then you can try to guide him and point out specific artists or objects." (Specialist 2)

"I've learnt that you should listen more, ask questions. Some people... want to play experts and are talking about the object for hours, but the customer doesn't know anything about art history and just wants something else, so... [knowing this] helps to find the little extra individual thing that the customer needs." (Specialist 6)

"There's a lot of irrational feeling [in auctions], you have to be able to listen to what is important for those buyers or sellers, and then just try to focus on that, on top of the basic services that we provide all our customers [with]. We just know that all information, how insignificant it might seem at the first moment, it can be important..." (Specialist 7)

"If you have any background information about the client and the situation he is in, it really helps with the conversation... And it is really important to find out what kind of relationship the owner actually has to a work of art... The

answer to that question naturally influences the conversation from beginning to end.” (Specialist 11)

This evidence supports the notion that understanding the customer’s value systems and chain enables the specialist to actively participate in these on the *actual* level. Both these causal powers then facilitate the successful co-creation of value in their interaction (Grönroos, 2008; 2009). However, the experts further explained that this knowledge also helps them to adapt their value proposition, i.e. the contribution to the customer’s value realisation from the auction house in general and the individual specialist in particular, to the customer’s requirements and expectations.

“When you learn about somebody, you learn all about [their motivations and interests]... and knowing all of those things helps you to better serve them as a client. We can certainly tailor our business to meet the needs of our clients through knowing things like that.” (Specialist 18)

“People tell me things because they have trust in you... and the bigger the trust is, the more they say. Their interest is to say to me more things because if I know more, I’m better prepared to give them good advice... The more trusting [the relation] is, the better the advice and the better the business result.” (Specialist 3)

The importance of adjusting the expert’s value proposition to the kind of value sought by the client is also highlighted by several customers:

“You understand each other better, of course, when [the expert] gets to know all this about me... There are a lot of important issues that the expert can inform you about when he knows what you appreciate, for example if the market is currently right for motifs from a particular artist.” (Customer 7)

“If [the expert] knows what sort of objects you are interested in, he won’t even think of trying to get you interested in something else.” (Customer 7)

While Grönroos (2009) as well as Grönroos and Ravald (2009) suggest that the selling organisation contributes its own resources (i.e. its value proposition) to the customer’s value generation process in its role as a *value facilitator*, they do not conceptualise the function of the value proposition when the organisation – represented by the salesperson – enters into direct interaction with the customer and acts as a *value co-creator*. The evidence provided above, however, shows that the value proposition offered by the specialist and the auction house as a mechanism is not only important in the value facilitation role, but also when client and expert co-

create value. Therefore, it can be assumed that the specialist not only has to exercise their causal powers to take part in the customer's value chain on the *actual* level to jointly realise value, but also to adjust this value proposition, i.e. the contribution to the customer's value generation process. The more the specialist knows about a customer, the more effectively they can exercise these two powers. By identifying through their interaction and dialogue what a client values, an expert therefore attains the opportunity to participate in their value-generating process and adapt the offered value proposition. In this context, mutual trust enables the customer to disclose relevant and often personal information, and the specialist to understand what the former considers to be valuable in their dealings. Therefore, the event of interpersonal trust emerging in client-expert interaction changes the causal powers of both actors, which in turn results in the successful co-creation of value.

6.2.3 Disruptions in the Value Co-Creation Process

Ideally, the emergence of interpersonal trust between the customer and the specialist influences the actors and their causal powers to enable the former to reveal their value systems and chains and the latter to identify and participate in these, as well as to adjust the auction house's value proposition accordingly. As discussed above, these exercised powers then result in the co-creation of customer value. In reality, however, this process does not always proceed smoothly. Disruptions can occur at any point that hamper the course of the customer-specialist interaction and damage the co-creation process and its outcomes for both actors. During this research, two main liabilities that cause disruptions were encountered: untrustworthy behaviour from either party involved, or service dysfunctions on the part of the auction house. Both factors and their consequences will be examined in the following.

6.2.3.1 Untrustworthy Behaviour

As discussed above, the evidence shows that interpersonal trust gradually develops in an iterative process over the intertwined temporal structure of interaction

taking place between the customer and the specialist. A further notion arising from the data, however, concerns the fragility of this trust: Though it takes a long time to evolve and broadens in bandwidth to validate the individual actor's first instinct, it can be destroyed in seconds with a single occurrence of untrustworthy behaviour. As Customer 4 explained:

“Once a certain breach of trust from the expert has occurred, I think it is very, very difficult to make amends. For a long time, if not forever, you think ‘no, you have to be careful there, he has disappointed you before’. I think it’s difficult then – like in a friendship.”

While several customers stated they would be willing to forgive mistakes as long as they are communicated openly, intentional misguidance or other untrustworthy behaviour are liabilities that lead to the trust in the specialist being damaged considerably and might even result in relationship termination. “Trust means that I am not deliberately deceived. If I realised that [the expert] tried to knowingly sell me a fake, I wouldn't go there anymore.” (Customer 7)

“Things can go wrong, objects can get scratched, these things happen. The question is, how do you communicate that, and how do you deal with it. I have also made bad experiences in this respect, and then I'm through with this [relationship].” (Customer 6)

“If you don't do it correctly then certainly the [clients] can turn 180° against you. And then even though the competitors can't provide the same results, [the clients] prefer to go to them because you've pissed them off one or another way. So it's very delicate, you have to be careful, it's a minefield.” (Specialist 7)

“There are a few people... who we would never ever do business with... because they'll raise the price by 50 or 100% just because they know that we can pay for it... Those people can have the nicest thing in the world and we won't buy it from them... It's not fun if you feel like you're being taken advantage of.” (Customer 13)

Interpersonal trust that is broken through such an exercised liability can significantly obstruct the process of joint value realisation between the actors, as a suspicious customer will be considerably less willing to share details about their motives, preferences and expectations with the specialist. Accordingly, these respondents explained:

“Trust is the basis of talking to [the expert]. If I have developed trust in somebody, I will confide completely different things to them than if I'm racked with doubt or suspicion.” (Customer 1)

“If a customer doesn’t trust me, they will be reluctant to give me information, not reveal that much about themselves or let me have a look at their collection.” (Specialist 10)

The customer’s refusal to exercise their causal power to communicate such information to the specialist removes the basis for co-creation. It thus entails that the value sought by the client cannot be realised jointly anymore, which might result in a less than satisfied customer who is unlikely to return to the auction house.

In accordance with the clients’ views, several of the specialists also stated that a client’s untrustworthy behaviour injures their trust considerably, and is thus a liability on the *real* stratum that impacts negatively on the joint creation of value. From their perspective, untrustworthiness becomes manifest on the *actual* level in e.g. a refusal to pay for purchases or deliberately offering forgeries for consignment. Although the experts do not necessarily have the option to terminate a relationship completely (unless the customer repeatedly behaves in such a manner), they often distance themselves from the client and interact with them as little as possible.

“It’s a very clear and precise statement – someone says ‘I want to buy this [piece]’ but then they don’t pay for the next eight weeks. That undermines my trust considerably. And if it’s always the same and recurs every six month; that definitely shapes the situation.” (Specialist 11)

“Sometimes you have to make decisions about whether or not you’re going to continue to trust a particular person, for instance if the consignor has given you something that has in the end ended up being inauthentic.” (Specialist 18)

While broken trust on the part of the expert might not result in a complete termination of business dealings with a customer on the *actual* level, it can mean that the specialist exercises different causal powers on the *real* stratum and provides only a basic service instead of engaging actively in the generation of the value actually sought by the customer.

“I have had relations with customers where every time I meet them I’m holding them at arms’ length because I know there’s a problem [with their trustworthiness] there. Still perhaps they can have good things, but I know there can be trouble.” (Specialist 8)

“You’re only human, after all, and if you know that this [client] tries to take you for a ride and that you have to be careful... then you become suspicious and keep your distance.” (Specialist 10)

Therefore, untrustworthy behaviour does not only disrupt the development of interpersonal trust on the customer's side, but also damages the specialist's trust in the client. Although the latter notion entails that the expert might still deal with a client to obtain an attractive consignment, they will refrain from employing their power of making particular efforts to understand the customer's value systems and chains and take part in them. Therefore, similar to the consequences of a specialist's untrustworthy behaviour, the co-creation process will be considerably obstructed and value not be realised.

6.2.3.2 Service Dysfunctions

Even if both customer and specialist prove their integrity and behave in a trustworthy manner, incidents can occur on the *actual* level that disrupt the co-creation of value significantly. While Bettencourt *et al.* (2002) point out that a customer's lenience in view of minor errors or problems is vital for efficient co-production, this research found that some service dysfunctions have considerable impact on the course of the co-creation process. These liabilities can for example become manifest on the *actual* stratum in mistakes made by the expert without any deceitful intentions, such as misjudgements of an object's provenance, condition or estimated selling price, which can significantly influence the auction result.

“If you have the trust of your customer, you can lose it in ten minutes... You are doing ten years of good work, you are very creative to create a fantastic climate with your customer, to be an excellent contact – but if you do an error, in ten minutes you can lose the work of ten years.” (Specialist 1)

On the other hand, there are also liabilities that are beyond the control of the specialist, as they are constituted by the structural features of the auction business. The failure to sell a particular work of art at auction, for example, results not only in a loss of profit for both customer and expert, but also in a devaluation of the 'burnt' object when it is returned to the former. Another possible liability is the damaging of an item when it is handled by other auction house staff or transported to/from a buyer or seller. This means that even if both actors trust each other and engage in the co-creation process as analysed previously, these liabilities – although only contingently related to value co-creation – might mean that the outcome of their dealings is not according to the customer's expectations, i.e. the value sought.

“If a customer trusts you and gives you his collection, but for any reason... it doesn't [sell] well, even if he trusts you as a person he won't come back. Of course if there is trust in you there is more chance that he comes back and continues to work with [you], but it is not the only reason.” (Specialist 14)

Therefore, the desired result of joint value realisation can only be achieved if the following conditions are fulfilled: First, in their trusting interaction both parties exercise their causal powers to actively engage in the disclosure and participation of the client's value systems and chains and the expert adapts their value proposition accordingly. And second, the customer-specialist interaction proceeds smoothly and successfully without the manifestation of contingently related liabilities such as untrustworthy behaviour from either actor or major service dysfunctions over the course of their dealings.

6.3 The Mechanisms of Value Co-Creation

Although the co-creation and co-production of value has been on the research agenda for a number of years (Parasuraman, 1997; Prahalad and Ramaswamy, 2004a; Woodruff, 1997), there is hardly any empirical data on the concept (Bendapudi and Leone, 2003). It is thus not yet known which processes are involved in its realisation in practice (Vargo *et al.*, 2008) and, from a critical realist perspective, which mechanisms might cause value co-creation on the *real* stratum. The subsequent sections make a first step towards clarifying these latter aspects. In the following, findings are presented linked to generative mechanisms that appear to drive value co-creation in the customer-specialist interaction. These mechanisms might overlap and this list is not necessarily exhaustive, as it is likely that there are additional mechanisms playing a role in value co-creation that did not come to the fore in this study due to the nature of its auction house context – instead, this section should be seen as basis for future explorations into the concept.

6.3.1 Commitment

The first mechanism encountered during the research that seems to be linked to the co-creation of value as an *emergent* phenomenon is a high degree of commitment from both the specialist and the customer. On the empirical level, this mechanism

became manifest in a number of ways: Several experts stated that they would advise a client against a particular transaction if it was not ideal for the customer, thus employing their causal powers to prove that their connection is more important than making a profit in the short term. “[Our relationship] is very valuable because [this expert] has saved us from making some really expensive mistakes.” (Customer 13)

“I think that losing a sale through being perfectly honest is certainly something that’s preferable to having somebody feel like we’ve misrepresented something at the end of the day.” (Specialist 18)

“It’s a question of ... being able to say, ‘Well, this would be good business for me but I won’t recommend you to do it because the time is not right, the price is not right’ and so on. It’s very important to keep it on a long-term scale.” (Specialist 7)

Experts as well as clients also reported that the former habitually assist customers with transactions outside of their own auction house, e.g. accompanying them to art fairs or galleries, advising them on works of art offered elsewhere or even bidding on their behalf in other auctions.

“The expert from [this auction house] also advises me in acquisitions at other auction houses, that’s inevitable if you want to establish a trusting long-term co-operation... He might lose a few deals himself, maybe, but if the expert only wants to leave his own scent mark, it won’t work.” (Customer 2)

Specialist 5 even mentioned that he sometimes compiles customised ‘art books’ for clients, giving direction to a collection and listing objects the customer should buy over the next few years, irrespective of where these are sold. Thus, though the specialist not necessarily benefits from it, the ongoing continuation of the art book on the *actual* level is a mechanism that creates value for the client and their collection becomes the joint project of both actors.

Ideally, customers should be just as committed to their connection to the expert to co-create value. Though of course not all of them are, the empirical research did indeed find examples of clients who display a considerable level of dedication.

“Of course I know [experts from other auction houses] and they do sometimes make recommendations... but I don’t know them well enough to fully utilise their expertise without bias because I know that their auction houses’ interests have priority. So I have to say, the expert from [this auction house] really takes an eminent position for me.” (Customer 2)

Furthermore, two clients also reported helping the specialists out themselves, e.g. when classifying other consignments, thus reciprocating by exercising their own causal powers to invest time and effort into the relationship even though it does not concern their own transactions.

“The value when I’m helping [the specialist] out is, first of all, I really have the sense that I am helping them, which is valuable to me. But also I’m helping them in a way that is improving their business, so I think there’s a financial benefit for them. And because of [my help] they will know what to look for, so ... they have had sales now with objects that I know about.” (Customer 13)

6.3.2 Common Goals

Pursuing common goals appears to be another mechanism causing the value co-creation process, even though the mutual goal ultimately is – in line with the argument of S-D logic that the customer is always the arbiter of value (Vargo and Lusch, 2004a) – the goal of the client. Nevertheless, both specialists and customers remarked that their cooperation works best when pursuing the same goal instead of opposing ones, although the expert may not lose sight of the auction house’s interests (i.e. a liability) while trying to achieve the best result for the client. For consignors, the main objective on the *actual* level is to obtain a high price at auction, as both respondent groups unanimously explained. “The common goal is just to sell as high as you can. That’s really the bottom line of all this; it’s maximising our profits at both ends.” (Customer 12) This aim is shared by all consignors, irrespective of whether they wish to sell, for example, an inherited item in a one-off transaction or are established collectors selling an object of lower value to obtain financial means to acquire further additions to their collection. Working towards achieving this goal, such as by determining an appropriate estimate and reserve for an object, can be a lengthy process, but is a necessary mechanism that enables both specialist and customer to co-create a valuable service:

“Of course we have to agree on a price, we have to agree on an estimate, a reserve. Sometimes that takes some going back and forth, some persuasion, we don’t always agree – but in the end when it comes to the auction we are both on the same page.” (Specialist 17)

For buyers, however, the aim is not necessarily to purchase an object at a particularly low price (although this is desirable), but to receive as much information about an item as possible and to find the acquired work is consonant with its description. When asked about the common goal the specialist and the client work towards, Customer 11 agreed with this notion:

“Well, I think as a consignor it’s to maximise the dollars for an item, and as a buyer it’s to... I was going to say to minimise the price, but it’s really to make sure that the merchandise that one is buying is of the quality which would fit into our collection, and that we’re being sold what we’re told we’re being sold, which doesn’t always happen in every auction environment.”

Similar to the aim of selling at the highest price possible as discussed above, the objective to acquire a piece whose quality and condition is not oversold is common to discrete buyers as well as returning or regular customers on the *actual* level. Further goals, however, seem to be more related to clients that are particularly interested in establishing a long-standing connection to the expert and the auction house. In this respect, Customers 2 and 3 as well as a few specialists mentioned the aim of developing and shaping the collection of private consignors and buyers. This requires mechanisms such as commitment and investment in terms of time and effort from both actors (e.g. in case of the specialist advising on purchases not handled by the auction house) and implies a long-term outlook for their dealings. The experts’ initiatives, such as the art book that Specialist 5 collates for new important clients, foster and nurture this long-term perspective.

“Personally, I have clients that I have been working with, their art collections or furniture collections, for 15 years... and it’s very important for me to pick out the best things for them, and it’s good for me as well because I know that I don’t have to be ashamed sending them something that is not good enough.”
(Specialist 5)

Customer 2 summed it up as follows:

“The decisive factor is that the expert who advises you does not pursue their self-interests, but mine. That’s the only way you can work together in a trusting manner... It is not about selling something, but about providing sincere advice and protecting the interests of the buyer as well as the seller.”

6.3.3 Working Together

These previous mechanisms of the value co-creation process – commitment and the pursuit of common goals – can be seen as a form of collaboration between the customer and specialist. This process of working together can relate to various objectives of both actors. For Customer 2, the co-operation with the expert is a mechanism aimed at building up a collection that has intrinsic value beyond the financial investment made into it and establishes a cultural and art historical context that is little known in his country of residence. To achieve this mutual goal, both collector and specialist are working together closely:

“The focus of my collection is indeed shaped by the expert of [this auction house]. The expert has certainly guided me, my views and my own expertise – we really work together so to speak. I have learnt a lot from him; he has guided my collection towards a particular direction, which I completely understand today and am very grateful for.” (Customer 2)

For Customer 12, in turn, collaborating with the specialist is a mechanism to be inspired as well as increase his business performance as a dealer:

“[This expert] is the exception. He’s the one guy that absolutely will influence what I buy and what I consign, because I know he is also passionate about what he does. It’s not strictly dollars and cents... There are a lot of times where we’ll sit down and go through the catalogue before it comes out... and I would get ideas from him that would have never occurred to me... The feedback that I get saves me a lot of really bad decisions... and that’s critical for me.”

In addition, clients do not only value the dialogue that emerges when working together to achieve a mutual goal, but also appreciate being actively encouraged to share their views. On the *empirical* stratum, this lends a sense of being on equal terms to the interaction between customers and specialists, which is presumably particularly important for clients who have considerable art historical expertise themselves and reduces their feeling of being dependent on the expert. This sense of equality might also be a mechanism for the tendency of a truly joint value realisation process, as it encourages the customer to actively engage in co-production if they perceive the interaction to be equitable (Auh *et al.*, 2007).

“[This expert] will actually ask my opinion on things. And we’ll discuss it openly and that’s really rare with any of these people that I deal with in any auction house... There is a give and take as opposed to just: ‘This is the way it is, deal with it.’” (Customer 13)

Customer 12 gave an opposite example:

“I get along with [this expert], [but] there always seems to be a wall between us in terms of me being a consignor and her being a so-called expert. And that causes issues with me at times because – believe it or not – there are a lot of things I know, that are substantially true expertise. And she ignores it.”

As pointed out earlier, the pursuit of common goals appears to be an integral mechanism of the value co-creation process. While these are inevitably first and foremost the objectives and values sought by the client, the collaboration between customers and experts can also enable the latter to pursue their own interests. For example, a close co-operation can bring a long-term perspective to their dealings with an important client and thus be favourable for the specialist and the auction house as a whole. Further, this mechanism can become manifest on the *actual* stratum in cases when the actors work together to influence the overall art market, as Specialist 17 stated:

“If you are working with a large collection, it may [contain] a large number of works by a particular artist... To have a successful return on these works requires... slowly building up the market and offering works over a period of time instead of only one auction. So that requires us to work together. And then I am also working with artists and artists’ families and estates where they didn’t necessarily have a market at auction or a gallery before the relationship with me. So, you know, we are working to develop the artist’s work.”

Such collaboration is a valuable mechanism for both specialist and customer. It enables them to pursue a mutual aim that addresses not only the value sought by the client, but also allows the expert to employ their causal powers to expand their business and increase the auction house’s scope. This form of working together to co-create value requires commitment and patience from both parties, thus enabling a long-term relationship to evolve slowly but continuously over a series of temporally structured exchange episodes and sequences until and possibly even beyond the achievement of their common goal.

6.3.4 Sharing Interests

The kind of collaboration between customer and specialist and the pursuit of mutual objectives as described previously are facilitated by the fact that the two actors do not only do business together. The value of their interaction partly also derives from their shared interest in or passion for art, as the majority of respondents pointed out.

“What makes our profession so special is that if you don’t have that passion for art, you might as well leave it, because we live with art from waking up to going to sleep and are surrounded by art lovers... You really have to live with the art lovers and the aficionados, and share as much as possible. That’s why we go to all the art fairs, the biennials – I call them family reunions.”
(Specialist 2)

“We really do try to cultivate our community, where people can come and learn and be social. And whether or not they buy the artwork, it’s great if they buy it, but it’s also great if they just have the opportunity to come and appreciate it – we love that, too.” (Specialist 18)

This notion of sharing interests and attitudes, termed ‘similarity’, comprises an individual’s belief that the other party has the same values as themselves, therefore ascribing benign intentions to a ‘similar’ actor (Crosby *et al.*, 1990; Doney and Cannon, 1997; Palmatier *et al.*, 2006). This mutual passion for art, therefore, becomes a generative mechanism for the co-creation of value as it provides both customer and specialist with a favourable basis and valid *raison d’être* for their personal interaction on the *empirical* level.

“Sometimes it’s just a case of personal relationships in which you share interests... The people who collect art are very passionate, educated collectors and you develop relationships with them based on your own interests and the work that you are selling...” (Specialist 16)

This evidence is supported by the notion that many customers seek ‘relationship partners’ who understand them and reinforce their values (Gremler and Gwinner, 2000). Emotionality is a structural feature of the auction business, and manifests itself in the personal attachment that many customers have to the objects they are selling or intending to buy. Especially collectors often invest a significant proportion of their financial means into their passion – developing their collection becomes, in that sense, a ‘labour of love’. Sharing these values with the expert makes

their personal interaction so important for the cultivation of the customer-specialist relationship. Both respondent groups remarked that collectors love to talk about their collection and art in general, and many experts share this characteristic: “We are extrovert persons, most of us, and we are loving the things that we are handling. So we have a default interest in discussing things with people, because we all love art.” (Specialist 8) These shared values and interests, the passion for art, constitute a generative mechanism on the *real* level for the tendency of developing customer relationships and the co-creation of value on the *actual* stratum, as they facilitate interaction and assure the actors that they have comparable priorities and attitudes on the *empirical* level of reality. Accordingly, a sense of ‘similarity’ has been identified as a relationship-enhancing attribute, as it reduces the perceived risk involved in business dealings (Crosby *et al.*, 1990; Doney and Cannon, 1997; Palmatier *et al.*, 2006). “The exchange [of views] is very valuable, because collecting art is a matter of enthusiasm and passion, and you are naturally pleased if you share that with your [expert].” (Customer 6) As Specialist 17 clarified:

“I think you are able to share more... it’s not just a simple business transaction, I’m not just putting the painting of yours on the auction block and sending you a cheque. It’s about – and especially with art – it’s about people’s interests and passions. I think that’s the thing that also ties us really closely with the consignors and buyers, we all have a passion for this work and the material.”

Specialist 14 noted that there is a small group of clients that he visits national and international fairs or exhibition openings with, exchanging ideas and opinions in a reciprocal manner. Specialists 3, 5 and 15 all said that they have close relationships with several of their customers and a few of these have even become very good friends. As Specialist 7 explained: “I have a few clients who I see on a private personal level, eating dinners, sleeping over, visiting them with my family and visiting their family...”

By integrating the above-mentioned mechanisms of value co-creation – commitment, working together to achieve common goals and sharing interests – in the customer-specialist interaction, the client’s service experience becomes highly personalised. From the expert’s point of view, the basic parameters and processes on the *actual* stratum are usually the same – analysing and evaluating works of art for

consignors, acquiring them for an auction and advising buyers on potential purchases. By entering into a dialogue to share interests and work together, however, the specialist is able to individualise this process on the *empirical* level to achieve a mutual goal. The overall level of personalisation in this context depends on the importance of the customer for the expert and the client's relational preferences, as a number of interviewees have pointed out. The list of mechanisms presented here as forming an integral part of the value co-creation process does certainly not claim to be exhaustive. It does indicate, however, that the co-creation of value is an *emergent* event, as it arises from the interplay of these mechanisms, as well as the customer's and specialist's causal powers identified before, and therefore cannot be reduced to its individual components. In addition, according to the evidence presented above it seems justified to assume that the identified drivers are necessarily but asymmetrically related to value co-creation: While the actors can e.g. pursue a common goal or share interests without co-creating value, joint value realisation seems impossible without these mechanisms. Finally, the aspects outlined here often overlap and only relate to the direct interaction between the specialist and the client – further potential value co-creators such as other auction house employees might contribute additional mechanisms or causal powers not considered at this stage. However, on the interpersonal level, these mechanisms provide initial insight into the underlying composition of the value co-creation process on the *real* level of reality and can thus serve as a basis for future research and amendments.

6.4 The Concept of Value

The first three research questions guiding this study were identified prior to the data collection, and the preceding sections and chapter have analysed the evidence related to them. The last research question, in contrast, arose during the empirical phase of this work. It was integrated into the study because it promised to add further nuances and refinement to the exploration of customer value and the tendencies and underlying mechanisms of value co-creation in customer-specialist interaction. The construct of value is central to this work and the literature available on the topic has been critically analysed at the beginning of this study. The subsequent section looks at the concept from a practical point of view by presenting related findings from the

interviews. It is split into three parts: The first summarises the value propositions made by the participating specialists and the auction houses they represent. The second part outlines what customers actually value with respect to the auction business and through which mechanisms they generate this value, i.e. their value systems and value chains. According to the distinction of Ravald and Grönroos (1996), this part differentiates between episode and relationship value and subsequently contrasts these with the value propositions offered by experts. The third section discusses the benefits or value the interaction with a customer entails for the specialist. The overall aim is to gain insight into the concept of value from the perspectives of both actors involved in the relationship – clients and experts – thereby enabling a detailed description of the value co-created and contributing to our understanding of the construct's dynamics and multi-dimensionality.

6.4.1 Value Propositions Offered by the Specialist

As outlined before, when applying a service logic the organisation – be it a goods manufacturer or service provider – can only offer value propositions (Ballantyne and Aitken, 2007; Vargo and Lusch, 2006). From a critical realist point of view, a value proposition could be seen as a mechanism constituted by the structural features and practices (i.e. tendencies) of the auction house, as they comprise compilations of necessary tangible and intangible resources with inherent value potential that are then utilised by customers, and thereby facilitate their creation of value-in-use (Grönroos, 2008; Grönroos and Ravald, 2009). Only by interacting with customers and participating in their value-generating processes can an organisation go one step further and truly co-create value with its clients (Grönroos, 2009). This section discusses the value propositions and underlying structures of the participating auction houses and their respective specialists, i.e. the resources they offer and communicate to customers (Ballantyne *et al.*, 2011). According to several specialists, the most important structural feature forming part of the value proposition directed towards sellers is the promotion conducted by the expert and the auction house's marketing department that generates high exposure or visibility for consigned works of art – especially in comparison to a private sale via a dealer.

“Because with the public auction, we have a very good publicity, you have a very good promotion of the object. This catalogue is sent to 2,000 people. In a gallery, if you have a painting you know that you have only ten people to contact to sell it, but in a public auction you will have very, very [much] publicity in the whole world. It’s a better chance to have a good result.”
(Specialist 1)

Due to marketing activities situated on the *actual* level such as private and public viewings, advertising individual sales and – most importantly – sending out the catalogue to potential buyers, a specialist can offer a consignor a much larger and more international audience for an object than a dealer or the seller themselves could possibly generate. This visibility increases the probability of achieving a high hammer price for the item. To highlight this aspect, auction houses regularly communicate record sales to the press and their customers, as the likelihood of achieving a high price attracts sellers and convinces them to consign. The prospect of being able to acquire objects of high quality and historical importance, in turn, draws large numbers of potential buyers to an auction house sale.

For buyers, the transparency of the auction process is not only an important structural feature of the business, but also constitutes an essential value proposition, as a number of specialists pointed out.

“I think that the auction system is the most transparent, so most people feel comfortable because they see the work, they know that there will be a competition for the work of art and the final price is a public price. Through a dealer, you never know what the final price is... you never know how the transaction was done.” (Specialist 15)

The estimate for each work of art as well as an analysis of its quality and provenance are publicly available in the catalogue and the auction house’s website. The hammer price and bidding history are recorded after the auction for each individual object, so that even customers not present in the auction can view the details of a sale. As Specialist 17 explained:

“One thing about auction houses is everything is sort of out there, the information is there. With private sales, with galleries, it’s not always accessible what things are worth, what things sell for... But as an auction house, we are making it much more easy and open, and I think people are drawn to that.”

Another feature that forms part of the value proposition is related to the auction house's brand and reputation, as well as the prestige that dealing with the organisation offers to customers. Although not as famous or long-standing as the market leaders Sotheby's and Christie's, the auction houses participating in this study all direct considerable efforts towards developing a brand profile. Four of the six businesses do so by building on the long history and tradition of their houses, while the remaining two instead emphasise their young and dynamic character. All, however, cultivate the notion that consigning to and buying from their organisation are prestigious activities that bestow class on customers.

"You hear people having a phone call when they're going in the viewing and say 'Oh I'm at [this auction house]'. They could say 'I'm occupied' or 'I'm shopping', but they say 'I'm at [this auction house]', so of course the prestige is important, to be invited to drinks here, special evenings, to have our invitation cards at home." (Specialist 6)

"Our house has an established brand name. It's obvious that the reputation of [this auction house] attracts people, consignors as well as buyers." (Specialist 11)

"Why do people pay €500 for a pair of jeans when they can get perfectly good jeans for €50? Brand value, you want to signal something... A lot of our clients love being able to just meet their friends at our previews, showing that they are at the right place at the right time... It means a lot. If you are very wealthy, then of course you can buy an expensive car, expensive clothes, but all the other rich people can buy exactly the same items. But you can buy something unique here, it's a way to make yourself different and special compared to the others." (Specialist 7)

Although reputation and prestige are important aspects of the expert's value proposition, however, they only play a role for customers as long as business performance is high. A prestigious brand profile could not be sustained by only insisting on a long-stand-standing history, but has to be corroborated by potentially news-worthy auction results. Specialist 9 explained:

"In [this country], [this auction house] is associated with sort of the establishment, fine old masters, antiques, it's almost considered to be the royal auction house of [this country]... In the long run, however, certainly we couldn't exist if we were unable to deliver satisfying results."

This ability to provide agreeable results is linked to another structural feature that is emphasised by most specialists as an important aspect of their value

proposition: the expertise offered by themselves and their colleagues. While experienced customers might have extensive knowledge of the market and their specific field themselves, many sellers as well as buyers are laymen who want to consign an individual item or are just beginning to collect. These clients require the specialists to compile objective analyses of a work of art, provide an estimate and to guide them through the overall auction process. When asked how the auction house and the specialists provide customers with value, Specialist 9 referred to this expertise:

“I would say that in broad terms we have the best knowledge in the various departments... We are the auction house in [this country] that makes the fewest mistakes.”

When comparing the value proposition mechanisms listed by the specialists representing the six auction houses participating in this study, it became apparent that there are not only common themes, but that the underlying structures are very much alike – all offer a exposure to a large audience for a consignment, transparent processes, comprehensive expertise and prestigious brand names. This is due to the fact that, as Specialist 5 remarked, distinguishing between the individual auction businesses is difficult despite their brand-building efforts:

“It’s a small, small difference. I mean the competition in [this country] is very hard. We have three auction houses and two of them, [this auction house] and another one, are almost the same. Everyone who works there has been working at [this auction house] and vice versa, so we have the same catalogues, we have the same sale dates, everything is the same, we do like this all the time. So it’s a very small difference.”

Thus, since the specialists’ value propositions across the auction houses are shaped by very similar structures, it remains to be seen to what extent they can co-create truly individual value with customers and if this process enables them to differentiate themselves and bind clients to the business. To explore this issue, the next section discusses the customer’s value chain and systems and contrasts their underlying structures with those identified as forming part of the value proposition mechanism offered by the specialists and their respective auction houses.

6.4.2 Customer Value Systems and Value Chains

The concept of the customer value chain, though first introduced by Porter (1985), was adapted to the context of service-dominant (S-D) logic by Grönroos (2008; 2009) and extended by the notion of the customer's value systems. The subsequent findings do not differentiate between these two constructs, as they are highly interrelated – customers realise their value systems by moving through their value chain, which can arguably be regarded as a series of interrelated generative mechanisms from a critical realist perspective. Thus, when analysing the respondents' accounts of what customers value and how they realise this in practice, it became obvious that these two notions are not always clear-cut and separable. To explore these customer value systems and chains, the subsequent section disregards the classification of value as a trade-off between benefits and sacrifices suggested by e.g. Ulaga and Eggert (2006a) and Zeithaml (1988) or the diverse value categorisations of e.g. Berthon and John (2006) or Menon *et al.* (2005). Instead, this work distinguishes between episode and relationship value (Ravald and Grönroos, 1996) as it is assumed that this approach will facilitate the subsequent comparison and contrasting of the customers' value chain and systems with the specialists' value propositions.

In the interviews, both specialists and clients were asked which features of the auction houses customers value and why they do so i.e. which structures forming part of the auction business contribute to the customers' art market-related value systems and chains. The former group of respondents mentioned aspects that they have encountered in or heard from large numbers of customers, i.e. which are common throughout the auction house clientele. The latter group of interviewees, meanwhile, listed these elements as well, but also gave insight into more personal and individual structural features. This shows that value is highly subjective and variable, which resonates with Holbrook's (2006) definition of customer value as an 'interactive relativistic preference experience'. As it has also been pointed out that customer value is a dynamic process and emerges and evolves over time (Cova and Salle, 2008; Parasuraman, 1997; Payne and Holt, 2001; Vargo, 2009), trying to grasp everything that auction house clients value would go beyond the scope of this work. Therefore, the most common themes stated by both respondent groups will be

discussed here, as well as some examples of the very personal ones given by individual customers.

6.4.2.1 Episode Value

As suggested by Ravald and Grönroos (1996), customer value comprises two intertwined dimensions or structures: episode and relationship value. The former consists of elements that augment value for a client on an episode basis, for example superior service or product features, brand reputation or additional support services, and impacts significantly on the customer's decision of which provider to utilise. This distinction resonates with the suggestion by Liljander and Strandvik (1995) that service offerings can be distinguished into episode and relationship-dominated services. Since the empirical investigation of clients' value perceptions within both dimensions has been called for to gain in-depth understanding of customer value (Ravald and Grönroos, 1996), this study has explored the structures that constitute valuable benefits for auction house clients on an episode and relationship basis. The present section presents findings related to the former, while the next will focus on the latter value dimension before bringing the two together and comparing them to the structures underlying the value proposition mechanism offered by the auction house.

According to both specialists and clients, the nature of the auction sale itself is a structural feature valuable to both sellers and buyers in every transaction – albeit for different reasons. For consignors, the auction process involves a possibility to achieve a considerably higher price than when selling a piece of art to a dealer.

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

“I believe people come here to sell things for money, and ultimately it's our ability to get the highest prices over time that is valuable to a customer.”
(Specialist 9)

For buyers, in turn, the bidding process provides a reassurance that others are interested in the same piece of art, i.e. they are paying a price determined by public demand, not the profit calculations of a dealer. As Specialist 3 posits:

“The best thing for buyers at auction is to see that other people are putting bids on the same object... I always say a buyer is never more reassured than by the bids of the others. This is the point, the idea that there is real competition and the price is a real price, not a virtual price given by somebody at random.”

In that sense, an auction is a kind of democratic market place in which everyone has a chance to buy the item they are interested in.⁶ Furthermore, quite a few buyers also enjoy the processes before and during an auction:

“People who buy at auction really enjoy the legwork, the research, and they love being able to examine the art work and sit down with somebody who is familiar with it and really discuss it... Somebody who goes to a dealer doesn't want that headache, that's already done, and so they pay for that service. That's why something costs twice as much from a dealer than it does at auction... And every once in a while somebody will... get caught up in the moment and the psychology of the whole [auction], they get involved in the hunt... and they enjoy the competition and the whole process.” (Specialist 18)

Customer 4 supported that notion of the auction process itself being valuable: “Experiencing the auction is a very important aspect. You really have to sit there and share the excitement and see how well your favourite objects perform.” Another decidedly valued structural feature mentioned by both specialists and customers is the prestige that comes with dealing with a reputable auction house.

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

Or, as Specialist 5 explained:

“The prestige of course is very important. Our clients absolutely want to sell at [this auction house]. The dream is to sell something [here]... or even better, to say ‘I bought the painting at [this auction house], here's the catalogue.’ It gives extra status.”

⁶ Dealers, in contrast, often have waiting lists and ‘select’ customers according to their status to ensure that mainly prestigious collectors buy their artists’ works, as a prominent ‘placement’ will in turn increase the value of the artist’s objects (Thompson, 2008).

Similarly, several of the customers interviewed stated that the auction houses' brand name and prestige are essential for them and play a role in the process of deciding where to consign to, as the organisation's reputation implies a certain level of reliability. Furthermore, having to live up to an established standing is also related to another episode value structure mentioned by clients: a high level of customer service, including high quality catalogues, descriptions and presentations of works of art during viewings, prompt provision of information, assistance in handling objects and smooth processes throughout the whole auction.

Since none of the auction businesses participating in this study can compete with the prestige and standing of the two leading houses Christie's and Sotheby's, however, they have transformed this disadvantage into a structural benefit that is highly valued by customers: accessibility. Several auction houses make an effort to appear easily accessible in a literal as well as metaphorical sense.

"I think that there's a whole portion of the community that feels alienated by auction houses like Christies and Sotheby's, who seem to pride themselves on social status and position... The general complaint is that unless you're dealing in millions of dollars in revenue with them and unless you're kind of a very important person, your concerns are put on the back burner... Here at [this auction house], we have a lot of respect for the industry, but without any of the pretence and the hang-ups." (Specialist 18)

Customer 13 agreed:

"At one point we were consigning a good quantity of material to Christie's, and it became very, very difficult to deal with them because they were... well, Christie's. There was no respect coming back from them, so we yanked everything out and ended up putting it in [this auction house]."

In contrast, four customers highlighted that they regard the welcoming atmosphere in their respective auction houses as an important structural feature, which positively influences their dealings with the organisation (i.e. the tendencies occurring on the *actual* stratum) by making them feel taken care of and being in good hands. In a more literal sense, this accessibility and flexibility is also about being accommodating in terms of remuneration and easing the processes for clients, as these specialists pointed out:

“[For sellers], the commission fee is very important... and so it’s quite important for us as a small auction house in comparison with Christie’s and Sotheby’s that we have a very large leeway of deciding ourselves which kind of treatment we can do. And sometimes we succeed in [getting] clients... because we are less static than the other companies.” (Specialist 14)

“What attracts customers to us is... from the buyer’s point of view, we offer good customer service and a sort of flexible approach that you wouldn’t find with Christie’s or Sotheby’s... So we have some advantages as a slightly smaller business to be more flexible.” (Specialist 9)

“It’s very important... that it’s easy to approach our auction house and come into contact with people. It’s easy to get the specialists to come to your home.” (Specialist 8)

Several customers supported this notion, emphasising that they value not having to travel to e.g. London to discuss their objects – which, from a critical realist stance, could be regarded as a tendency that results from the manifestation of a liability. Instead, they appreciate the practice of the expert meeting them in their home town during scheduled evaluation days or paying them a visit at home.

This section has analysed which structural features of the auction business customers value on an episode level, such as the nature and atmosphere of the auction sale and the possibility to achieve high prices for consignments, the prestige attached to dealing with a well-known auction house, the high quality of customer services as well as the accessibility and flexibility that the smaller businesses participating in this study can provide clients with. These structural benefits are appreciated by clients irrespective of whether they deal with the auction house on a transactional exchange or even one-off basis or have developed a long-standing relationship to the business and the specialist. The subsequent section, in turn, discusses the relational dimension or structures underlying the generative mechanisms of the customer’s value systems and chain on the *real* stratum, i.e. the structural advantages that arise from an established connection to the specialist that is marked by a long-term orientation.

6.4.2.2 Relationship Value

A number of relationship value dimensions have been identified in the literature (e.g. Biggemann and Buttle, 2011; Ulaga and Eggert, 2006b; Wilson and Jantrania, 1994). Corsaro and Snehota (2010), however, point out that relationship value is actor- and context-specific, rendering rigid categorisations ineffective. Instead, they call for empirical research accounting for situational factors and the role of interaction in the relationship context. To address this need, this study does not consider the diverse value dimensions determined previously, but instead adheres to the conceptualisation of relationship value suggested by Ravald and Grönroos (1996). While episode value encompasses structural features of the auction business such as high product or service quality, once a longer-term relationship has been established between customer and salesperson, the structures underlying the concept of value assume a deeper meaning relating to safety, security and credibility. Over the course of a few transactional sequences, the client begins to trust the salesperson to stand by their promises and the relationship takes on a long-term outlook (Johnson *et al.*, 2003; Ravald and Grönroos, 1996). As Specialist 18 described:

“[Clients] have built relationships with the specific people that work here and they feel after a while that they can really trust that person who comes through for them and does well by them, so they want to continue working with that person.”

It has been pointed out that the parties involved in the relationship obtain complex personal non-economic benefits from engaging in social interaction (Dwyer *et al.*, 1987; Hennig-Thurau *et al.*, 2002; Sheth and Shah, 2003). Accordingly, the interview findings show that relational client-specialist interaction changes the causal powers of the involved actors in such a way that it enables them to co-create value structures that would not have been accomplishable on an episode basis. In addition, the experience of the relationship as a whole and the value it entails can become structures in themselves that balance a less than satisfying episode in the perception of the customer (Ravald and Grönroos, 1996).

“If you’re a first-time customer and your phone calls never get answered, you’re just going to go somewhere else. If you’re a long-term customer and the accounting officer is abrasive... but everyone else, and mainly the expert, is great, you’re not going to care... I think it mostly depends on... what sort of relationship you have to [the expert].” (Specialist 16)

The analysis of the interviews revealed that this relationship to the specialist is very important for clients and a valuable structure in itself – apparently even more than some of the experts seem to think. Almost all customers mentioned their relationship to the specialist when asked which features of the auction house service they value the most. They genuinely seem to get pleasure from their interaction, thereby supporting the notion that the personal bond between a customer and salesperson is crucial in service relationships (Gremler and Gwinner, 2000; Hennig-Thurau *et al.*, 2006; Hennig-Thurau *et al.*, 2002). From a critical realist perspective, this importance might also be explained by mechanisms such as those underlying the co-creation of value: Establishing mutual commitment, sharing interests and working together toward a common goal to jointly generate value can only be realised through a personal connection between the actors. Thus, such a bond constitutes a structure that – in conjunction with other structural features – gives rise to the afore-mentioned mechanisms (see also Figure 4.7). The evidence presented in this section furthermore refutes the observation made by Wathne *et al.* (2001, p. 63) about financial service providers and their customers that “systematic differences exist between the two parties. Most important, suppliers seem to have inflated perceptions of the importance of interpersonal relationships compared to buyers.” Conversely, the present study shows that there are indeed service contexts in which customers set as much value on personal connections as the salespeople representing the selling organisation. In contrast to other service industries, however, this profound significance might at least in part be related to the emotionality that is often a structural feature of the art business.

“This is very personal for a lot of our clients, for instance our sellers. It could be a collection they’ve been collecting their whole life, they’ve put their whole soul, love, everything in this collection so it is very important for them.”
(Specialist 7)

Because of this emotional nature, the clients really appreciate the relationship with the specialist, as it provides them with a valuable sense of stability and security that goes beyond contractual agreements. As Specialist 7 pointed out, the art business can be very irrational, and in this context the expert can employ their causal powers by validating the client’s overall outlook. Accordingly, it has been suggested that customers seek relationship partners who give them a feeling of being understood (Gremler and Gwinner, 2000).

“For me, this [relationship to the expert] is valuable in the sense that I really just enjoy it... It’s a dimension to the business that I didn’t expect, and it just came, and it’s just fun, it’s just plain fun.” (Customer 13)

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

Apart from this sense of security and being understood, several customers also listed other structural benefits that they can only achieve through the relationship with the specialist. For example, they appreciate and rely on the expert’s causal power to provide ongoing advice on building their collection, which becomes manifest on the *empirical* stratum in their use of the specialist as a ‘sparring partner’ to exchange information and ideas, as such discussions enable them to consider works of art and other issues from a different perspective. This dialogue is an integral part of their activities as collectors or dealers, as several interviewed customers emphasised. “You need someone to talk to... You really need a confidant to talk about [your] plans or exchange views on an item, assess its value. Not just the value in euros or dollars, but the value inherent to the object.” (Customer 1) The same client explained how the discourse with the specialist enables him to take on a different perspective:

“Sometimes your views are confirmed, or sometimes they are questioned. That means you have a particular attitude towards the pieces in your collection, and then you discuss them and suddenly your attention is being called to details that might challenge your opinion.”

Customer 4 agreed:

“I benefit from the interaction [with the expert] because of both our agreements and sometimes our differences of opinion in specific cases. I think it is very important to discuss issues properly and try to consider and respond to the views of the other person.”

According to Customer 2, these conversations and the deepened insights they entail are as important as the profit that can be made from an object. “Collecting is supposed to be fun... So there is value by not only getting something that we want to get, but by learning about it, understanding more about it and enjoying it.” (Customer 13) Similarly, Customer 7 stated that he very much appreciates the “informative

conversations” with the specialist and the learning process derived from his general interaction with the expert on the *empirical* level. Furthermore, his frequent dealings with the auction house and its regular event invitations offer him a platform to meet other customers interested in the same or similar fields, and the resulting community feeling is particularly valuable to him. Specialist 18 agreed: “There are people who just enjoy the social aspect of an auction, it is really a social event and they love talking with colleagues, discussing this and that. It’s a very tight-knit community...”

“Good relations with the expert [are important for clients], and also of course on a social kind of level... some people like to deal with auction houses to meet other persons; it’s a place where you can meet people with the same interests in life.” (Specialist 4)

Customer 8, in turn, specifically values auction house-related structures such as the circle of collectors in his field. Due to the specialist exercising their causal powers to develop close connections to this network, its members regularly consign items of the highest quality, which in turn enables Customer 8 to acquire pieces from esteemed collections. Similarly, Customers 2 and 5 both stated that their amicable relationship to the expert is important for them, especially because of the contacts to other collectors. The latter even mentioned that his relationship to the specialist sometimes serves as a mechanism resulting in specific purchases, as the expert knows his collection so well that when considering works of art for auction, some were only included in the sale because the specialist knew they were of particular interest for the client. Established connections to an expert are equally valuable for sellers for the same reason, as Specialist 18 pointed out:

“Of course consignors would like to have a close relationship with the specialist, because it may even mean something like specialists going the extra distance to make the connection between the seller and the buyer... And we are more likely to take a piece belonging to somebody who is a major consignor than somebody who is not.”

Finally, Customer 12 enjoys structures such as customised terms and conditions of business due to his close relationship with the specialist, e.g. buying objects without having to pay for them, as they are used against the consignment moneys due to him. This way of financing purchases enables him to make more transactions than otherwise possible. A number of specialists also mentioned being able to offer special sale conditions to valuable customers who they have a long-standing

connection to. In a similar vein, the established relationship to a particular expert entails more informal and shortened procedures for regular clients, as they trust the specialist to be familiar with their requirements and expectations without having to re-negotiate the handling of an object for every transaction. As Customer 11 posited:

“The good part about working with [this expert] is that I have been doing it for so long that a lot of what I would need from another auction house has sort of been established with [this one], it’s a much less formal relationship now that I have. I could walk over there, drop off my merchandise and know that it’s being taken care of and in good hands.” (Customer 11)

To facilitate comparison, Table 14 provides an overview of the customer’s episodic and relational value structures before they are brought together and contrasted with the structural features forming part of the specialist’s value proposition in the subsequent section.

Table 14: Summary of Occurrences on the Three Strata of Reality in Relation to the Customer's Value Structures and the Specialist's Value Proposition

Empirical	Actual	Real
<ul style="list-style-type: none"> ▪ High visibility for objects ▪ Transparency ▪ Prestige and brand value derived from dealing with auction house ▪ Guidance through auction process 	<ul style="list-style-type: none"> ▪ Marketing activities (viewings, advertisements etc.) ▪ Auction sale procedures (public availability of information) ▪ Auction house reputation ▪ Expertise of specialist 	Specialist's value proposition
<ul style="list-style-type: none"> ▪ Hope to achieve a high price (consignors) ▪ Reassurance of demand (buyers) ▪ Enjoying the auction atmosphere and related procedures ▪ Signalling status and prestige ▪ Respectful treatment of customer irrespective of transaction size ▪ Enjoying welcoming atmosphere ▪ Feeling in good hands ▪ Showing appreciation by being accommodating in terms of remuneration ▪ Ease of interaction 	<ul style="list-style-type: none"> ▪ Nature of auction sale ▪ Auction house reputation ▪ High level of customer service ▪ Accessibility ▪ Flexibility 	Customer's episode value structures
<ul style="list-style-type: none"> ▪ Obtaining pleasure from interaction ▪ Sense of stability and security ▪ Sense of validation ▪ Having a 'sparring partner' ▪ Exchanging ideas ▪ Specialist as confidante ▪ Enabling different viewpoints ▪ Enjoying the learning process ▪ Enjoying the community feeling ▪ Sense of specialist making special efforts ▪ Enabling further transactions ▪ Informality and familiarity 	<ul style="list-style-type: none"> ▪ Personal non-economic benefits ▪ Connection to specialist ▪ Ongoing advice to build collection ▪ Dialogue between the actors ▪ Being part of a collector network ▪ Customised terms and conditions ▪ Shortened procedures 	Customer's relationship value structures

6.4.2.3 Comparing Customers' Episode and Relationship Value with the Specialists' Value Propositions

The preceding two sections have analysed the structures underlying the mechanism of the interviewed customers' value chain and systems on the episode and relationship level. On the former, a number of common structural features could be identified, such as the nature of the auction sale, the prestige associated with dealing with a renowned fine arts auction house, high-quality customer service as well as the accessibility and flexibility resulting from being smaller businesses than the market leaders Sotheby's and Christie's. In contrast to the relational value dimension, these episodic value structures are probably the more self-evident ones that customers seek to realise. When comparing them to the structures underpinning the value proposition offered by the specialists – high exposure and visibility for consignments, transparency, reputation and prestige as well as the expertise provided – it becomes evident that there are striking similarities. The possibility to reach a large number of interested buyers and thus achieving a high hammer price attracts consignors, whereas buyers appreciate the transparency of the auction process and the reassurance that being one of several bidders entails. Both buyers and sellers value the status derived from doing business with the auction houses, which in turn satisfy this desire for 'class' by emphasising their history and tradition and realising exclusive events for important customers. Therefore, on an episode level the structures underlying the mechanisms of the customers' value chain and systems and the auction houses' value propositions overlap.

The structures emerging for relationship value, however, alter this picture significantly. On this level, customers value the safety and security derived from having established a trusting personal connection to the specialist, as it balances not only the possible experience of dissatisfying episodes, but also the inherent uncertainty and emotionality of dealing with the auction house. Accordingly, confidence benefits obtained from professional relationships have priority for customers (Gremler and Gwinner, 2000; Gwinner *et al.*, 1998), followed by social benefits such as familiarity and personal recognition (Reynolds and Beatty, 1999) as well as special treatment (Gwinner *et al.*, 1998; Hennig-Thurau *et al.*, 2002). These latter aspects are supported by the evidence showing that a lot of clients value the

ongoing advice and exchange of ideas with the expert in building their collections and the learning process involved in their interaction. The relationship to the specialist also provides them with useful contacts to other collectors and access to the wider community of like-minded people, while other customers enjoy tailored terms and conditions of business due to this long-standing connection. These findings, as discussed above, underline the value of service relationships that has been identified previously (Gremler and Gwinner, 2000; Hennig-Thurau *et al.*, 2006), e.g. gaining confidence as risk is decreased and being provided with discounts and/or special attendance by the seller (Palmer, 1994; Wong and Sohal, 2002). It is also argued that this personal connection is a vital structural feature as it gives rise to the previously identified mechanisms of value co-creation. More importantly, however, these results also show that the structures underlying a customer's value systems and chain on the relationship level are considerably more personal than on an episode basis. Customer 2 summed up this high subjectivity of value in the context of the art world when explaining how individual the motives for dealing with art are:

“Every collector wants to express something personal or a particular concern with their collection. It’s not only about the desire to possess a work of art, but in the end about a specific statement you want to make with your collection.”

Accordingly, this relational value dimension is not covered by the value proposition offered by the specialist, which instead apparently focuses exclusively on episodic value structures. The previous analysis has shown, however, that these value propositions are very similar across the individual auction businesses – meaning that at least on an episode level, the specialists of all auction houses use the same mechanism and co-create similar customer value. This notion has been confirmed by Specialist 5 in the previous section, and is also emphasised by Specialist 2:

“There are hardly any customers anymore who exclusively work with only one auction house. That’s maybe 10% of your customer base... [The others] compare estimates, compare the terms and conditions. Well, and then what makes a difference to the customer? That’s the personal relationship that the [expert] in this house or another has been able to build up. Because, objectively, we know that... except for 5-10% everything is the same, we are all the same.”

Therefore, while all auction houses participating in this study are able to offer comparable episode value structures, it is the trusting customer-specialist connection

that enables them to achieve differentiation and competitive advantage (Dwyer *et al.*, 1987; Sheth and Shah, 2003). As outlined before, the event of mutual trust emerging in customer-specialist interaction changes the causal powers of the client and allows them to disclose their value systems and chains, which become more personal the more they gravitate towards the relational value dimension. Understanding what kind of value customers seek to realise (i.e. another causal power) in turn enables the specialist to participate in their value chain and thus to co-create the desired benefits. This knowledge also facilitates the adaptation of the value proposition offered to a customer, as the expert can adjust it from covering only episode value to also including relational value structures if wanted by the client. The realisation of this highly individual relationship value then is itself contingent on the trusting and long-term connection to the specialist, as it is mainly co-created in the direct interaction between the two actors.

6.4.2.4 The Co-Creation of Customers' Episode and Relationship Value

As analysed in the previous chapter, two structures determine whether the customer-specialist interaction has a transactional or relational character: the relational preferences of the client and their importance for the expert. Which of the two value structures discussed in the preceding section— episode or relationship value – is ultimately co-created in the customer-specialist interaction, in turn, probably also depends to a large extent on these determinants. While some customers are only interested in individual exchange transactions and the associated episodic value structures, such as achieving high prices and attaining prestige through dealing with the auction house, the evidence presented above clearly shows that other clients seek relationship values attained through the trusting long-term interaction with the specialist. Therefore, the dimension of value co-created is subject to the relational preferences of the customer. Nevertheless, a long-standing relationship also comprises series of individual transactions (Anderson, 1995; Ford and Håkansson, 2006; Harker and Egan, 2006; Medlin, 2004). If the customer-specialist interaction proceeds without liabilities occurring that become manifest as disruptions, episode value will therefore always be co-created, irrespective of whether the exchange takes place in a transactional or relational context. Relationship value, in turn, can only be

co-created if the customer is in an active ‘relational’ mode and interested in developing a long-standing and mutually trusting connection with the specialist (Grönroos, 2004). From a critical realist perspective, these notions have two important implications. First, the event of co-creation, enabled through a change in the actors’ causal powers and the four generative mechanisms identified previously, is *emergent* and gives rise to new structures: episode value in discrete transactions, and episode *and* relationship value in relational exchange. Second, it seems justified to assume that the two value structures are necessarily, but asymmetrically related, as it is possible to co-create episode value without realising relationship value, but not vice versa.

At the beginning of Chapter 5, it has been pointed out that all experts have a portfolio of relationships depending on the profitability of their respective clients (Blois, 1998; Harker and Egan, 2006; Palmer, 1994; Sheth and Shah, 2003). Thus, even if a customer would prefer to have a close relationship to the expert, the latter presumably still has to decide whether the client is sufficiently profitable before employing their causal powers to cultivate the connection and enter the process of co-creating not only episode, but also relationship value structures. Customers with little market experience offering or purchasing low-value items, for example, are less important for the specialist than prominent collectors, even if they do so in regular intervals. Since co-creating relationship value structures such as building up a collection together can require considerable time and effort from the specialist, they will only be interested in exercising their causal powers to engage in the process if the investment seems worthwhile. Whether it is, depends also on the value the expert can derive from the customer’s input. Therefore, the subsequent section explores the structural benefits that arise from the event of co-creation for the specialist, in an attempt to provide initial insight into the actual consequences of value co-creation for the selling organisation.

6.4.3 Episode and Relationship Value for the Specialist

The previous sections analysed the interview findings related to the co-creation of customer value structures on the episode and relationship level. As Grönroos

(2004; 2009) emphasises, the specialist has to exercise their causal powers in terms of understanding and participating in the client's value chain to successfully co-create value for the customer. However, the service quality and the outcome of the co-creation process also depend on the clients' input (Gummesson, 1998), as they utilise their own causal powers to transform the value potential of the firm's resources into value-in-use, thus achieving the favourable results together with the specialist at the point of consumption (Grönroos, 2008; Grönroos and Ravald, 2009). In doing so, customers always co-create value, but depending on structures such as their level of expertise, the degree of risk-taking involved as well as the experiential and economic benefits to be obtained, they also engage in co-production, i.e. the actual contribution in the development of the offering (Lusch and Vargo, 2006b; Lusch *et al.*, 2007; Vargo and Lusch, 2008), which can therefore be regarded as a mechanism. In this context, this study found that while value co-creation revolves around the clients' value systems and chains (Grönroos, 2004; Grönroos and Ravald, 2009) and is thus clearly advantageous for them, the specialists also benefit from the customers' input and their involvement in the co-production process. While this 'mutual value creation' or 'actor-to-actor value creation' has recently been referred to by Grönroos (2011) and Vargo and Lusch (2011) respectively on a conceptual basis, this work appears to be one of the first to offer empirical insight into the value perceptions of both parties involved in the dyad in the same study. In particular the benefits of value creation for the seller have received little attention in marketing research to date (Songailiene *et al.*, 2011), and those few studies that do exist only examine the concept in B2B settings and on the organisational instead of the individual salesperson level (e.g. Songailiene *et al.*, 2011; Walter *et al.*, 2001). Although it could be argued that the expert always profits from co-creating customer value structures as it results in more satisfied clients, the question remains whether this benefit really outweighs the involved cost in terms of time and effort, in particular if the value co-creation process is lengthy and complicated. As this matter could only be answered on a case-by-case basis, the more pronounced themes related to the structures underlying a specialist's episode and relationship value will be presented here.

Within the episode dimension, the resources contributed by customers to the co-creation process depend on whether they act as a consignor or buyer in a

particular sales encounter. The latter supply – apart from their wish to build their collection or increase their stock – first and foremost financial means to purchase an object. Asked what they bring to the relationship with the specialist, Customer 13 replied:

“Sometimes we bring money, if we are buying something. We have spent a lot of money there at [this auction house]. We also bring under-bidding, not for the purpose of underbidding, but certainly as auctions go the experts want to have bidders, and we have been vibrant bidders.”

In that sense, buyers constitute the audience without which an auction house could not attract sellers. Consignors, in turn, provide the essential goods around which the whole service offering of the auction business revolves: the works of art. Furthermore, sellers usually have important information regarding the provenance of an object, which is crucial for the success of the sale.

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

These structural benefits – financial means, the merchandise itself and information about its provenance – are gained by the specialist from every transaction, irrespective of whether it takes place in the context of an established relationship or not. However, the experts derive even more important value from their long-standing connections to customers.

“If you have a good relation with [a client] and they trust you, they will be more attractive for you as a client, you will have more things happening with this client, they buy more or they sell more often at [this auction house].” (Specialist 4)

Reduced transaction costs have been identified as a major advantage of trusting relationships (Doney and Cannon, 1997; Geigenmüller and Greschuchna, 2011; Sheth and Parvatiyar, 1995) and, in terms of the time and effort involved in dealing with a customer, this certainly applies to the experts.

“If we have a good relationship and [the customer] trusts me, we have another level of discussion and negotiation, because then there is no questioning of my professionalism or my knowledge about the item... so then we are only dealing about one thing: is it a good idea to sell or not. But if they do not trust me

especially much, then there are a lot of things that we have not levelled out yet.” (Specialist 8)

“[Having a good relationship] makes it easier, simpler, there has to be less negotiation or there’s less of the dance involved – you trying to see what my interests are, me trying to sense what your interests are...” (Specialist 17)

Apart from reducing the investment necessary to deal with a buyer or seller, the experts often also profit from their customer relationships in a more tangible manner. While the level of commission fees or the price to be obtained for an object remain important issues for consignors, an established connection to a client can stimulate re-purchase of the service (Biggemann and Buttle, 2011; Eisingerich and Bell, 2007; Palmatier *et al.*, 2007; Sirdeshmukh *et al.*, 2002), i.e. repeated consignments. In this context, Customer 11 explained: “We often choose to use [this auction house] for consigning lots of merchandise versus other auction houses because of our relationship to the expert.”

“In a way, I wanted to show my appreciation for our long-standing trusting relationship. I could have consigned [this object] somewhere else, that would not have made a difference to me, but in buying as well as selling I place my trust in [this auction house], in that the expert has advised me so well over so many years that I wanted to accord him the transaction and not somebody else.” (Customer 2)

Customer 12, in turn, stated that the objects he consigned to the respective auction business improved substantially in quality over the years due to his relationship with the specialist. This evidence clearly shows again that the personal connection between experts and clients is an essential structure that gives rise to mechanisms engendering the co-creation event that gives rise to new emergent value structures for the actors, in this case inducing a certain degree of loyalty on the customer’s part. Accordingly, Specialist 18 stated:

“I think that if somebody has a really good experience here, they’ll probably feel like they want to stick with us, and especially if they have a good personal experience – I think there’s a real connection there.”

Specialist 4 supported this notion by stating that it is not structures such as an auction house’s glamorous atmosphere or reputation that makes clients loyal, but the social relations they have with the auction house representatives. Nevertheless, several respondents pointed out that even this loyalty will only influence the

customer's decision-making process to a certain extent. Customer 5 agreed with this view and emphasised that despite his relationship to the expert, considering whether the item could achieve a high price at this auction house would be important. "If you can build up a strong personal relationship to somebody, then that is something special. But infidelity is basically part of our daily business. Today, few customers are bound to only one auction house." (Specialist 2) These examples support the argument that while long-term customers may be stimulated to re-purchase the service due to their relationship to the seller, they only become less price-sensitive within reasonable limits – despite their loyalty, other mechanisms such as profit considerations still matter (Beverland, 2001; Flint *et al.*, 1997; Gummesson, 1998).

According to Lusch *et al.* (2007) as well as Auh *et al.* (2007), the degree to which a client engages in co-production depends, among other underlying structures, on their level of expertise. While a large number of auction house customers are laymen, a substantial group consists of experienced collectors or dealers who have acquired extensive knowledge about their specific field of interest and the related market developments. As auction house specialists usually oversee broad departments such as Antique Furniture, Modern and Contemporary Art etc., they often benefit from the more detailed expertise of their clients and thus continue to learn from them (Sako, 1998; Songailiene *et al.*, 2011). "I think the customers that come here... don't need us to teach them something. In Old Masters, they are really, really specialists... I learn every day from my clients. I will learn until the end of my life." (Specialist 1)

"I give them information, but I learn from [my customers] as well. You can't stay on top of what is happening... there's something happening at the museums, at the international art dealers, at the art fairs, and all the stories – who did what, who sold what, who bought what, what's the new world record – you can't keep on top of all that all the time, so you have to look to your clients also." (Specialist 7)

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

Accordingly, when asked about their input into the relationship several clients explained that they possess comprehensive knowledge in their area and are happy to share it with the specialists, as it results in the above-mentioned highly appreciated discussions and exchange of information, which constitutes an experiential benefit of co-production for both actors (Lusch *et al.*, 2007). Some clients' experience with a particular field even spans several decades, and the specialists turn to them if they require details about an object or artist that cannot be found elsewhere. Customer 12 stated that he has developed a substantial art price database for his area of expertise from a vast range of different sources (including thousands of catalogues) and the specialist frequently contacts him to ask for missing pricing information. Customers 5 and 13 regularly help out their respective experts by evaluating items offered for consignment by other clients.

“[This expert] calls me from time to time about [a specific kind of] material... When they get objects that we know something about, occasionally they will call and say ‘Can you come in and look at this? Is this something that we should take on, how old do you think it is? What do you think it is worth?’ I have spent time up there doing that, evaluating things for [this auction house].” (Customer 13)

Since they have extensive expertise that has been acquired over many years, some customers are also active in wide-spread networks of collectors within their area. These contacts can be invaluable structural features for a specialist in terms of obtaining market information and referrals, i.e. acquiring new consignments from collectors or dealers that they would have been unable to reach otherwise. Asked about their input, two customers pointed out that they have referred other consignors to the respective expert to show their appreciation for their continuous trusting relationship.

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

“We have referred others, mostly sellers to [this auction house]... When we can help [this expert], we do. In referrals, we certainly neither expect nor would want any sort of referral fee... The referrals that we make – sometimes larger, sometimes not – are entirely without expectation of anything other than just goodwill.” (Customer 13)

From what both customers said, it can be derived that these referrals occur due to their long-standing relationship to the specialist (Johnson *et al.*, 2003) and would certainly not take place otherwise. Similarly, while most collectors love to talk about their collection and passion for art, they would be less willing to pass on valuable expertise and information if they only dealt with their expert on an episode basis, as then the experiential benefit derived from co-production would be smaller. Furthermore, it has been suggested that customers only engage in co-production if they have developed a high level of affective commitment to a salesperson (Auh *et al.*, 2007), which presumes long-term relational interaction.

While Grönroos (2011) recently suggested that the selling organisation can obtain value for itself through co-creating value for the customer, there is apparently little empirical support for this conceptualisation yet. The present study makes a first step in this direction by contributing insight into the structural benefits of value co-creation on the individual level for the salesperson. As the evidence analysed above demonstrates, any successful transaction is valuable for the specialist in terms of acquiring consignments and related information about their provenance from sellers and financial means from buyers. Even more important than these episode value structures, however, are the relationship value structures obtained from a long-standing trusting connection to a client, such as reduced transaction cost in terms of time and effort (Geigenmüller and Greschuchna, 2011; Sheth and Parvatiyar, 1995; Wilson, 1995), re-purchase of the specialist's services by consignors and buyers (Eisingerich and Bell, 2007; Sirdeshmukh *et al.*, 2002), improved learning through sharing of in-depth expertise (Sako, 1998; Songailiene *et al.*, 2011) and referrals of new customers (Johnson *et al.*, 2003). The emergence of value structures in both these dimensions – episode and relationship – therefore comes on top of the overarching benefit of achieving high customer satisfaction through the co-creation event. It is also important to note that most of the interviewed customers were very clear about their own contribution to the interaction with the specialist, thus implying that they are indeed aware of their role as co-producers and co-creators. Thus, not only the client, but also the specialist profits from engaging in the co-production and co-creation of value by understanding and participating in the customer's value systems and chain. The interplay of the client's and the expert's causal powers (changed by the event of trust developing in their interaction) in conjunction with the

identified mechanisms engendering joint value realisation cause the event of co-creation, which in turn enables the *emergence* of new episode and/or relationship value structures.

These structural benefits in turn presumably significantly influence a specialist's willingness to engage in the value co-creation process with the customer. If the expert can only gain episode value from a transaction with a particular client who seeks relational value structures themselves, the only reason to cultivate the connection and co-create additional relationship value for the latter would be that it provides the client with a satisfying service experience. Since the realisation of relationship values such as developing a collection requires significantly more time and effort from the specialist than the co-creation of episode values, which are usually offered in their value proposition anyway, the expert would have to carefully consider if the investment is worthwhile. If, however, the customer becomes highly engaged in the co-production process and their input in turn entails relational values structures such as expertise, re-purchases of the service or referrals for the specialist, then the co-creation of mutual episode and relationship value becomes truly worthwhile for both actors.

6.5 Chapter Summary

This chapter has analysed the findings related to the notions of value and its co-creation. In line with the critical realist distinction of three different strata of reality, this chapter brought together the occurrences taking place in the customer-specialist interaction (i.e. the *actual* level of reality) and the experiences of the involved actors (the *empirical* stratum) with theoretical insights derived from the available literature in an attempt to expose the mechanisms and structures underlying the investigated phenomena (i.e. the *real* level of reality).

First, this chapter explored the influence of interpersonal trust on the process of co-creating value in the customer-specialist interaction. The development of trust constitutes an event that changes the causal powers of both actors on the *real* stratum and enables the client to disclose their value chains and systems, i.e. which value structures they seek and through which mechanisms they intend to generate them, as

well as allows the expert to identify and understand the value structures sought by the customer. This sharing of value-related information allows the expert to adapt their value proposition accordingly and participate in its realisation – the more knowledge the specialist has about a customer’s value chains and systems, the more the service experience can be tailored to contribute to them. In this case the client does not create value-in-use on their own anymore, but both actors exercise their altered causal powers that ultimately cause the co-creation of value. This event, in turn, gives rise to new *emergent* value structures on both the episode and relationship level. In that way, interpersonal trust and value co-creation are necessarily but asymmetrically related, as the actors can trust each other without jointly realising value, but not vice versa.

The event of co-creation can be disrupted, however, by the actors’ liabilities manifesting themselves as e.g. untrustworthy behaviour or service dysfunctions on the part of the auction house. While customers often forgive incidents of the latter kind if they are communicated openly, a specialist’s untrustworthy actions mostly result in the customer’s termination of their business dealings. Although this is usually not an option for the experts, they will engage as little as possible with an untrustworthy client and thus also refrain from co-creating their value sought. Similarly to causal powers, liabilities caused by certain events therefore themselves have the potential to influence the events occurring on the *actual* stratum. Furthermore, the mechanisms identified in the empirical research through the respondents’ accounts that give rise to value co-creation were outlined: establishing mutual commitment, the pursuit of common goals, working together as well as sharing interests. This discussion is certainly not all-encompassing, as additional or different mechanisms might be encountered when considering the roles of other actors in co-creation or investigating the event in varying contexts. Within the environment of the auction house, however, these mechanisms seemed to drive the successful co-creation of value between the client and the expert – be it on an episode or relationship level.

To answer the last research question, which arose over the course of the empirical data collection, an outline of the structures underlying the customers’ value systems and chains (i.e. generative mechanism) has been given and was compared to

those underpinning the value proposition mechanism offered by the experts, thereby differentiating between value structures on the episode and relationship level. It was shown that there is considerable overlap between the structures underlying the value proposition mechanism and the episodic value structures sought by customers, such as the transparent nature of the auction sale, the possibility to achieve high prices and the prestige associated with dealing with a renowned auction business. When exploring the customers' desired value structures on a relationship level, however, it became apparent that these are not comparable to the structures inherent to the specialists' initial value propositions. First of all, not every client actually seeks relationship value, as some might be perfectly satisfied with a transaction-based connection to the expert. Second, the relationship value structures identified – e.g. the sense of security derived from the connection to the specialist, co-operating with them to build a collection or being part of a community of like-minded collectors – are considerably more personal and individualistic and necessarily related to the interaction with the expert, which makes them difficult to embrace in the value propositions offered by the auction house as a whole. This disparity between the structures underlying these mechanisms – the initial value proposition and the client's value systems and chains – further emphasises the necessity for the specialist to adapt the value proposition according to the customer value sought during the co-creation event. Differentiating between the two necessarily, albeit asymmetrically, related value structures during the data analysis also clarified that any exchange entails episode values for the customer, irrespective of its transactional or relational context – provided there are no disruptions to the co-creation process. Relationship value, however, can only be realised in customer-specialist interaction that comprises a long-term relational outlook.

Finally, the structural benefits of engaging in the co-creation and co-production process for the specialist themselves have been explored, thus contributing initial empirical evidence for the event of mutual value creation that has mainly been conceptualised so far. Any successful transaction always gives rise to episode value structures for the expert, such as the acquisition of a consignment, gaining information about its provenance and generating revenue for the auction house. Establishing a connection to the client and entering into the co-creation process, however, can also engender relational value structures for the specialist, e.g.

additional expertise, re-purchase of their service and referrals, if the customer is profitable enough to be worth the time and effort invested into developing the relationship and contributes a considerable amount of their own structural resources to the mutual co-production and co-creation event.

In the following chapter, these findings are summarised with respect to the individual research questions and translated into propositions that reflect the viewpoints of both customer and specialist. This set of propositions is integrated into a comprehensive conceptual framework that visualises the overall contributions of this work, which are then discussed on a theoretical, methodological and managerial level.

CHAPTER 7

CONCEPTUAL DEVELOPMENT AND CONCLUSION

7.1 Introduction

This study set out to explore the influence of interpersonal trust on value co-creation in transactional and relational customer-specialist interaction. Through the empirical research, the structures and mechanisms underlying these phenomena were identified and are now summarised in this concluding chapter. The following sections revisit the four research questions in light of the key themes that emerged from the findings and recapture the analysis of the empirical data in the previous two chapters. In accordance with the critical realist assumption that the perception of reality differs between individuals, these insights are distilled into a conceptual model and propositions considering the investigated phenomena from the perspectives of both the customer and specialist. Drawing on these preceding sections, the theoretical and methodological contributions as well as managerial implications of this study are outlined, followed by an analysis of its limitations and suggestions for future research. The chapter closes with concluding remarks.

7.2 Revisiting the Research Questions and Developing Propositions

The following section summarises the exploratory findings presented in the previous analysis chapters. Bringing together the results with the related literature outlined before, each research question is addressed individually to emphasise the overall contribution of this work. Sections 7.2.1 to 7.2.4 therefore translate the findings of this study into a set of propositions contextualising the perspectives of both actors. All propositions are then integrated into a conceptual model that – while acknowledging the context from which it is obtained – can serve as a basis for future generalisations. This model is built up step-by-step throughout the subsequent sections, with each new element (highlighted in red and identified either as a structure, mechanism, causal power or event) being introduced after the discussion of the respective propositions, until it is finally presented in its entirety.

7.2.1 The Structures Underlying Interpersonal Trust/Perceived Trustworthiness

This section addresses the first research question underpinning this work:

Which antecedent structures lead to the emergence of interpersonal trust in customer-specialist interaction?

Building on the examination of the specific context in which this interaction occurs, the present research question attempts to advance to the *real* level of reality and identifies the structures that cause the evolvement of interpersonal trust. To explore these, the analysis has moved on from the environmental market and organisational level to the individuals involved in the interaction.

As discussed in Chapter 5, it first had to be examined if interpersonal trust is actually a significant mechanism for the actors involved. In the literature, trust has been identified as an important variable for the cultivation of customer relationships (e.g. Morgan and Hunt, 1994; Palmatier *et al.*, 2006; Swan *et al.*, 1999) as it decreases the vulnerability and inherent uncertainty for the parties involved (Blois, 1999; Kramer, 1999). The research showed that these structural features are particularly present in the examined fine arts auction house context. Due to the circulation of an unknown number of faked works of art (Thompson, 2008), the media attention that forgery scandals generate (e.g. Michalska, 2011) and the mutual reliance of the actors to provide truthful information and advice, trust was found to be an important mechanism for both auction house customers and specialists. “I think trust is generally the basis for every relationship... and even more so in the arts market... There has to be trust between a collector and the expert, otherwise you do not need to work together.” (Customer 5) This is in line with the argument that risk and interdependence have to be present in the relationship between two actors for trust to occur, as it only becomes relevant under risky circumstances (Das and Teng, 1998; 2001; Rousseau *et al.*, 1998). Accordingly, most respondents felt that reciprocal rather than unidirectional trust (i.e. the customer trusting the salesperson) is necessary for their co-operation, as it makes it sounder and more effective (Smith and Barclay, 1997).

As discussed in Chapter 2, previous research has suggested a wide variety of trust variables such as expertise (Guenzi and Georges, 2010; Johnson and Grayson,

2005), reputation (e.g. Ganesan, 1994) or shared values (e.g. Morgan and Hunt, 1994). Since no definitive conclusion seems to have been reached yet, the antecedent structures of interpersonal trust in this auction house context were explored to provide a sound foundation for the subsequent analysis of its influence on value co-creation in customer-specialist interaction. In particular in service contexts, “trust has been understated, overlooked or ignored” and understanding the development of interpersonal trust is seen as essential (Guenzi and Georges, 2010, p. 115). To identify the trustee-specific variables of perceived trustworthiness (discussed here in order of decreasing importance), the opinions and perceptions of both customer and salesperson were considered and compared to uncover the structures underlying the trust-building process on the *real* stratum of reality.

In terms of the customer’s trust in the specialist, ‘ability’ was regarded to be the most important prerequisite structure by the large majority of interviewees, as it allows the customer to believe that the specialist is able to deliver on their promises (Doney and Cannon, 1997; Swan *et al.*, 1999). The domain-specific quality of the concept (Mayer *et al.*, 1995; Zand, 1972) becomes manifest on the *actual* stratum in a specialist’s comprehensive art historical expertise as well as in-depth background research and condition reports. “[Customers trust me] because I know what I am talking about, I know the pieces I present, I know the pieces we sell, because I know the price...” (Specialist 3) Supporting the notion that ability also comprises market knowledge (Guenzi and Georges, 2010; Selnes, 1998), there was clear evidence that a specialist’s familiarity with market developments, trends and influential actors in the respective field was considered to be necessarily related to their competence.

A second antecedent structure of a specialist’s trustworthiness was identified as ‘integrity’, which can be denoted as value congruence between two actors regarding the appropriateness of behaviours and moral principles (Doney and Cannon, 1997; Massey and Dawes, 2007; Xie and Peng, 2009). In the auction house context, the structure becomes therefore manifest on the *actual* level in the specialist delivering on promises, providing honest advice and making the bidding history of each object available after a sale, thus contributing to the customers’ impression of transparency and traceability. Since forgeries cannot be eradicated, ‘chandelier bidding’ is not unheard of and even invisible repairs can decrease an object’s value considerably, a

specialist's integrity in terms of open communication and honesty is pivotal for the customers' perception of their trustworthiness (Romàn and Ruiz, 2005).

“I find that if I am completely honest with a customer, whether it's a buyer or a seller, it's absolutely always the best policy... If you are a little pushy and you persuade them that they really ought to have this at any cost, you're going to end up with an unhappy client...” (Specialist 18)

The third structure resulting in the emergence of trust on the part of the customer was found to be 'benevolence', i.e. a trustee's benign attitude and perceived goodwill (Ganesan and Hess, 1997; Sirdeshmukh *et al.*, 2002; Xie and Peng, 2009). Since the specialists act as intermediaries between consignors and buyers and thus represent both parties, customers need to be convinced that an expert has their best interests at heart and advises them accordingly. In addition, engaging in the art business can be highly emotional for some customers, who therefore want to know that the specialist cares for their objectives and the success of their transactions.

Apart from these three antecedent structures, the customer's evaluation of the expert's trustworthiness also depends on the rapport the latter is able to build with them. Consisting of an enjoyable interaction and personal ties (Gremler and Gwinner, 2000; Macintosh, 2009), establishing rapport entails that the actors regard each other as trustworthy (Bell, 2011; Schwartz *et al.*, 2011). Accordingly, several customers stated that the 'chemistry' between client and specialist has to be right and the latter should make the former feel comfortable and welcome.

“When it comes to trust... you sometimes tend to prioritise the interpersonal [aspects] because in the end the market decides how well something is sold... I have to say, for me the interpersonal plays a larger role, it's more important than expertise.” (Customer 3)

Creating this impression of 'being on the same wavelength' (Bell, 2011) is therefore highly relevant in service encounters, especially as it impacts on the customer's decision of which service provider to choose (Day and Barksdale, 2003). In summary, it is proposed:

PIa: The specialist's ability is a structure that contributes to engendering the mechanism of perceived specialist trustworthiness.

PIb: The specialist's integrity is a structure that contributes to engendering the mechanism of perceived specialist trustworthiness.

PIc: The specialist's benevolence is a structure that contributes to engendering the mechanism of perceived specialist trustworthiness.

PId: Rapport between customer and specialist is a structure that contributes to engendering the mechanism of perceived specialist trustworthiness.

When exploring the antecedent structures of a customer's trustworthiness, in turn, similarities as well as disparities emerged in comparison to the afore-mentioned facets. The specialists considered a customer's integrity, i.e. shared views regarding the appropriateness of actions (Doney and Cannon, 1997; Massey and Dawes, 2007), to be the most important structure underlying the development of trust and related it to manifestations on the *actual* stratum such as consistent behaviour, adhering to agreements (i.e. paying in time and in full with regard to buyers) and – in terms of consignors – being honest about an object's condition and provenance. In particular the recent forgery scandal in the European art market (Michalska, 2011) demonstrates that the importance of a customer's integrity as a prerequisite structure for the specialist's trust cannot be overstated.

“Trust means to me that I receive all information about an object from the consignor, that the piece is what it is supposed to be, that the client actually owns it... that they adhere to their contractual obligations and that they pay their bills, even if the object was not sold.” (Specialist 10)

Benevolence was found to be another, albeit less significant, antecedent structure of customer trustworthiness and becomes manifest in being reasonable with demands to avoid uncomfortable situations for the specialist, and consigning a work of art once the latter's evaluation services have been used. Although infidelity is part of the business, as some experts pointed out, repeatedly asking the specialist for their advice but consigning the item to a competitor does certainly not contribute to the development of a specialist's trust.

“It's important that I trust [clients] that they don't change their mind. When they said ‘This will be something I'd like to sell’ and we start the sales process and you're marketing [the piece], and then they come back and say ‘No, I don't want to sell’, that's not very nice.” (Specialist 4)

In addition, only two customers listed their own competence or expertise as a requisite structure for their trustworthiness, but none of the specialists did. While a customer's ability is thus rendered almost insignificant in the auction house context, it might be of greater relevance in e.g. B2B settings in other industries. Finally, in contrast to the customer's perspective, rapport between the two actors does not play a role in the specialist's perception of the customer's trustworthiness. This indicates that the concept is necessarily related to specialist trustworthiness, but contingent for customer trustworthiness. Comparing these antecedent facets with the structures resulting in perceived specialist trustworthiness, it further becomes evident that their order of priority is very different (see also Figure 9). Therefore, it is proposed:

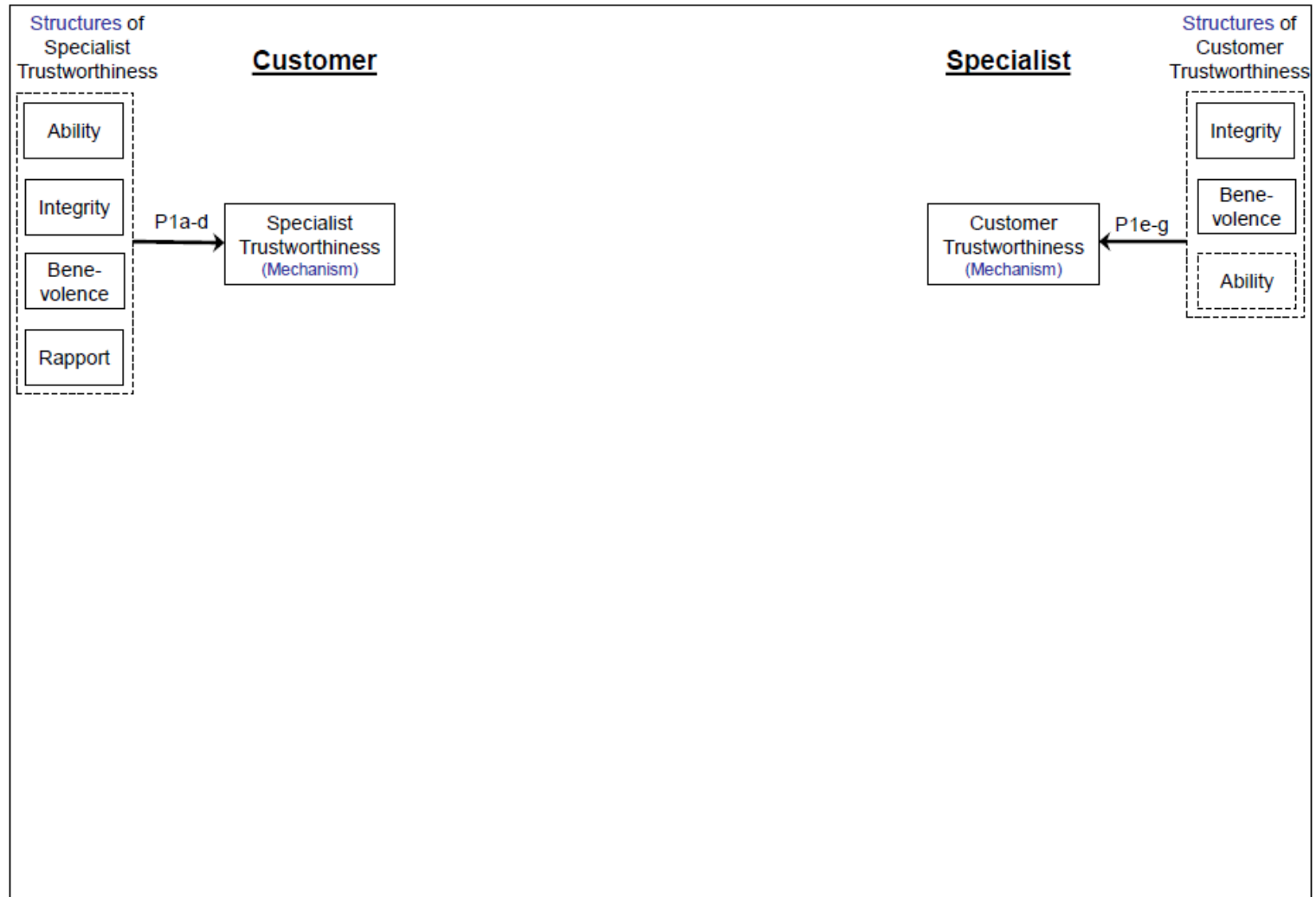
PIe: The customer's integrity is a structure that contributes to engendering the mechanism of perceived customer trustworthiness.

PIf: The customer's benevolence is a structure that contributes to engendering the mechanism of perceived customer trustworthiness.

PIg: The customer's ability is a structure that contributes to engendering the mechanism of perceived customer trustworthiness.

In accordance with the critical realist notion of *emergence*, however, interpersonal trust from both actors' perspective cannot be reduced to these facets, as it is ultimately the interplay of structures that gives rise to the event or social phenomenon. Although these structures and the mechanism that they cause are necessarily (but asymmetrically) related, the latter has causal powers that are irreducible to those of the structures it emerges from (Sayer, 2000). Figure 10 illustrates this first set of propositions.

Figure 10: The Antecedent Structures of Specialist and Customer Trustworthiness



7.2.2 The Development of Interpersonal Trust in Customer-Specialist Interaction

After identifying the constructs of ability, benevolence, integrity and rapport as the antecedent structures of perceived trustworthiness, the present section summarises the findings related to the second research question:

How does interpersonal trust evolve in customer-specialist interaction?

As discussed in Chapter 5, the main difference in the emergence of trust between the customer and the specialist lies in its instigation. The auction house's perceived trustworthiness, based on its reputation and brand name, is a mechanism that is necessarily but asymmetrically related to interaction, as it serves as the catalyst for the customer to approach the specialist.

“[The brand] is what attracts clients to us in the first place, then it's the personal relationship with the expert that sustains that relationship. The company gives you the first contact, the first opportunity to talk to the people. And then it's the expert's job to sort of follow up on that, if it's profitable as a relationship, of course.” (Specialist 8)

This mechanism of individual-to-firm trust (Geigenmüller and Greschuchna, 2011; Palmatier *et al.*, 2006) recedes into the background, however, once the sales encounter has been initiated, as perceived specialist trustworthiness then becomes a more important mechanism (Howden and Pressey, 2008). From this point onwards, the development of trust proceeds in a similar manner from the perspectives of both customers and experts. It starts with a trusting instinct that is sparked during the first acts of their encounter and then has to be substantiated over the remainder of their interaction (Liljander and Strandvik, 1995), irrespective of whether these episodes take place in regular intervals or not (Ford and Håkansson, 2006).

If the dealings between customer and specialist have a relational rather than transactional character, these episodes nevertheless have to be seen in the context of their history and expected future (Bendapudi and Berry, 1997; Håkansson and Ford, 2002; Harker and Egan, 2006), as the actors usually evaluate their relationship as a whole rather than individual transactions (Biggemann and Buttle, 2011; Ravald and Grönroos, 1996). Accordingly, the large majority of respondents did not single out particular events that stimulated their trust in a customer or specialist, but looked

back over their relationship as a whole. Several interviewees explained how their trust in the other actor evolved over series of events on the *actual* stratum, starting with small incidents such as phone calls or conversations and continuing over first consignments or purchases of individual objects to more regular contact and committed co-operation. As Customer 4 emphasised: “My trust [in this expert] was increasingly strengthened over the years because of my experience of dealing with each other, because of the long time of working together and knowing each other.” This corroborates the conceptualisation of interaction consisting of an underlying temporal structure of intertwined and necessarily related acts, episodes and sequences (Biggemann and Buttle, 2009; Ford and Håkansson, 2006; Olkkonen *et al.*, 2000) on the *real* stratum of reality. In other words, it can be presumed that the event of the emergence of the mutual trust, generated by the mechanisms of auction house, specialist and customer trustworthiness and the underlying structures causing the latter two, unfolds slowly in an iterative process of constant re-evaluation of the other’s trustworthiness and intensifies incrementally over the temporal structure of the customer-specialist interaction. This is summed up by Customer 2: “Trust develops through long-standing experience with another person... trust grows. Trust needs time, it’s not there immediately; trust develops over many years.” Once the mechanism of perceived trustworthiness is activated during initial minor contacts (acts), trust is extended to the subsequent stages of the customer-specialist dealings such as a negotiation (i.e. an episode). If the perception of trustworthiness is again validated at this stage, it grows stronger and further expands to following sequences (i.e. a complete sale or purchase) and finally the overall relationship. This also indicates that interaction is *emergent*, as its temporal structure gives rise to the phenomenon or tendency of trust – and while these structural features can be identified, the actual event cannot be reduced to them as it is produced by their interplay.

As the actors’ wealth of experience and information about each other grows, the bandwidth of their trust also widens and exceeds the context of their first encounters (Rousseau *et al.*, 1998; Sheppard and Sherman, 1998). At the same time, though, some customers pointed out that they evaluate their connection to the specialist once a few exchange transactions, i.e. sequences, have taken place and decide on its future. This makes the end of a sequence a particularly vulnerable point

in the temporal structure of the client-expert interaction, as the actors assess their satisfaction with its outcome and determine whether it should be continued, expanded or terminated (Anderson, 1995; Holmlund, 2004). Thus, it is proposed:

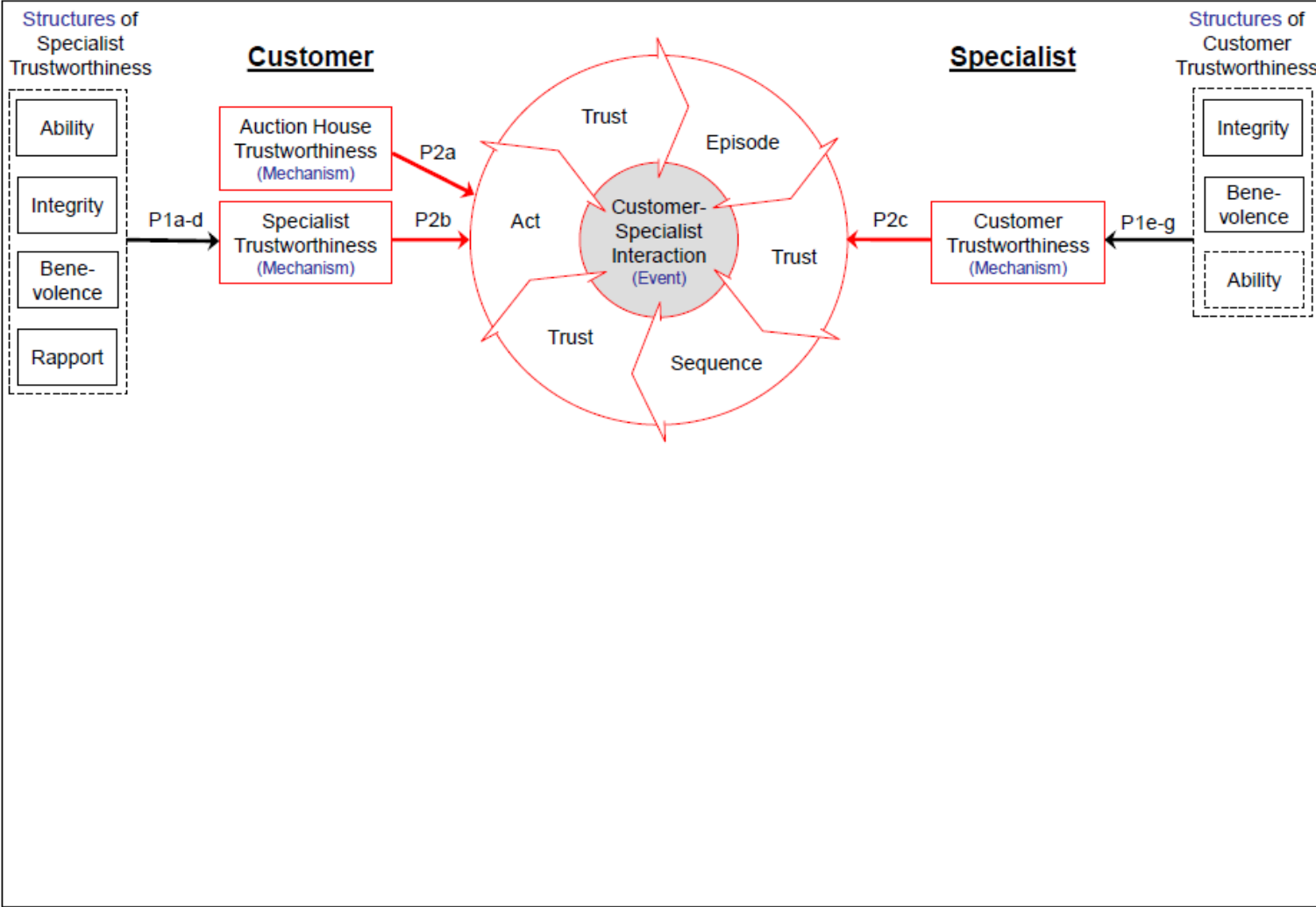
P2a: Perceived auction house trustworthiness is a mechanism that enables the initiation of interaction between the customer and the specialist.

P2b: Perceived specialist trustworthiness is a mechanism that enables the development of the customer's trust in the specialist over the emergent temporal structure of their interaction.

P2c: Perceived customer trustworthiness is a mechanism that enables the development of the specialist's trust in the customer over the emergent temporal structure of their interaction.

Figure 11 illustrates the effect of these mechanisms on the establishment of trust in customer-specialist interaction in relation to the structures that give rise to them.

Figure 11: Trustworthiness Mechanisms and Interpersonal Trust in Customer-Specialist Interaction



7.2.3 The Influence of Interpersonal Trust on Customer-Salesperson Interaction and Value Co-Creation

As stated in the literature review, trust has been identified as a key variable in developing customer relationships (Berry, 1995; Grönroos, 2004; Morgan and Hunt, 1994). Vargo (2009), in turn, proposes that the purpose of interaction and business relationships is the co-creation of value. In a similar vein, Anderson (1995, p. 348) points out: “Value creation... can be regarded as the *raison d’être* of collaborative customer-supplier relationships.” If and how these two concepts – trust and co-creation – are linked, however, has not yet been examined. To explore these potential linkages, the perceptions and motivations of both actors involved in the interaction were again analysed on the individual level. Thus, this section addresses the research question:

How does interpersonal trust influence the co-creation of value in customer-specialist interaction?

Asked how the event of the emergence of mutual trust influences their interaction, both customers and specialists explained that it changes their underlying causal powers on the *real* level of reality, as a trusting bond results in the former being more willing to share information – not only about the object at hand, but also about their motives, preferences and expectations. “If I trust someone... I’m willing to disclose information that I would keep to myself otherwise, if our relationship wouldn’t be that good.” (Customer 5) These details are central to co-creation and direct the overall process, as the customer is ultimately the arbiter of value (Grönroos, 2009; Sheth and Parvatiyar, 1995; Vargo and Lusch, 2006) and evaluates the effectiveness of their interaction with the specialist according to the congruence between value sought and value realised (Woodruff and Flint, 2006). As this determination of value is highly subjective and context-dependent, it is important to comprehend mechanisms such as the customer’s value-generating process or *value chain*, i.e. the activities undertaken to realise their needs, and their *value systems* that guide the value-generating process and the fulfilment of the identified requirements on the *actual* stratum (Grönroos, 2008; 2009).

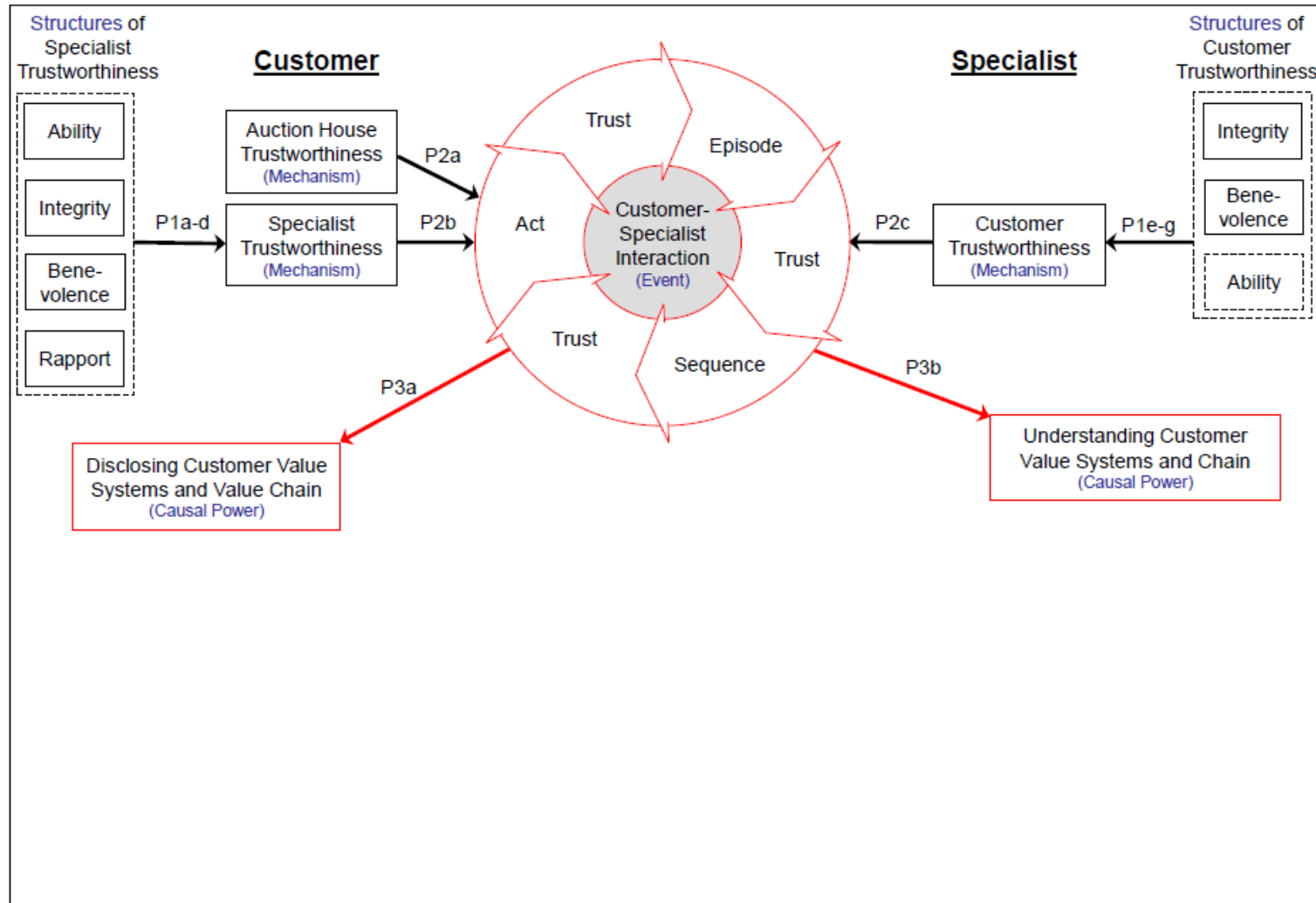
“You might get a sense of the reason why they are selling a piece, how urgent, what their expectations are... Just knowing about the clients and where the work is coming from helps us, and the more information we have, the better... So trust can have great dividends in that kind of relationship.” (Specialist 17)

Since customers are most likely to form strong interpersonal relationships with salespeople (Palmatier *et al.*, 2006; Wong and Sohal, 2002), the specialists are at the forefront of understanding the individual customer’s value systems and value chain. In the auction context, this means that the specialist has to exercise their causal powers to identify e.g. a customer’s reasons for buying and/or selling, their expectations and how they wish to be dealt with. Furthermore, a client’s background, personal circumstances and emotional connection to a work of art also impact significantly on their value perceptions. The evidence discussed in Chapter 6 showed that customers only use their causal powers to reveal such information, and thus enable the specialist to understand the underlying value systems and chains, if they trust the specialist. This implies that there is a necessary relationship between the emergence of interpersonal trust and this reciprocal process of exercising causal powers to disclose and identify value-generating mechanisms. This interdependence of the two actors is further enhanced by the interrelation of the service’s co-creation, consumption and unfolding value (Vargo, 2009), as all three aspects are vital for the customer’s assessment of their relationship with the specialist (Grönroos, 1990; Gummesson, 1998). Taken together, these factors can result in the development of emotional bonds, as the interaction can be personal and intense (Gummesson, 1998; Sheth and Parvatiyar, 1995), but also increase the actors’ vulnerability. In this complex interplay, the event of emerging interpersonal trust can balance the uncertainty and risk inherent to this process and allows both actors to believe that the other will not behave opportunistically (Blois, 1999; Luhmann, 1979). It therefore causes both actors to exercise their causal powers to reveal and identify the vital mechanisms of the customer’s value systems and chain. This interrelation is illustrated in Figure 12, and it is proposed:

P3a: Interpersonal trust in their interaction causes the customer to exercise their causal power to disclose the mechanisms of their value systems and chain to the specialist.

P3b: Interpersonal trust in their interaction causes the specialist to exercise their causal power to understand the mechanisms of the customer’s value systems and chain.

Figure 12: The Effect of Interpersonal Trust on the Causal Powers of Customer and Specialist



However, the customer's and specialist's exercise of their causal powers to disclose and understand the former's value-generating mechanisms only forms the first step towards a successful co-creation event. As stated in Chapter 3, the service provider is always a facilitator of value by providing resources with value potential that are transformed by the customer, using their own resources, into actual value-in-use (Grönroos, 2011; Vargo and Lusch, 2006). To truly become a co-creator, direct interaction between the customer and the specialist has to take place to influence the latter's causal powers in such a way that they are not only able to understand, but also *participate* in the client's value realisation (Grönroos, 2008). Co-creation is therefore firmly located in the customer's sphere, as their mechanisms and structures become central and the service provider's skills, resources and own internal practices are adapted accordingly (Payne *et al.*, 2008). In this context, the large majority of respondents stated that communicating what kind of value customers seek, i.e. disclosing their value-generating mechanisms and underlying value structures, contributes significantly to the emergence of co-creation and thus impacts on the client's service experience. "Of course working together gets better. Sharing information and expectations is the basis for productive collaboration and an opportunity to succeed in achieving our mutual goal." (Customer 4)

Understanding these desired value structures enables the specialist to become a co-creator in two ways: It allows the expert to exercise further causal powers to adapt the value proposition accordingly, and to participate in the customer's value chain. As it was found in Chapter 6, the auction house's value proposition is a mechanism that initially only includes aspects related to a customer's episodic value structures, thus leaving out the relationship value potentially co-created in the customer-specialist interaction. Through identifying the customer's value systems and chains, the specialist can use their causal power to adjust this rather generic value proposition that meets the most obvious needs of most customers to include the specific values sought by the individual client. The specialist can then take part in their realisation together with the customer, thus truly becoming a co-creator (Grönroos, 2008). This in turn entails mechanisms such as familiarising themselves with the customer's collection, their aims and objectives (either as a private collector or professional dealer), offering tailored advice and practical assistance (also in

matters unrelated to the respective auction house) as well as interacting with the customer in the manner desired by the latter.

“It’s important that you know something about the client, to know if they have a big collection, or... what kind of person this is, what the family background is... [If] I learn more about their collections and what they like or not like, it’s easier for me to have impact on their life really...” (Specialist 4)

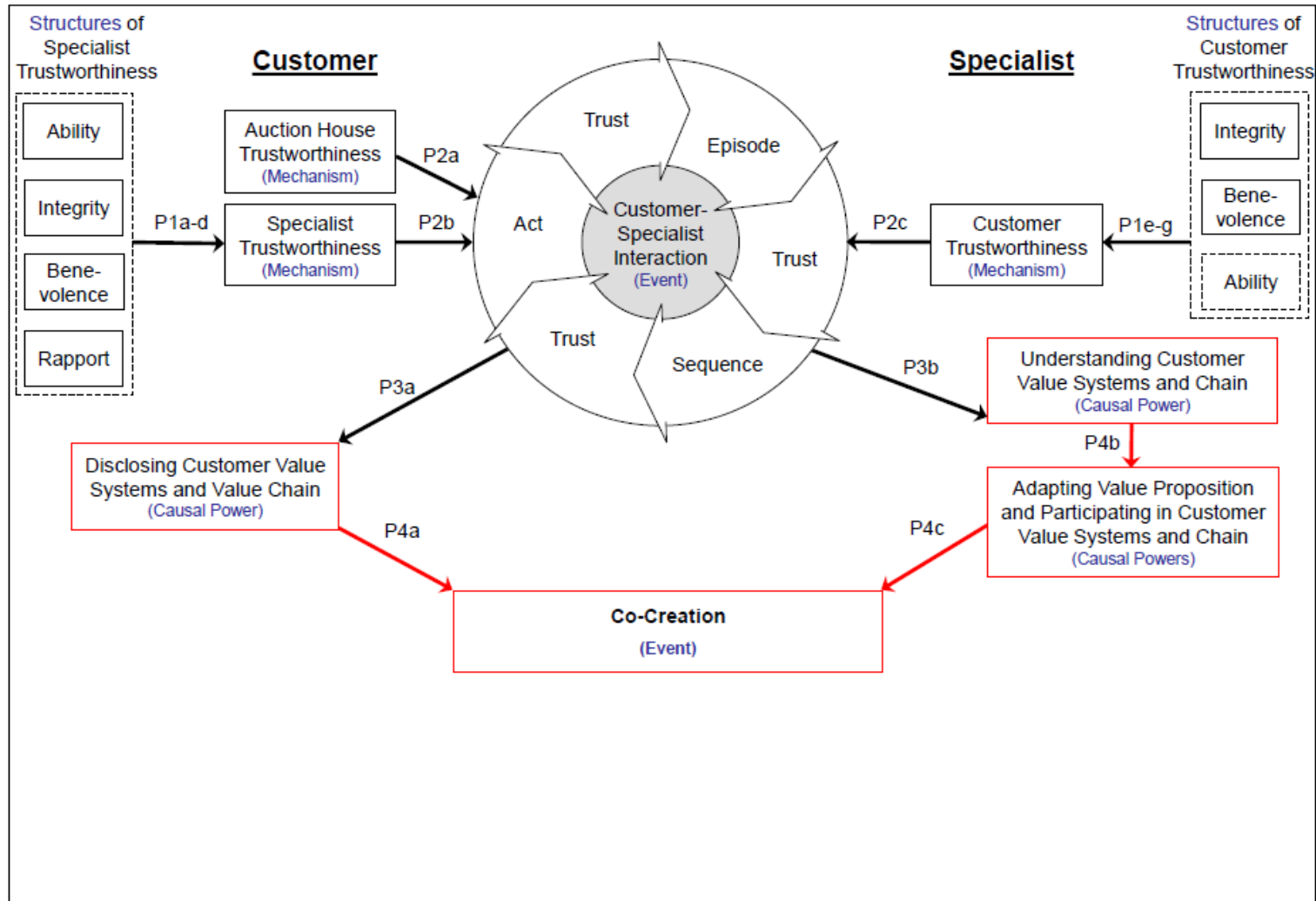
Without this mutual exercise of causal powers to disclose and participate in the customer’s value systems and chain, however, the specialist can only offer their standard service, but not engage in co-creating the value the customer is looking for, as they are unable to determine the mechanisms used by the latter to generate this value, and tailor their value proposition accordingly. Therefore, there is a necessary relationship between the causal powers of both actors and the successful co-creation event. The interplay between these elements and their connection to the previously discussed structures and mechanisms is depicted in Figure 13. Accordingly, it is proposed:

P4a: Exercising the customer’s causal power to disclose their value systems and chain to the specialist enables the emergence of a successful co-creation event in their interaction.

P4b: Exercising the specialist’s causal power to understand the customer’s value systems and chain enables them to participate in these and adapt their value proposition.

P4c: Exercising the specialist’s causal powers to participate in the customer’s value systems and chain and adapt the value proposition enables the emergence of a successful co-creation event in their interaction.

Figure 13: The Effect of the Customer's and Specialist's Causal Powers on the Co-Creation Event



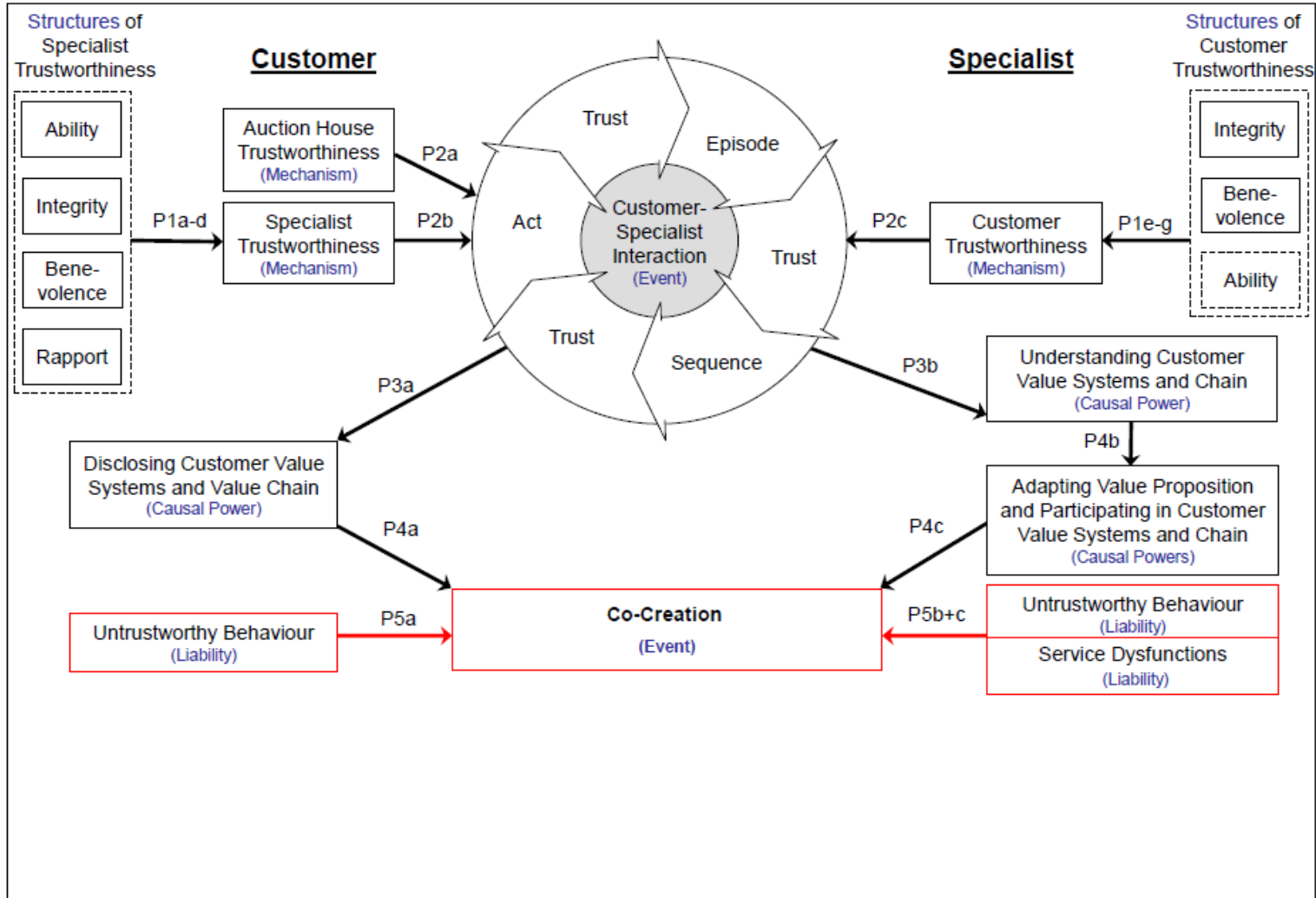
As discussed in Chapter 6, the value co-creation process described above does not always proceed smoothly and can be impeded considerably. Two major disruptions emerging from the data were liabilities such as untrustworthy behaviour from either actor, and service dysfunctions on the part of the specialist or the overall auction house. If an expert's liability becomes manifest on the *actual* stratum in untrustworthy behaviour such as overestimating objects to gain consignments or intentionally misadvising clients, the customer's trust in the specialist is seriously damaged. This results in the former refraining from exercising their causal power to share relevant information regarding their value-generating mechanisms, thus detracting the basis for a successful co-creation process, and might even lead to the termination of dealings. Conversely, if a customer behaves in an untrustworthy manner, e.g. by refusing to pay or knowingly consigning fake works of art, the specialist will try to keep their interaction to a minimum and will not make the effort to exercise their powers of identifying the value sought by the client or participating in its realisation. Apart from these deliberate disruptions, the co-creation event can also be disturbed by liabilities that become manifest in unintentional service dysfunctions on the part of the specialist, e.g. incorrectly evaluating an object's condition, or incidents beyond the control of the auction house, such as failure to sell a particular consignment at auction. This means that even if both actors trust each other and engage in joint value realisation, the outcome of their interaction might still be dissatisfactory. The detrimental influence of these liabilities is illustrated in Figure 14, and it is proposed:

P5a: The customer's untrustworthy behaviour constitutes a liability that mediates the co-creation of value in the customer-specialist interaction.

P5b: The specialist's untrustworthy behaviour constitutes a liability that mediates the co-creation of value in the customer-specialist interaction.

P5c: Service dysfunctions constitute liabilities that mediate the co-creation of value in the customer-specialist interaction.

Figure 14: The Effect of the Customer's and Specialist's Liabilities on the Co-Creation Event



7.2.4 Exploration of the Value Co-Created in Customer-Specialist Interaction

This section summarises the findings related to the final research question:

What kind of value structures are co-created in customer-specialist interaction?

This last research question arose during the empirical data collection and analysis and was included as it promised to add interesting insight into the actual outcome of value co-creation. Similar to the preceding question, the analysis was conducted on the level of the individuals involved in the interaction. Although the auction houses and their structural features presumably also have an impact on the kind of value generated between the customer and the specialist, their influence was only considered to a limited extent in the context of the value propositions offered by the experts.

While the research question focused on the outcome of value co-creation, the exploration of this issue first brought to light some of the generative mechanisms that seem to engender the joint realisation of value, thereby offering initial insight into the so far unclear processes involved (Vargo *et al.*, 2008). The first of these mechanisms is a high level of commitment to their dealings from both customer and specialist, irrespective of whether their interaction takes place on a transactional or relational basis. As discussed in Chapter 6, the majority of experts prefer to discourage a client from a particular sale or purchase, i.e. accept a loss on an individual exchange episode, rather than gaining profit in the short term. Further, this mechanism also becomes manifest on the *actual* stratum in many specialists advising clients on their art-related activities outside of the respective auction house context.

“I have [the expert’s] mobile phone number, so if I’m out shopping and see something that I need advice about, I just call... The accessibility is pretty much immediate... Especially if I am out looking at something to buy, but also if I just have questions about something, I can call up.” (Customer 12)

Customers also attributed a prominent position to ‘their’ specialist, despite also doing business with other auction houses. In addition, several clients reported helping the expert regularly, e.g. by evaluating consignments offered by other sellers.

A second mechanism to drive the co-creation process was found to be the pursuit of a common goal. ‘Being on the same page’ is an important mechanism for both consignors and buyers, and becomes manifest on the *actual* level in achieving the highest price possible for the former and finding the acquired object is consistent with the catalogue description for the latter. On a long-term basis, another frequently encountered mutual goal is the development of the customer’s collection, which is more time-consuming than just handling an individual transaction and requires continuous commitment from both actors. Both these factors also imply a collaboration between the customer and specialist. Working together to achieve a common objective and exchange ideas is another critical mechanism for many clients and gives them a feeling of equality, which encourages them to actively contribute to their interaction with the expert and engage in co-production (Auh *et al.*, 2007). In addition, this co-operation can also benefit the specialist, e.g. when the aim of a consignor to achieve high auction prices overlaps with the goal of the expert to increase their market reach. Not only shaping an individual customer’s collection can become the mutual objective of the actors, but also creating demand and developing the market for a particular artist’s work, thus improving the specialist’s business performance over a series of interactions.

A fourth generative mechanism crucial to co-creation seems to be shared interests and values, i.e. ‘similarity’ (Crosby *et al.*, 1990; Doney and Cannon, 1997; Palmatier *et al.*, 2006), as it facilitates dealings between the individuals and has the potential to move the interaction beyond the transaction-related issue at hand. Since emotionality is a significant structural feature of the auction business, it was found that a profound love and passion for art and art history is a mechanism that unites customers and specialists and offers a sound basis for the establishment of committed long-term bonds.

“I think it’s this personal contact that you have with [customers]... If they have collections, they are much like yourself. They have an interest in these things and they have a love for certain pieces or certain periods... and you are in a good position to share that with them.” (Specialist 9)

Since customers seek counterparts who empathise and reinforce their values (Gremler and Gwinner, 2000), sharing these interests can sometimes even engender close friendships that are highly appreciated by both actors.

“I have one client... we have dinners where we talk art for hours, eating, drinking nice wine and talk about art, artists and art business... It’s kind of a passion we have together... we are art friends, art client and expert.”
(Specialist 5)

While the mechanisms of co-creation identified in this work are presumably not the only ones contributing to successful value realisation, they do indicate that the co-creation of value can be seen as an *emergent* event – it cannot be reduced to its individual elements, as it is necessarily but asymmetrically related to, and engendered by, the interplay of these mechanisms and the causal powers of both actors (and possibly limited by their liabilities). This interrelation is depicted in Figure 15. It is proposed:

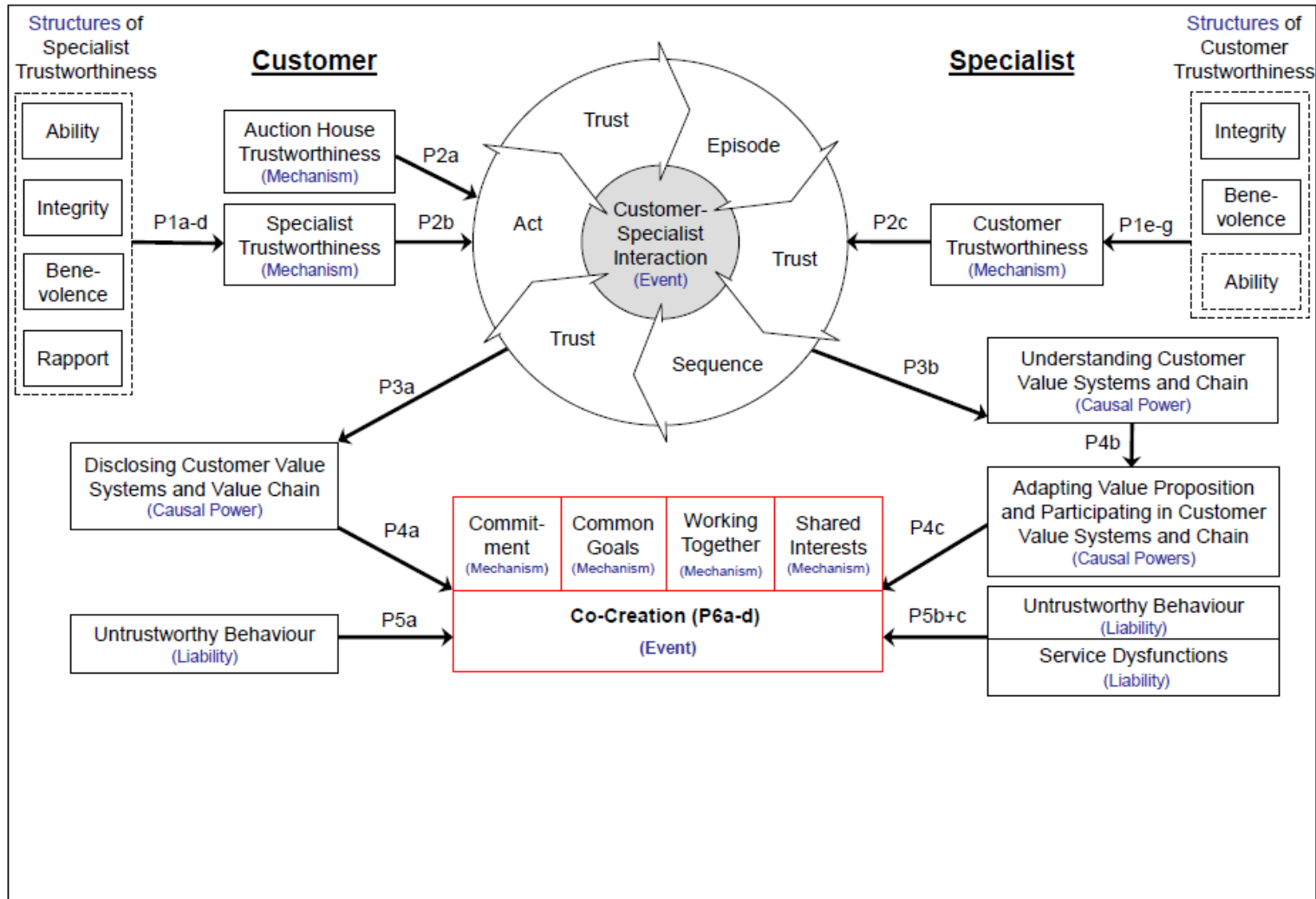
P6a: Commitment in the customer-specialist interaction is a mechanism that contributes to the emergence of a successful co-creation event.

P6b: Pursuing common goals in the customer-specialist interaction is a mechanism that contributes to the emergence of a successful co-creation event.

P6c: Working together in the customer-specialist interaction is a mechanism that contributes to the emergence of a successful co-creation event.

P6d: Sharing interests in the customer-specialist interaction is a mechanism that contributes to the emergence of a successful co-creation event.

Figure 15: The Mechanisms of Successful Co-Creation in Customer-Specialist Interaction



Through the exploration of the mechanisms engendering co-creation, it was possible to identify what kind of value is actually co-created in the customer's interaction with the specialist. As discussed in Chapter 3, value is not a cognitive state of fixed value judgements, but encompasses a multitude of dynamic phenomena that revolve around a customer's activities and interaction with a service as well as their value systems and chain (Cova and Salle, 2008; Grönroos, 2004; Payne *et al.*, 2008; Woodruff and Flint, 2006). To capture this dynamic nature, this work examined which structural features of the auction business customers seek and value most, and if these are congruent with the structures underlying the value proposition offered by the specialists. Despite studying six different organisations, the arising themes with regard to these value propositions were surprisingly similar. Most respondents listed structural features such as the high exposure generated for consignments, the likelihood of achieving high prices in the sale, more transparent processes and the prestige associated to dealing with a renowned auction house. The specialists' own expertise constitutes another substantial value proposition.

When exploring the customers' value systems and chains (i.e. their value-generating mechanisms) and particularly the underlying structures, two different but interrelated dimensions emerged: episode and relationship value. Although there is a large number of value categorisations (Berthon and John, 2006; Ulaga, 2003; Woodruff and Flint, 2006), this distinction corresponds to the conceptualisation of Ravald and Grönroos (1996) and the differentiation between the various levels in the temporal structure of interaction (Biggemann and Buttle, 2009; Ford and Håkansson, 2006; Holmlund, 1996; 2004). In the episodic dimension, customers value the structural features of the auction sale itself, as it provides sellers with the opportunity to achieve high prices and buyers with the reassurance that this price is determined by public demand. Several respondents also mentioned enjoying the atmosphere of an auction and the prestige attached to it. Furthermore, clients appreciate the accessibility and flexible customer service of the participating auction houses.

These value structures are largely congruent with those underlying the value proposition offered by the auction houses, allowing the assumption that episode value can be co-created by the customer and the specialist on a transactional exchange basis that applies to all clients, irrespective of their relational preferences.

The relational value structures identified by this work, however, are not covered, as they differ from customer to customer. On this level, clients value first and foremost structural features such as their personal connection to the specialist, as they do not only obtain a sense of security and stability, but also pleasure from their interaction.

“The relationship to the expert is not only important and valuable, but crucial for me. You know, in my opinion you can’t work together successfully if you don’t have a personal relationship.” (Customer 4)

Several customers stated that the expert is a valuable partner in building their collection, offering on-going advice and exchanging ideas and opinions.

“You do notice that someone else looks at a painting in an entirely different way than you do yourself, and that enables you to take on another perspective – that is very fascinating for both parties, I think.” (Customer 5)

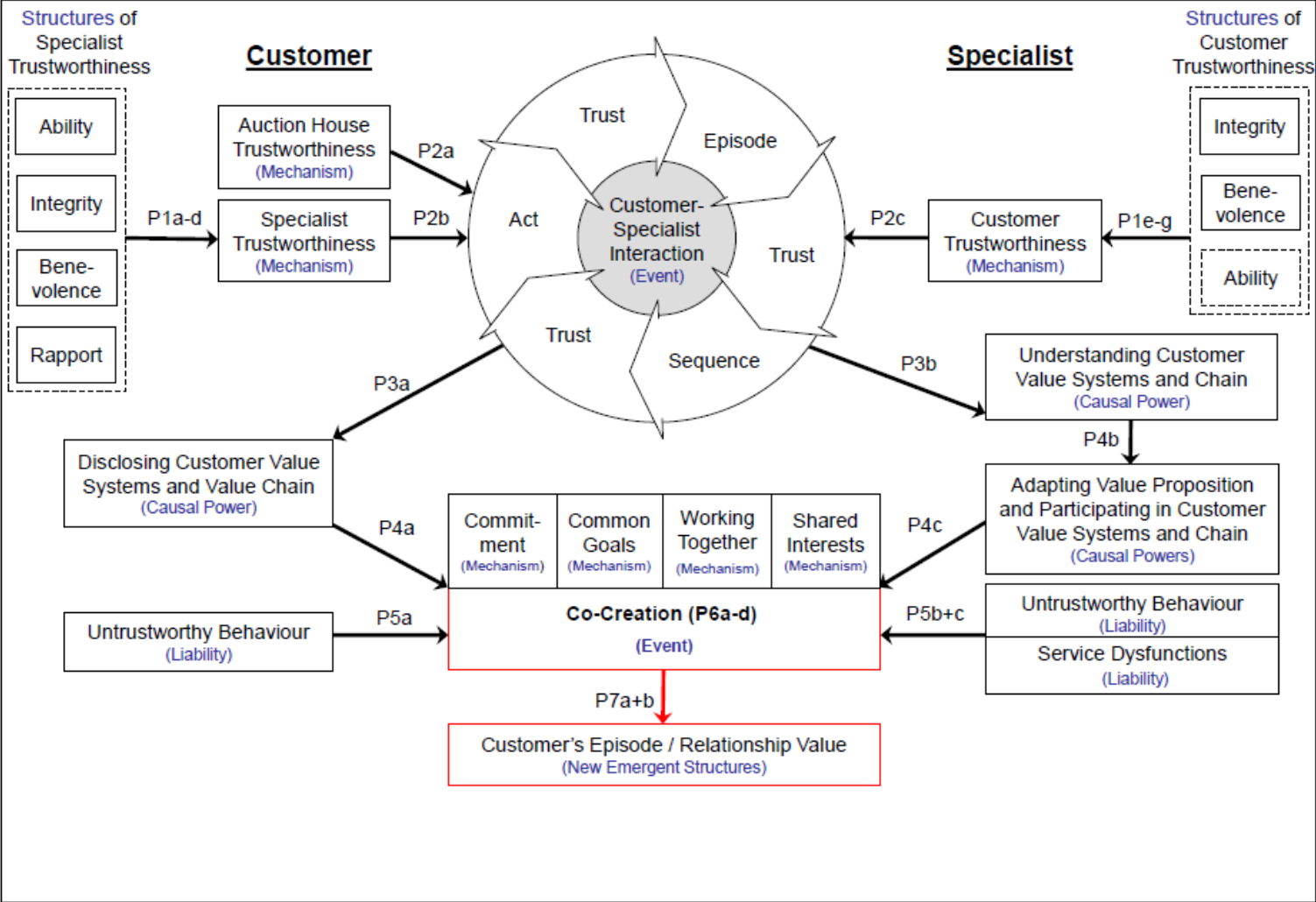
In addition, the close relationship to the expert provides customers with valuable contacts and the opportunity to meet other collectors in their field, as well as a chance to learn more about their respective field. Supporting the notion that the actors gain complex non-economic advantages from a relationship (i.e. confidence, social or special treatment benefits) (Gremmler and Gwinner, 2000; Hennig-Thurau *et al.*, 2002; Reynolds and Beatty, 1999), these relational value structures would not be obtainable on a transactional basis, as they are engendered by a change in the actors’ causal powers that occurs through repeated relational interaction. Since they are also noticeably more personal and subjective than the episode values discussed above and their co-creation mainly depends on the individual connection between the customer and the specialist, these relationship value structures are presumably too specific to be included in the auction houses’ initial value proposition. However, it also became evident in the data analysis that the structures underlying these value propositions are very similar across the participating six organisations. The identified overlap between them and the customers’ episodic value structures thus implies that on a transactional level, all specialists can co-create comparable value. This emphasises the previously discussed necessity for the specialist to adapt their value proposition mechanism once they have identified the individual client’s value systems and chain, as it is the relational value structures realised in the customer-specialist interaction with which the auction houses can differentiate themselves in the customer’s perception.

Whether the customer-specialist interaction indeed takes on a relational or transactional character depends to a great extent on the preferences of the customer (Grönroos, 2004; 2011; Sheth and Shah, 2003). Therefore, the nature of the value structures sought by the customer might vary according to the ‘mode’ they are in and the service nature they prefer – some clients might be perfectly satisfied with episode value associated with individual exchange transactions, such as achieving high prices, enjoying high levels of customer service or the prestige of the auction house. As the interdependence between customers and specialists facilitates the development of emotional bonds and interaction can be intense and personal (Gummesson, 1998; Sheth and Parvatiyar, 1995), however, other clients might seek relational value structures such as those discussed above and appreciate not only the service, but also the personal connection to the specialist. Since any long-term relationship also consists of a chain of individual exchanges (Ford and Håkansson, 2006; Harker and Egan, 2006; Medlin, 2004), it can be assumed: Provided that their dealings proceed without interruptions caused by the liabilities of the actors, episode value structures are always co-created in customer-specialist interaction, irrespective of whether the exchange occurs in a transactional or relational context. Relational value, on the other hand, can only be realised if a trusting long-term bond has evolved between the two actors. From a critical realist position, these findings have two important implications. First, the event of co-creation, enabled through a change in the actors’ causal powers and the four generative mechanisms identified previously, is not only *emergent*, but also gives rise to *new* structures: episode value in discrete transactions, and episode *and* relationship value in relational exchange. Second, it can be presumed that these two value structures are necessarily, but asymmetrically related, as it is possible to co-create a customer’s episode value without realising relationship value, but not vice versa. This result of the co-creation event is illustrated in Figure 16 to highlight its connection with the previously identified mechanisms and causal powers, and it is proposed:

P7a: In successful transactional interaction, the customer and specialist co-create episode value structures for the benefit of the customer.

P7b: In successful relational interaction, the customer and specialist co-create episode as well as relationship value structures for the benefit of the customer.

Figure 16: The Co-Creation of Episode and Relationship Value Structures for the Customer in Transactional and Relational Interaction



In addition to these interrelated value structures, it also emerged from the data that the co-creation process and its underlying mechanisms does not only engender value for the customer, but also for the specialist – through co-creating value structures for the client, the actors also co-create value structures for the expert. On a conceptual basis, this notion has recently been termed ‘mutual value creation’ by Grönroos (2011) and ‘actor-to-actor’ value co-creation by Vargo and Lusch (2011) – however, neither offer empirical support for it and so far there is only little empirical data available on the construct of seller-perceived value (Songailiene *et al.*, 2011). As outlined previously, the quality of the service and the co-creation process also depend on the causal powers and input of the customer (Gummesson, 1998), in particular with respect to the extent of their involvement in co-production (Auh *et al.*, 2007; Lusch *et al.*, 2007; Vargo and Lusch, 2008). Thus, even though the co-creation event revolves around the customer’s value systems and chains (Grönroos, 2004; Grönroos and Ravald, 2009), due to this input and engagement the actors also co-create value structures for the benefit of the specialist. Examined again along the previously identified episode and relationship value dimensions, it became evident during the data analysis that on the former level a specialist obtains value from both buyers and sellers. Buyers provide structural benefits such as the financial means necessary to complete a transaction and constitute the audience without which the auction houses would be unable to attract consignors. Sellers, in turn, contribute objects as the key product around which all dealings revolve and relevant provenance information.

While the specialist can obtain these structural benefits from any successful transaction, irrespective of whether it is a discrete exchange or part of an on-going relationship, the value structures gained from long-term relational interaction are even more profound. As analysed in Chapter 6, within a relational context the expert profits from repeated consignments, i.e. re-purchases of the specialist’s service (Biggemann and Buttle, 2011; Eisingerich and Bell, 2007; Palmatier *et al.*, 2007; Sirdeshmukh *et al.*, 2002), and reduced transaction costs in terms of decreased time and effort involved in a sale (Doney and Cannon, 1997; Geigenmüller and Greschuchna, 2011; Sheth and Parvatiyar, 1995).

“The conversation proceeds just more easily [if we have a good relationship], less matters are questioned. You achieve results quicker, there is less respite, sometimes decisions are made immediately.” (Specialist 11)

Furthermore, many customers have a considerable amount of expertise in their fields, meaning that the specialist constantly obtains new knowledge and more extensive information flows as a result of their interaction (Sako, 1998; Songailiene *et al.*, 2011).

“A lot of the people that come to [this auction house] and spend their time with me are some of the most educated men and women in the world in the field, and the benefit of their expertise is something that I’m incredibly appreciative of. I feel like I learn a lot and have learnt a lot over the years from my customers.” (Specialist 18)

Many customers also have a large number of like-minded contacts in the art market, and the specialist can profit by gaining access to this community through the client (Johnson *et al.*, 2003). Without their long-standing connection and trusting interaction, however, the customers would hardly be willing to either share their expertise or provide these referrals. There would be no reason for them to exercise their causal powers to contribute this kind of input to the co-production and co-creation event on an episode basis, as their experiential benefit gained from transactional exchange would be considerably smaller and not justify the investment. Furthermore, a customer would not be able to develop the affective commitment necessary for their engagement on co-production (Auh *et al.*, 2007) during a discrete one-off sales encounter.

While Vargo (Vargo, 2009, p. 375) suggested that “the firm likely does not need the specific [input] of the customer” apart from money, this study comes to a very different conclusion. As analysed in Chapter 6, there is clear evidence that the customer’s involvement in co-production and co-creation through the exercise of their causal powers entails significant structural benefits for the specialist, i.e. salesperson (and thus the organisation). These value structures have the capacity to substantially influence the specialist’s performance, are considerably more concrete and go far beyond mere financial means on both the episode and relationship level.

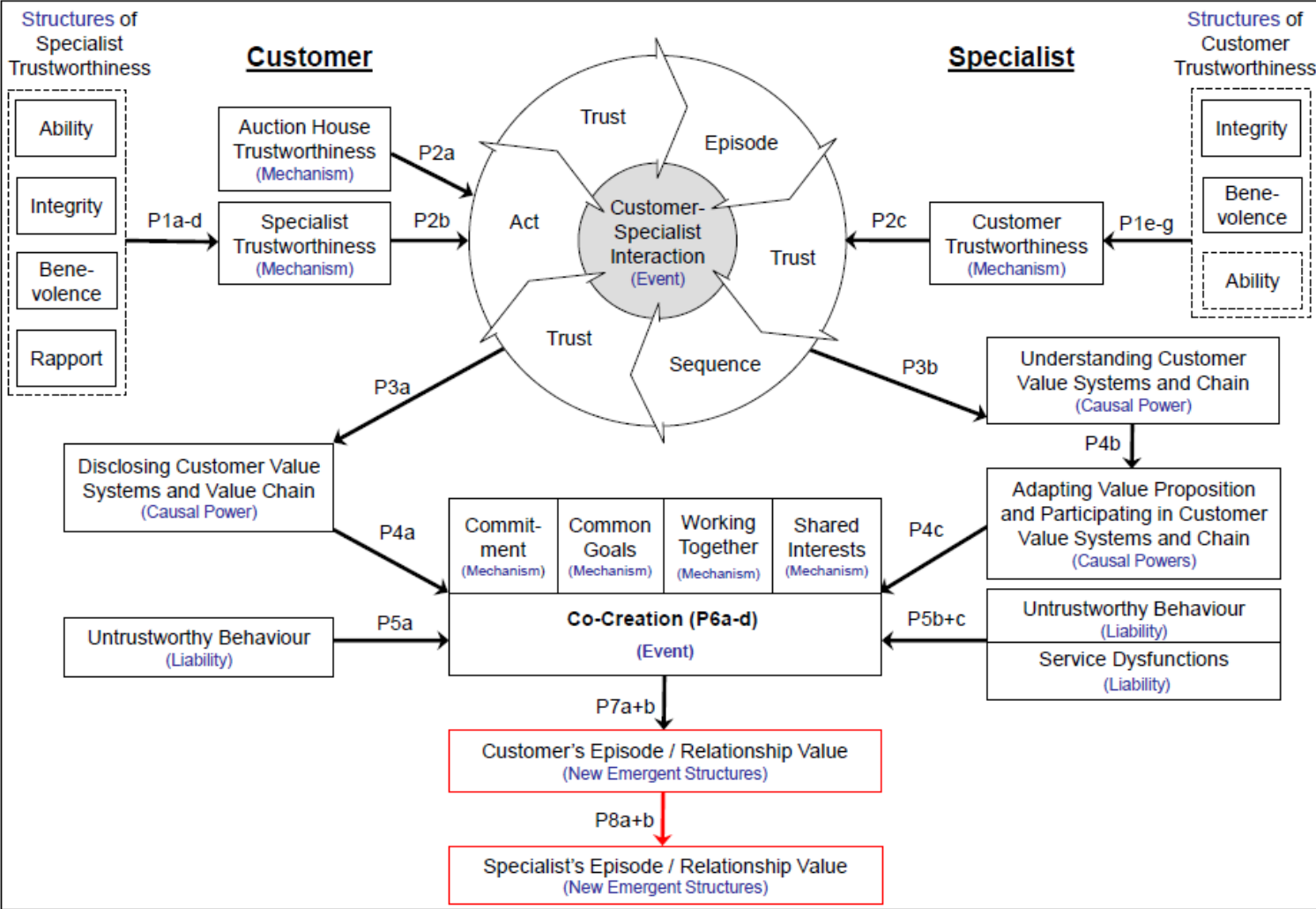
Which of these value dimensions is realised depends on structures such as the nature of the connection between client and specialist and thus on the former’s

relational preferences (Grönroos, 2004; 2011; Sheth and Shah, 2003). However, the customer's profitability for the specialist is also a decisive structure (Harker and Egan, 2006; Sheth and Shah, 2003), as the expert has to determine whether investing time and effort into the co-creation event is worthwhile depending on the customer's own potential contribution. In this context, the prospect of episodic and relational value structures such as those discussed previously will have considerable impact on the specialist's readiness to exercise their own causal powers and engage in co-creation and possibly also relationship cultivation. In line with the arguments provided above, it can therefore be posited: In any successful transaction – irrespective of whether it is a discrete exchange or part of a long-standing connection – the specialist can obtain episode value structures *emerging* from the co-creation event. Relational value structures such as those outlined above, however, can only be derived from the interaction if a committed and trusting long-term bond has been established to the customer. In some cases the potential relationship value structures might even be promising enough for the specialist to accept a loss on a particular episode for the sake of the longer-term connection to the client. This implies that in contrast to the necessary relationship between the customer's value dimensions, the specialist's episodic and relational value structures are contingently related. The value of both these dimensions for the specialist is thus realised in addition to the overarching benefit of achieving high customer satisfaction through the co-creation event. This final element of the explored phenomenon and its links to the mechanisms and structures identified on the *real* stratum are illustrated in Figure 17. In summary, it is proposed:

P8a: Through the successful co-creation of episode value structures for the customer in transactional interaction, the actors also co-create episode value structures for the specialist.

P8b: Through the successful co-creation of episode and relationship value structures for the customer in relational interaction, the actors also co-create episode and/or relationship value structures for the specialist.

Figure 17: The Co-Creation of Episode and Relationship Value Structures for the Specialist in Transactional and Relational Interaction



7.3 Integrating the Propositions into a Conceptual Model

“We live in a pretzel-shaped universe, and a pretzel-shaped universe requires pretzel-shaped hypotheses.” (Fiedler, 1967, p. 21)

This section brings the propositions suggested above together in order to form a coherent model that conceptualises the influence of interpersonal trust on the co-creation of value in customer-specialist interaction. To recapture the previous discussion and summary of the insights obtained when exploring the research questions, Figure 18 illustrates how the propositions are linked to the questions underlying this work, while Table 15 condenses the wording of both the propositions and research questions in relation to each other.

Figure 18: Relation of Research Questions and Propositions

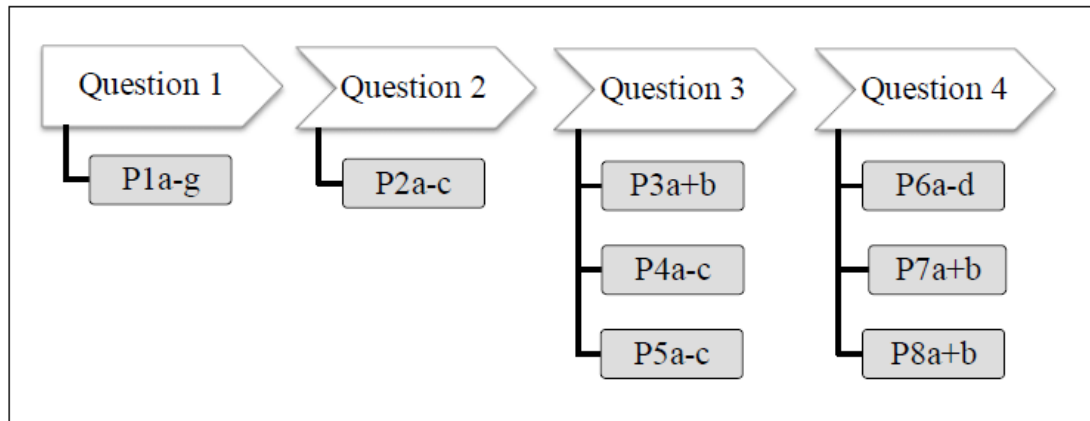


Table 15: Interrelation between Research Questions and Propositions

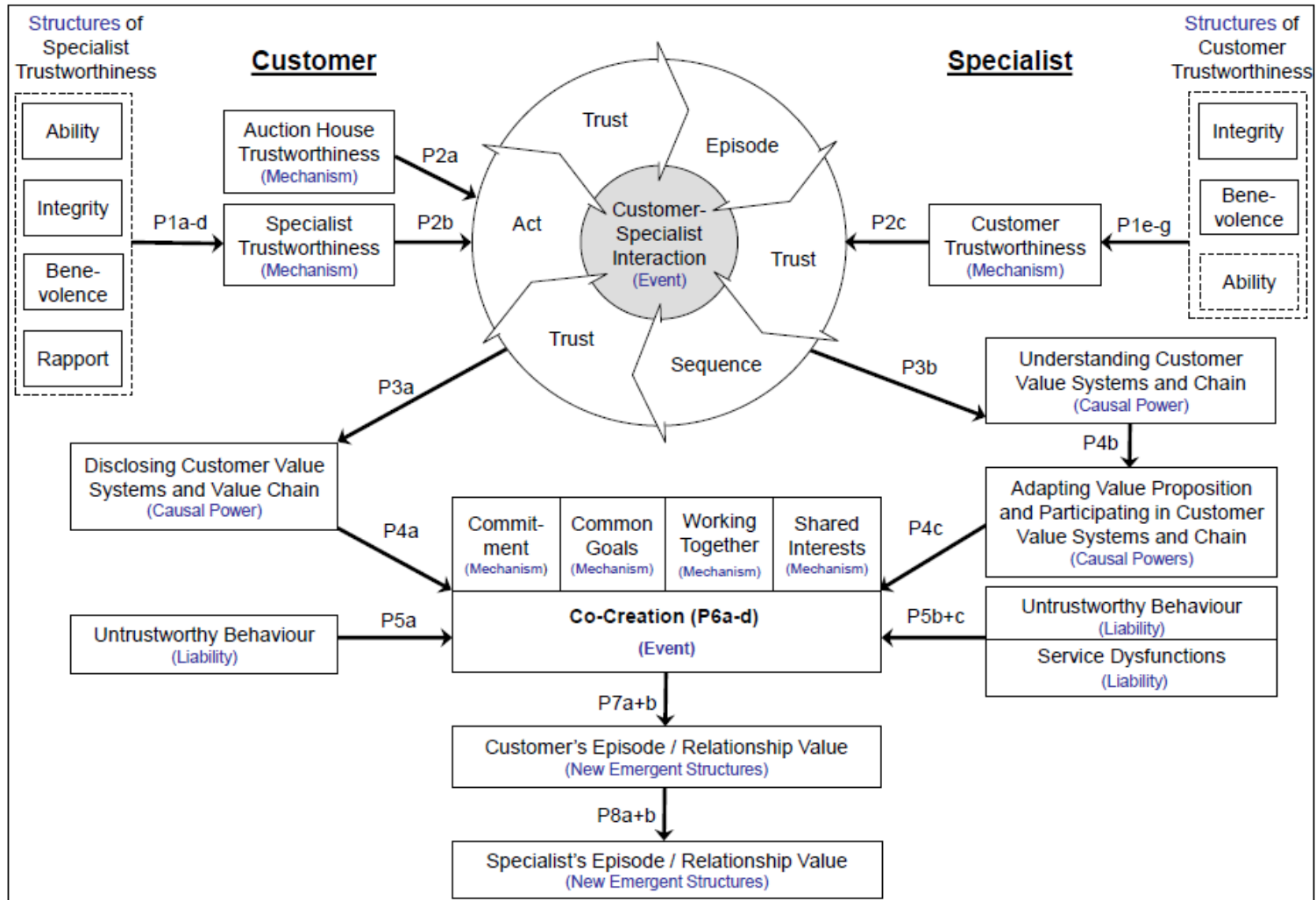
Propositions	Research Question
<p>P1a: The specialist's ability is a structure that contributes to engendering the mechanism of perceived specialist trustworthiness.</p> <p>P1b: The specialist's integrity is a structure that contributes to engendering the mechanism of perceived specialist trustworthiness.</p> <p>P1c: The specialist's benevolence is a structure that contributes to engendering the mechanism of perceived specialist trustworthiness.</p> <p>P1d: Rapport between customer and specialist is a structure that contributes to engendering the mechanism of perceived specialist trustworthiness.</p> <p>P1e: The customer's integrity is a structure that contributes to engendering the mechanism of perceived customer trustworthiness.</p> <p>P1f: The customer's benevolence is a structure that contributes to engendering the mechanism of perceived customer trustworthiness.</p> <p>P1g: The customer's ability is a structure that contributes to engendering the mechanism of perceived customer trustworthiness.</p>	<p>Which antecedent structures lead to the emergence of interpersonal trust in customer-specialist interaction?</p>
<p>P2a: Perceived auction house trustworthiness is a mechanism that enables the initiation of interaction between the customer and the specialist.</p> <p>P2b: Perceived specialist trustworthiness is a mechanism that enables the development of the customer's trust in the specialist over the emergent temporal structure of their interaction.</p> <p>P2c: Perceived customer trustworthiness is a mechanism that enables the development of the specialist's trust in the customer over the emergent temporal structure of their interaction.</p>	<p>How does interpersonal trust evolve in customer-specialist interaction?</p>
<p>P3a: Interpersonal trust in their interaction causes the customer to exercise their causal power to disclose the mechanisms of their value systems and chain to the specialist.</p> <p>P3b: Interpersonal trust in their causes the specialist to exercise their causal power to understand the mechanisms of the customer's value systems and chain.</p> <p>P4a: Exercising the customer's causal power to disclose their value systems and chain to the specialist enables the emergence of a successful co-creation event in their interaction.</p> <p>P4b: Exercising the specialist's causal power to understand the customer's value systems and chain enables them to participate in these and adapt their value proposition.</p> <p>P4c: Exercising the specialist's causal powers to participate in the customer's value systems and chain and adapt the value proposition enables the emergence of a successful co-creation event in their interaction.</p> <p>P5a: The customer's untrustworthy behaviour constitutes a liability that mediates the co-creation of value in the customer-specialist interaction.</p> <p>P5b: The specialist's untrustworthy behaviour constitutes a liability that mediates the co-creation of value in the customer-specialist interaction.</p> <p>P5c: Service dysfunctions constitute liabilities that mediate the co-creation of value in the customer-specialist interaction.</p>	<p>How does interpersonal trust influence the co-creation of value in customer-specialist interaction?</p>

Table 15: Interrelation between Research Questions and Propositions (contd.)

<p>P6a: Commitment in the customer-specialist interaction is a mechanism that contributes to the emergence of a successful co-creation event.</p> <p>P6b: Pursuing common goals in the customer-specialist interaction is a mechanism that contributes to the emergence of a successful co-creation event.</p> <p>P6c: Working together in the customer-specialist interaction is a mechanism that contributes to the emergence of a successful co-creation event.</p> <p>P6d: Sharing interests in the customer-specialist interaction is a mechanism that contributes to the emergence of a successful co-creation event.</p> <p>P7a: In successful transactional interaction, the customer and specialist co-create episode value structures for the benefit of the customer.</p> <p>P7b: In successful relational interaction, the customer and specialist co-create episode as well as relationship value structures for the benefit of the customer.</p> <p>P8a: Through the successful co-creation of episode value structures for the customer in transactional interaction, the actors also co-create episode value structures for the specialist.</p> <p>P8b: Through the successful co-creation of episode and relationship value structures for the customer in relational interaction, the actors also co-create episode and/or value structures for the specialist.</p>	<p>What kind of value structures are co-created in customer-specialist interaction?</p>
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The auction house context, in which the customer-specialist interaction takes place and that was presented at the beginning of Chapter 5, does not form part of the conceptual model developed as an outcome of this work (see Figure 19), as this is intended to be used as a basis for generalisations about the development of trust and the process of value co-creation in customer-salesperson interaction in other service settings. Since critical realist research aims at uncovering and generalising about the inherent structures and mechanisms of a phenomenon in a specific situation – but not the situation itself – it is recognised that the context in which these mechanisms work may indeed be contingent. Nevertheless, this does not exclude generalisations about the mechanisms themselves (Ackroyd, 2004; Gobo, 2004). Thus, it is not claimed that the auction house context of this work is representative for sales encounters in other service sectors. However, it is suggested that the analysis of the mechanisms activated when interpersonal trust evolves and value is co-created in customer-specialist interaction indeed allows for tentative generalisations about the structures and mechanisms influencing the value co-creation process in other service industries.

Figure 19: The Interrelation of Interpersonal Trust, Customer-Specialist Interaction and Value Co-Creation



As the market environment and organisational context have not been included in the conceptual framework, the potential role of other entities in the value co-creation process, e.g. the overall auction house and its remaining departments, has not been considered either. Although it is likely that customers also develop some form of connection to the auction house as a whole (based on its perceived trustworthiness), this work has only explored the influence of interpersonal trust as a generative mechanism on the interaction between a customer and specialist and the event of value co-creation between these actors. This is justified as previous studies have shown that customers develop connections to another individual more easily than to an organisation as a whole (Beverland, 2001; Palmatier *et al.*, 2006; Wong and Sohal, 2002). Therefore, the conceptual model in Figure 19 has been firmly settled at the individual level.

Through its critical realist stance, this study explored the customer-specialist interaction on the *actual* and *empirical* strata of reality to identify the underlying structures and mechanisms on the *real* level. As illustrated in Figure 19, it was found that on the *real* stratum a specialist's ability, integrity, benevolence and rapport between the two actors are the antecedent structures engendering the mechanism of specialist trustworthiness, while a customer's integrity, benevolence and – to a limited extent – ability constitute the structures contributing to the emergence of customer trustworthiness. In addition to auction house trustworthiness serving as a catalyst for interaction initiation, these two generative mechanisms give rise to the event of interpersonal trust developing over the temporally structured interaction between customer and specialist. This emerging event, in turn, alters the causal powers of both actors by enabling the customer to disclose their value systems and chain (i.e. value-generating mechanisms) and the specialist to understand these, participate in them and adapt their value proposition mechanism according to the identified underlying value structures. This exercise of the actors' altered causal powers then results in the co-creation event, although liabilities can influence this event negatively if they become manifest on the *actual* stratum in untrustworthy behaviour from either actor or service dysfunctions on the part of the auction house. A successful co-creation event, however, emerges through mechanisms such as mutual commitment, the pursuit of common goals, working together and sharing interests and passions. In discrete transactions, it gives rise to new episode value

structures for both customer and specialist, whereas in relational exchange new episode *and* relationship value structures arise for the two actors through mutual value creation.

7.4 Original Contribution

This section presents a discussion of the theoretical and methodological contributions of this work for the academic marketing discipline as a whole and the research of interpersonal relationships, value and its co-creation in particular. Subsequently, the managerial implications of the study's findings are outlined and recommendations offered for their implementation in practice.

7.4.1 Theoretical Contribution

Despite the widespread acknowledgement that trust is crucial for the establishment of effective buyer-seller relationships (e.g. Berry, 1995; Dwyer *et al.*, 1987; Morgan and Hunt, 1994) and the proposal that the objective of interaction and business relationships is the co-creation of value (Vargo, 2009), the link between these two concepts has not been investigated to date, and it is unknown which processes are actually involved in value co-creation (Vargo *et al.*, 2008) This study offers a number of contributions to closing these gaps.

First, to provide a sound basis for the remainder of this study, the antecedent structures of perceived trustworthiness, and thus interpersonal trust, were investigated from the perspectives of both the customer and specialist. Second, this study also seems to be among the first to establish *how* trust actually emerges in customer-salesperson (i.e. specialist) interaction, thereby offering insight into a so far unexplored phenomenon. Third, it was examined how interpersonal trust influences the co-creation of value in customer-specialist interaction through changing the causal powers of both actors, thereby offering initial insight into how co-creation can be achieved in practice. In particular, the function and activities of salespeople in the co-creation of value required clarification (Corsaro and Snehota, 2010; Terho *et al.*, 2012), as well as, on the *real* stratum of reality, their underlying causal powers and

liabilities. Fourth, some of the mechanisms that give rise to the co-creation of value were identified, thus addressing the call for research investigating the actual processes involved in the concept (Vargo *et al.*, 2008). Fifth, this work explored what kind of value structures realised in customer-specialist interaction. Sixth, this study established that due to the customer's input into the co-creation process, the joint realisation of value also engenders tangible structural benefits for the specialist, i.e. salesperson, thus contributing further insight into the notion of supplier-perceived value. And finally, the investigated processes and phenomena have been abstracted and integrated step-by-step into a conceptual model that is suggested as a basis for future research. In the following, each of these contributions will be discussed in more detail.

While trust has been on the academic agenda for several decades and in particular subject to multiple studies in the context of business relationships, the literature review in Chapter 2 identified that the concept is still often confounded with related, but still distinctly different constructs such as confidence (e.g. Morgan and Hunt, 1994) or reliance (e.g. Ganesan, 1994). Due to the resulting need for clarification, numerous scholars have called for further – especially qualitative and context-specific – research into trust to gain even more insight into the multidimensional phenomenon (Arnott, 2007; McEvily *et al.*, 2003; Rousseau *et al.*, 1998; Schoorman *et al.*, 2007). To address this issue, this work has set out to explore the antecedent structures of trustworthiness in customer-specialist interaction in the setting of fine arts auction houses. Although the identified structures themselves – ability, integrity, benevolence and rapport – are not new, this investigation offers two further important contributions.

First, despite the large body of work on trust in personal buyer-seller relationships, so far most research has only focused on the antecedents of a customer's trust in the salesperson and not taken into account the reverse constellation (e.g. Bell, 2011; de Ruyter *et al.*, 2001; Guenzi and Georges, 2010; Macintosh, 2009). The underlying structures resulting in a salesperson developing trust in a customer, and thus the *emergence* of mutual trust in their relationship, have however apparently hardly received any attention yet. This research has established that both actors consider mutual (instead of unidirectional) trust to be essential

mechanisms, as the service encounters are marked by structural features inherent to the auction business such as uncertainty and vulnerability for both customer and specialist. By considering both sides of the dyad, this study firmly highlights the significance of both actors. While this notion of mutual rather than unidirectional trust has been shown to be of particular importance in the examined auction setting, it is presumably also of relevance in other service contexts, especially in B2B contexts. Second, it was found that the significance of the identified antecedent structures differs significantly between the two actors: A specialist's ability is central to the emergence of trust on the part of the customer, followed by high levels of integrity and – to a lesser extent – benevolence and the establishment of rapport between the two individuals. For a customer's trustworthiness, a perception of integrity is a priority, while their benevolence towards a specialist plays a considerably less important role and their ability is hardly of any relevance at all. These findings therefore extend our current knowledge of the antecedents of interpersonal trust in business relationships by demonstrating that different actors place varying degrees of importance on these structures. They also point towards a need for a more refined distinction between the perspectives of both customer and salesperson in future research.

Especially in light of this complexity, it is important to gain insight into trust-building phenomena and events, i.e. *how* trust evolves over the course of the interaction between customers and salespeople, as this can contribute to understanding through which mechanisms personal relationships can be established and cultivated by the latter (Guenzi and Georges, 2010). This research demonstrates that after the customer's interaction initiation based on the mechanism of perceived auction house trustworthiness, interpersonal trust evolves incrementally over the temporal structure of the customer-specialist interaction and then extends to the overall relationship. During this iterative process of constant re-evaluation, the wealth of experience and information regarding the trustee, their character and the interpretation of their current and prospective behaviour and actions incrementally increases. The trustor becomes aware of the degree of the trustee's ability, integrity, benevolence as well as the extent to which rapport is established, and – as trust is context-related and domain-specific – the conditions on which they can be trusted. Although the differentiation of these intertwined interaction levels emerged in

industrial marketing and the communications discipline (e.g. Biggemann and Buttle, 2009; Ford and Håkansson, 2006; Håkansson, 1982; Olkkonen *et al.*, 2000), this work appears to be one of the first in marketing research to support this conceptualisation in an empirical investigation. It thereby deepens our understanding of the actual process of developing interpersonal trust, which can help in the conception, implementation and evaluation of relational marketing strategies in both theory and practice.

The exploration of the influence of interpersonal trust on value co-creation has found that there is an indirect but significant interrelation between the two concepts. The *emergence* of trust as an event enables the customer to exercise their causal power of disclosing their value systems and chains and the specialist to activate their own causal power of understanding these, thereby allowing the latter to adapt their value proposition mechanisms according to the value structures sought and participate in the customer's value-generating mechanisms. Both notions then lead to the joint value creation event, indicating that there are necessary but asymmetric relationships between interpersonal trust and the actors' causal powers, as well as between these powers and the resulting co-creation event. Dissecting this dynamic process and its underlying structures and mechanisms on the *real* stratum clarifies the steps involved in achieving successful co-creation and contributes to understanding it on a theoretical as well as practical level. While the view that organisations have to recognise the customers' values systems and chains to be able to co-create value has been suggested by Grönroos (2004; 2008), this study seems to be among the first to support it with empirical data. By establishing the necessary relationships between trust, the customer's value systems and chains and the co-creation of value, the present research offers initial insight into the so far unknown processes of value co-creation (Vargo *et al.*, 2008) and contributes to the scarce empirical data available (Bendapudi and Leone, 2003). It was also shown that negative incidents caused by the actors' liabilities such as untrustworthy behaviour or service dysfunctions on the part of the auction house can disrupt and damage the co-creation process considerably. Furthermore, although there is a growing body of theoretical work on value co-creation in the organisational sphere (e.g. the framework of Payne *et al.* (2008) for the co-creation of value), little seems to be known yet about the process on an interpersonal level and specifically the role and

causal powers of salespeople within it (Corsaro and Snehota, 2010; Terho *et al.*, 2012). To advance understanding in this respect, the co-creation of value was explored on the interpersonal level of the customer and specialist. This refinement is highly relevant for marketing thought, as salespeople are at the fore of the customer interface (Beverland, 2001; Doney and Cannon, 1997), meaning that they – rather than the organisation as an abstract entity – realise the desired value in their interaction with the customer. In that sense, this work has shown that the customer-specialist interaction constitutes the nucleus that gives rise to value co-creation.

In addition to exploring the event of value realisation on the interpersonal level, several generative mechanisms were distinguished that underpin and engender the co-creation of value. Commitment, the pursuit of common goals by working together and sharing interest were all found to be vital mechanisms facilitating interaction and contributing to the joint realisation of value. These findings therefore extend the insights of previous studies such as Aarikka-Stenroos and Jaakola (2012) by showing that value co-creation encompasses considerably more than just the joint solving of previously identified problems.

Despite the considerable number of value classifications available (e.g. Berthon and John, 2006; Holbrook, 2006; Woodruff and Flint, 2006), most value co-creation literature so far does not seem to distinguish between the diverse forms of value realised, although Corsaro and Snehota (2010) point out that value is highly actor- and context-specific. This work took up their call for empirical research accounting for situational factors and the role of interaction in the relationship context and ascertained that the value structures co-created can be differentiated into episode and relationship value. This distinction is also in accordance with the division between episode-based and relational services (Liljander and Strandvik, 1995) and corresponds to the notion that customer-salesperson connections can range from one-off transactions to long-term relationships (Blois, 1998). While most studies seem to concentrate mainly on the latter type of connection (e.g. Howden and Pressey, 2008; Lian and Laing, 2007; Ulaga and Eggert, 2006a), the present work has researched the whole range of the spectrum. Thus, it was found that while the two actors always co-create episodic customer value structures in successful transactional interaction, they only also co-create relationship value structures in relational exchanges.

In addition, while the new value structures arising from the co-creation event for the customer seem obvious, the direct consequences of engaging in this process for the specialist (i.e. the salesperson) appear to have not yet been examined. On a conceptual basis, Grönroos (2011) refers to this notion as ‘mutual value creation’, whereas Vargo and Lusch (2011) speak of ‘actor-to-actor (A2A)’ value co-creation, but so far there seems to be little empirical support for these constructs. While several studies have investigated customer-perceived value (e.g. Biggemann and Buttle, 2011; Ulaga, 2003; Ulaga and Chacour, 2001), only a few consider the value obtained by the selling organisation (e.g. Songailiene *et al.*, 2011; Walter *et al.*, 2001) and the present work seems to be among the first to explore the perspectives of both parties involved in the buyer-seller dyad in the same study. Since the success of value co-creation also depends on the customer exercising their causal powers and their input and degree of involvement in co-production (Auh *et al.*, 2007; Lusch *et al.*, 2007), this research recognised that subject to the nature of their interaction, the event of value co-creation also gives rise to concrete episode and/or relationship value structures for the specialist that go beyond fulfilling or exceeding customer expectations. Since B2C interaction was investigated, this work extends the conceptualisation of Songailiene *et al.* (2011) by showing that – while the benefits derived in B2B settings might be more obvious – mutual value creation is not limited to professional contexts, as B2C environments also engender considerable benefits for the salesperson (and thus the seller). Moreover, the evidence found through this research refutes Vargo’s (2009) claim that the organisation is unlikely to need the customer’s input beyond the remuneration paid, as the value structures for the specialist identified in this study indeed comprises very specific advantages that can significantly influence their performance. In that sense, it was demonstrated that the divide between ‘customer’ and ‘salesperson’ is truly transcended, as both actors continuously co-create value for each other. This study therefore provides comprehensive evidence for Vargo and Lusch’s (2011) conceptualisation of ‘actor-to-actor (A2A) value creation’ and advances our understanding of the co-creation process through its investigation of customer-specialist interaction, in which both actors reciprocally realise value and their interaction forms not only the context of their value appraisal, but becomes a value in itself.

The final contribution of this work is derived from the integration of all these issues into a comprehensive model conceptualising the structures and mechanisms involved in the emergence of interpersonal trust and its influence on value co-creation. In summarising the analysis related to each individual research question, a set of propositions was developed and the model presented on a step-by-step basis introducing each structure or mechanism identified to condense the findings and contributions of this study into a coherent framework. In line with the critical realist ontology that the interpretation of social reality differs between individuals, most propositions were split into two parts to accommodate both the perspectives of auction house clients and experts. While the model specifically reflects the mechanisms, structures as well as causal powers and liabilities underlying the customer-specialist interaction, it is intended to serve as a basis for further abstraction and thus future research into the phenomenon of value co-creation between customers and salespeople in other service sectors.

7.4.2 Methodological Contribution

This section presents the methodological contributions of this work and therefore focuses on two primary points: First, the significance of adopting a critical realist stance for this study and its benefits for marketing research are discussed, followed by an outline of how the research framework contributed to the generation of rich and meaningful findings.

The majority of academic marketing research seems to adhere to either one of two philosophical positions. Positivist thinking is still hegemonic and employs quantitative methods for measurement purposes. On the other hand, there is a growing recognition of the value of constructionist stances that are concerned with in-depth meaning and use qualitative methods. Both approaches are often seen as opposing world views and their respective supporters argue fiercely that their choice is superior to the other (Ackroyd, 2004; Denzin and Lincoln, 2008). Explicitly *critical realist* research, however, still appears to be comparatively rare in the marketing discipline, although it can offer clear benefits for knowledge generation by rejecting a standardised ‘either/or’ approach (either nomothetic or ideographic)

(Sayer, 2000). Instead, it constitutes to some extent a hybrid of the afore-mentioned ‘opposing’ positions and advocates a methodological pluralism that allows researchers to select the methods – whether quantitative and/or qualitative – that are best suited for the project at hand (Ackroyd, 2004).

Within the realms of the present work, critical realism enabled the researcher to explore the meaningfulness and richness of the customer-specialist interaction in the fine arts auction house context on the *actual* and *empirical* level, and to use these insights to identify the mechanisms, structures and causal powers underlying this examined interaction on the *real* stratum of reality. As the adopted philosophy suggests that the use of different research and data collection methods can be helpful in examining these different layers of social reality (Ackroyd, 2004), the deployment of several data sources (semi-structured interviews, documents, observations and secondary data) and their triangulation was beneficial in two ways: First, it enhanced the reliability and validity of the research at hand. Second, comparing data from diverse sources and considering the perspectives of different actors allowed the researcher to advance from the *empirical* and *actual* levels of social reality on to the *real* stratum to identify the structures and mechanisms that give rise to the examined emerging phenomena, and the necessary or contingent relationships between them. Layder’s (1993) research resource map was adapted to the purpose of this project so that it enabled the investigation to consider all three levels of reality. Simultaneously, it moved the research through the different but interrelated analysis levels of market, organisation and, most importantly, the individuals involved in the customer-specialist interaction. This work has shown, therefore, that the resource map can be tailored to the requirements of specific studies and constitutes a valuable framework to explore theoretical concepts on different levels of analysis.

Although critical realism emphasises *emergence*, i.e. the importance of context for the investigation of social phenomena, it also allows for generalisations – not about the situation or setting itself, but the structures and mechanisms underlying the events on the real stratum that occur in a particular context (Ackroyd, 2004; Gobo, 2004). Within the realms of this study, this means that the backdrop of the market, the organisational environment and its structural features against which the interaction between customers and specialists takes place is firmly acknowledged. At

the same time, however, identifying the causal powers on the *real* level of reality enabled their integration into a coherent conceptual model that can be used for drawing conclusions about the emergence of trust and the mechanisms underlying the co-creation of value in customer-salesperson interaction in other service industries. Thus, the adoption of a critical realist stance provided the researcher with a sound methodological basis and sufficient flexibility to consider the setting in which the customer-specialist interaction is embedded, while simultaneously facilitating the abstraction of the uncovered phenomena and allowing for tentative generalisations. This work therefore demonstrates how the marketing discipline can benefit from a philosophical underpinning that unites modified positivist stances with the recognition that it is important to understand the intrinsic meaning of the social world (Bhaskar, 1979; Collier, 1994; Potter, 2000; Smith, 2002).

7.4.3 Managerial Implications

A number of studies on trust in business relationships include suggestions such as “suppliers should engage in trust-enhancing activities” and “salespeople [should] develop trust” (Doney and Cannon, 1997, p. 47) but frequently omit *how* this can actually be achieved. According to Sako (1994, p. 6), “trust is a cultural norm which can rarely be created intentionally because attempts to create trust in a calculative manner would destroy the affective basis of trust”. In a similar vein, Swan *et al.* (1999) found that salespeople have only limited influence on the emergence of interpersonal trust in their encounters with customers.

Nevertheless, it is indeed possible to lay the foundation to being perceived as trustworthy. Salespeople (in the auction business as well as in other service industries) can emphasise their *ability* by displaying not only comprehensive expertise in their field, but also detailed knowledge of market developments and trends. On the organisational level, a service provider can support its sales staff by enabling them to attend fairs, exhibitions and related social events to keep their knowledge and contacts up-to-date on a constant basis. In the auction house setting, a customer’s ability was not found to be of great importance for trustworthiness – however, this conclusion might be reversed in other service industries and particular

in B2B contexts, in which clients should highlight their competence and market knowledge to gain a salesperson's trust. *Integrity* has been deemed to be of high importance by all respondents. Salespeople should therefore prove their integrity by offering honest advice that does not oversell the benefits of a suggested service. The organisation can enhance this notion of openness by providing transparent processes throughout all stages of the service creation and delivery. Customers, in turn, should provide all relevant information and not default on payments. Both experts and clients should also adhere to previous agreements and deliver on promises. Finally, salespeople can elicit a customer's impression of their *benevolence* by emphasising that they have got the client's best interest at heart, even if this means advising them against the purchase of a specific service. Customers should prove their goodwill by granting the salesperson orders instead of repeatedly asking for advice but then defecting to a competitor. Finally, salespeople should strive to establish rapport by making the client feel welcome, highlighting similarities and adapting the tone of their dealings to the latter's wishes. These measures influence the actors' interpretation of the other party's behaviour in a positive way and therefore form the basis for being viewed as trustworthy. This, in turn, enables the trustor to develop trust in the other actor. Both customers and salespeople have to be aware though that trust develops over all interrelated stages of their interaction – thus, it is not sufficient to display these characteristics during the initial encounters and then rely on this trustworthy impression for the remainder of their connection. Instead, both actors have to persist in proving their integrity, benevolence, ability and (in the salesperson's case) establishing rapport across all acts, episodes and sequences of their interaction to achieve a consistent perception of trustworthiness among each other.

In particular salespeople have to be aware that the continuous development of trust is a prerequisite for the joint creation of value, as the customer will only exercise their causal powers to disclose their value systems and chains if they trust the expert. While 'customer value' is a prominent and frequently used term in marketing theory and practice, Flint *et al.* (2002p. 102) argue: "Unfortunately, even though much has been written about the dynamic nature of customers and what they value, there is little evidence that organizations understand much about this phenomenon. ... Even the term 'customer value' can be confusing." This struggle to

recognise and realise customer value is not surprising: As value is always highly subjective, relative and context-specific (Holbrook, 2006), it is difficult to give specific recommendations on how to co-create it with individual customers. The service provider as well as the salesperson should however be aware that there is considerable overlap between the latter's value proposition and the episode value sought by some customers, which is hence presumably easier to realise. The co-creation of relationship value, on the other hand, depends to a large extent on the personal connection to and interaction with the salesperson and can thus hardly be covered by the value propositions of the overall service provider. Therefore, the salesperson has to sense the client's relational preferences, as these will impact on the type of value they wish to obtain, and then individualise the value proposition accordingly. At the same time, salespeople need to evaluate the customer's profitability for the service provider and the episode and/or relationship value their interaction might entail for the salesperson. Only if there is congruence between these three notions can the co-creation process be successful for both actors. As the salesperson is the one who has to assess whether this congruence exists, service providers should provide their sales staff with training courses to hone their listening, 'sensing' and empathic skills as well as their ability to elicit information from the customer regarding their value systems and chains. Though the salespeople's comprehensive expertise will always play a very important role in the sales encounter, they have to be aware that they do not deliver, but co-create value. The service provider should therefore foster its sales staff's ability to enter into a dialogue with the client and meet them on an equal footing, thus encouraging the latter's engagement in co-production to ensure the co-creation process meets and exceeds the expectations of the customer and ultimately entails value for both actors.

7.5 Research Limitations

Since all research methodologies have inherent weaknesses and biases (Bryman, 2004), it is unavoidable that all academic studies have limitations. Therefore, after presenting the contributions of this work, the present section reflects on its shortcomings in order to justify the choices made and provide a comprehensive and thorough account of the research project.

On the research design level, a qualitative exploratory approach was deemed appropriate to achieve a methodological fit between the topic and the data collection methods employed, as the concept of value creation is still in its infancy (Howden and Pressey, 2008) and resembles ‘nascent theory’ (Edmondson and McManus, 2007). However, since some of the investigated constructs such as trust and buyer-seller relationships are considerably more refined, it could be argued that they fall into the category of intermediate theory. In that case, a mixed-method approach to the research might have been more beneficial, e.g. by testing the framework and propositions derived from qualitative interviews in a quantitative survey. Nevertheless, while such an approach was considered at the beginning of this study, it was abandoned in favour of a purely qualitative design for two reasons. First, a mixed-method strategy was found to exceed the scope of this work in the available timeframe – conducting and analysing a questionnaire among auction house customers and specialists would have delayed the completion of this research significantly. More importantly, however, it was decided that because the concepts of customer value and value co-creation constitute the heart of this work, a qualitative approach was the most suitable to explore these nascent theories and obtain rich and meaningful insights.

Positivists might maintain that the convenience and snowball sampling techniques employed in this study are inadequate sampling methods – however, as outlined in Chapter 4, they are common and accepted in qualitative research (Bryman, 2004), as it is less concerned with representativeness and aims at obtaining analytical rather than statistical generalisations (Gobo, 2004; Yin, 2003). Furthermore, for this study snowball sampling constituted the only viable method to gain access to more than one auction house, as the researcher had only one personal contact in the industry and thus had to rely on this person for referrals. From a positivist point of view, it could also be argued that researching more than one service industry would have enhanced the validity of the study. As this work adheres to a critical realist stance and its related interpretation of validity and reliability (LeCompte and Preissle Goetz, 1982), the focus was however on depth rather than breadth, i.e. gaining detailed knowledge of the investigated phenomena by considering the perspectives of all actors involved.

On the level of the data collection methods employed, two limitations have to be noted. First, though both customers and specialists were interviewed during the research, it would have been desirable to observe the two actors directly in their interaction to derive even deeper insights, particularly into the occurrences on the *actual* stratum. However, due to the discreet nature of the auction business, gaining access to six leading auction houses was difficult enough and took longer than expected. While data was collected from employees from all six businesses, only two were in the end willing to also enable access to some of their customers. Individual interviews with each respondent were deemed acceptable, but neither specialists nor customers would have consented to direct observation of their conversations and negotiations. Second, financial constraints meant that not all interviews could be conducted face-to-face – those with employees of the US-American auction house and all customer interviews were carried out via telephone. In comparison to the face-to-face interviews, this method was not found to compromise the depth of the data during the analysis stage. In addition, for reasons of anonymity convincing the two auction houses of providing access to customers for telephone interviews was more viable than asking to meet clients in person.

7.6 Directions for Future Research

It is the firm belief of the author that any scientific study should not only build on previous work, but also itself constitute a building block for future research. Therefore, this section suggests avenues for further exploration that have arisen from this investigation.

First, this study focused on the roles and interaction of auction house clients and specialists in the value co-creation process. The impact of other customer-facing employees and other customers on the co-creation of value between the two actors was not considered, as this would have gone beyond the scope of this work. However, since some respondents mentioned the community of auction house customers and contacts to other collectors as valuable, adopting a wider view to include these parties in the exploration of value creation appears to be a promising stance for further research – within and outside of the auction house context. Second,

this work concentrated on trust as one particular antecedent of buyer-seller relationships. Although the construct can be considered to be one of the most important variables for relationship-building, it was pointed out in Chapter 2 that a large number of others has been identified, e.g. satisfaction or relationship quality, and no definitive conclusion has been reached yet. Since value co-creation is likely to be the outcome of the interplay of a multitude of structures and mechanisms, their potential impact should thus be explored as well to obtain a complete picture of the involved processes. Third, the participating auction houses represent six different countries, but potential cultural influences on or differences in the co-creation process were not investigated. This could be an interesting area for future studies, as it would deepen our understanding of the involved procedures on a theoretical level and – in times of ever-increasing globalisation – would also be highly relevant for practitioners.

Fourth, this research was conducted among a specific group of service providers, and to enhance insight into the realisation of value co-creation, it should be established whether the same or similar processes can be found in customer-salesperson interaction in different service sectors and in a product-related context. In a similar vein, the suggested model and propositions apply to both B2B and B2C settings in the fine arts auction business, as the customers interviewed for this study comprised private collectors as well as professional dealers. Therefore, the model should also be tested to examine whether it is universally applicable to both environments or rather only to one of them. Because of what is known about the causal mechanisms underlying buyer-seller relationships so far, it is assumed that the framework developed here might be more relevant to B2B connections in other industries.

Fifth, this study is based on an exploratory qualitative data collection. While the adoption of a critical realist stance nevertheless enabled tentative generalisations, the suggested set of propositions should now be tested quantitatively to enhance its validity and refine knowledge of the involved processes. In particular, a quantitative survey would allow for the differentiation between cognition-based and affect-based trust when investigating its antecedents and influence on value co-creation. While this study established that interpersonal trust is indeed a prerequisite of and linked to

value co-creation, distinguishing between the two dimensions was not found to be a viable approach for the qualitative data collection. However, the scales for a quantitative questionnaire already exist (e.g. Johnson and Grayson, 2005) and could be adapted according to the context. Based on the insights derived from the present research, it is presumed that transactional customer-salesperson interaction and the co-creation of episode value mainly necessitate cognition-based trust, whereas relational interaction and the realisation of relationship value also require affect-based trust. However, at present these are only assumptions, and their confirmation or rejection through rigorous empirical research would offer significant contributions to both the field of trust and value co-creation in business relationships.

Finally, on a general level this study appears to be one of only few in marketing research to examine the strategies and processes of fine arts auction houses. This service sector should not be dismissed as only relating to arts marketing – this work has shown that the auction setting constitutes a fascinating environment that contains complex relationships and can thus offer highly interesting insight relevant for the business and management discipline. Since service industries such as banking, financial consulting or advertising have frequently been subject to studies within these fields, the exploration of slightly less common service sectors seems desirable and can be assumed to have the potential to yield great returns for marketing thought in theory and practice.

7.7 Concluding Remarks

“All our progress is an unfolding, like the vegetable bud. You have first an instinct, then an opinion, then a knowledge, as the plant has root, bud, and fruit. Trust the instinct to the end, though you can render no reason. It is vain to hurry it. By trusting it to the end, it shall ripen into truth, and you shall know why you believe.” (Emerson, 1841/1983)

This work has set out to explore the influence of interpersonal trust on value co-creation in customer-specialist interaction. It was as much an exploration of the mechanisms and structures underlying their connection as it was an expedition into the world of research itself. On the former level, it was discovered that although the concepts of trust and value co-creation in buyer-seller relationships are prominent

issues on the academic agenda, our understanding of how they are linked and influence each other is still very limited and requires constant advancement. This study has identified a number of gaps in scholarly knowledge and contributes to filling them in several ways: First, it provides further clarification of notions such as interpersonal trust and customer value, and integrates them with the diverse streams of literature on buyer-seller relationships, the role of the salesperson and value co-creation within and outside of S-D logic. Second, through its empirical research this work has offered highly interesting insight into the fine arts auction business and established that the concepts of interpersonal trust and value co-creation are indeed inextricably linked in customer-specialist interaction. By dissecting the process of building trust and jointly realising different but related value structures in customer-specialist interaction, this work has advanced our understanding of value co-creation and is thus relevant for both scholars and practitioners. However, while this study may have generated new knowledge by building on the work of others, listing its contributions only leads to the realisation that there is still so much more that we do *not* know.

On a personal level, like Emerson's vegetable bud this study has slowly, over the course of more than three years, grown from a mere idea into a fully-evolved scientific research project. This process was a journey of discovery in itself, and like so many expeditions it was not an easy one. It included (and still does) a steep learning curve that has turned the author from a marketing professional into an academic researcher – certainly not omniscient and fully-formed, but constantly progressing. In that sense, the disproportionate ratio between the known and the unknown is not seen as a source of resignation, but as a world of opportunity sparking the researcher's curiosity and the desire to continue exploring.

Appendix 1: Interview Guide for Auction House Specialist Interviews

1. Please tell me a little about yourself, your background, how long you have been at this auction house, etc.
2. Has the relationship between customers and specialists changed over the past years? If so, in what way has it changed?
3. Which motives do customers have for buying and selling at auction?
4. Which aspects of your auction house and its services attract customers and convince them to choose your auction house over competitors (apart from price-related matters)?
5. Do customers want a close relationship with the specialist? If so, what does this relationship consist of?
6. What is the role of the specialist? How would you describe your role in the relationship between the customer and the auction house?
7. What skills do specialists need to 'do a good job'?
8. What actions can be taken to strengthen an existing connection or prevent the loss of a profitable customer?
9. A customer engages with different types of employees while using the auction house's service, e.g. the specialist, customer services, transport department, accounting etc. How important are these different encounters for customers?
10. Do you gather information about a customer from the other auction house employees that are involved in these encounters? If yes, do you adapt your service/interaction accordingly?
11. What do you think 'trust' means (to you/the customer/in the auction house context)?
12. Does it affect your relationship with a customer if they trust you? If yes, how?
13. Does it matter for your interaction with a customer whether you trust them? If yes/no, why?
14. Is there a difference between the customer trusting you and trusting the auction house? If yes, what is the difference?

15. What makes a specialist trustworthy?
16. What makes a customer trustworthy?
17. How does trust develop in your interaction with a customer?
18. How does trust between you and the customer influence your interaction?
19. Does the interaction with a trusting customer differ from the interaction with a customer who does not trust you? If so, how does it differ?
20. Do you interact differently with different customers? If yes, what are the differences and what are the criteria for interacting differently?
21. Is there a difference between the interaction with experienced/knowledgeable customers and inexperienced customers/laypersons?
22. Do you help your customers to gain information about the art market or learn more about a particular work of art/period they are collecting? If so, how?
23. Which aspects of your service and the interaction with you do customers value most? How do you identify these?
24. Do long-term customers value different aspects in comparison to new or one-off customers?
25. How do you determine what is important/valuable to the customer?
26. How do you use this knowledge? Does this knowledge affect your interaction with the customer in any way? If yes, how?
27. Does the customer contribute to the value of your service in any way?
28. How do you find out whether the customer is satisfied with your service? Who do customers complain to?
29. Do you benefit yourself from the interaction with a customer? If yes, how?
30. Is there a difference between the benefits you obtain from a long-standing customer relationship in comparison to a one-off transaction? If yes, how would you describe it?

Appendix 2: Interview Guide for Customer Interviews

1. How long have you been dealing with this auction house?
2. Are you a consignor, a buyer, or both?
3. Which aspects of this auction house and its services do you value the most?
4. What constitutes a relationship between you and the specialist? Which of these factors are most important to you and why?
5. How do you interact with the specialist?
6. What do you bring to the relationship with the specialist?
7. Is the relationship with the specialist valuable to you? If yes/no, why (not)?
8. What does 'trust' mean to you (in the auction house context)?
9. Is it important for you to trust the specialist? If yes/no, why (not)?
10. What makes a specialist trustworthy?
11. What makes you (as a customer) trustworthy?
12. How is trust developed in your interaction with the specialist?
13. How does the trust between you and the specialist affect your interaction?
Would the interaction be different if you did not trust the specialist?
14. Do you and the specialist work toward a common goal? If yes, what is it?
15. Do you derive any kind of value from your interaction with the specialist? If yes, how would you describe it?
16. Do you contribute in any way to the realisation of this value?
17. Does the specialist benefit from the interaction/relationship with you? If yes, how – what do you bring to the relationship with the specialist?

Appendix 3: Interview Guide for Marketing Manager Interviews

1. Please tell me a little about yourself, your background, how long you have been at this auction house, your role here, etc.
2. Has the relationship between customers and specialists changed over the past years? If so, in what way has it changed?
3. What is the role of the specialist? How would you describe the role of the specialist in the relationship between the customer and the auction house?
4. What does your auction house stand for?
5. What does the structure of your customer base look like (e.g. national or international; proportion of collectors, dealers etc; proportion of one-off transactions vs. repeated purchases)?
6. How is your auction house positioned in comparison to your competitors?
7. How do you promote this message?
8. How do you evaluate the success/effectiveness of your promotion?
9. Which motives do customers have for buying and selling at auction?
10. Which aspects of your auction house and its services attract customers (sellers) in the first place and convince them to choose your auction house over competitors (apart from price-related matters such as estimates etc)?
11. What do you think 'trust' means (to you/the auction house/the customer)?
12. Does it affect a specialist's interaction/relationship with a customer if they trust the specialist? If yes, how?
13. What makes a specialist trustworthy?
14. What makes a customer trustworthy?
15. Which aspects of your auction house's service do customers value most? How do you identify these?
16. Do long-term customers value different aspects in comparison to new or one-off customers?
17. How do you determine what is important/valuable to the customer?

18. Does the customer contribute anything to the relationship with the specialist? If yes, what?
19. How do you evaluate whether the customer is satisfied with the auction house's service?
20. A customer engages with different types of employees while using the auction house's service, e.g. the specialist, customer services, transport department, accounting etc. How important are these different encounters for customers?
21. Do you pro-actively ask customers for feedback? If yes, please describe your activities. If not, why not?
22. Do you help customers to stay informed about the art market or learn more about a particular work of art/period they are collecting? If so, how?
23. Do you implement any relationship marketing activities? If yes, which?
24. Do you carry out any other marketing activities? If yes, which?

Appendix 4: Interview Guide for Board Member Interviews

1. Please tell me a little about yourself, your background, how long you have been at this auction house, your role here, etc.
2. Has the relationship between customers and specialists changed over the past years? If so, in what way has it changed?
3. What is the role of the specialist? How would you describe the role of the specialist in the relationship between the customer and the auction house?
4. What skills do specialists need to 'do a good job'?
5. Does the auction house support the specialist in developing these skills? If so, what kind of support does the specialist get?
6. What are your strategic plans for the next 5-10 years?
7. What are you doing to ensure you will meet these targets?
8. What does your auction house stand for?
9. How is your auction house positioned in comparison to your competitors?
10. How do you promote this message?
11. How do you ensure this message is consistent throughout all departments and encounters that the customer has with your auction house?
12. What does the structure of your customer base look like (e.g. national or international; proportion of collectors, dealers etc; proportion of one-off transactions vs. repeated purchases)?
13. Which motives do customers have for buying and selling at auction?
14. Which aspects of your auction house and its services attract customers (sellers) in the first place and convince them to choose your auction house over competitors (apart from price-related matters such as estimates etc)?
15. A customer engages with different types of employees while using the auction house's service, e.g. the specialist, customer services, transport department, accounting etc. How important are these different encounters for customers?
16. Do you encourage employees to share information about customers with each other, e.g. to improve your service delivery? If yes, how? If not, why not?

17. What do you think 'trust' means (to you/in the auction house context/the customer)?
18. Does it affect a specialist's interaction with a customer if they trust the specialist? If yes, how?
19. Does it matter for the relationship with a customer whether the expert trusts them? If yes/no, why?
20. Is there a difference between the customer trusting the specialist and trusting the auction house? If yes, what is the difference?
21. What makes a specialist trustworthy?
22. What makes a customer trustworthy?
23. Which aspects of your auction house's service do customers value most?
24. Do long-term customers value different aspects in comparison to new or one-off customers?
25. How do you determine what is important/valuable to the customer?
26. How do you identify opportunities to provide the customer with additional value/benefits to increase their satisfaction with your auction house's services?
27. Does the specialist benefit from the relationship to the customer in any way?
28. How do you evaluate whether the customer is satisfied with your service?
29. Do you pro-actively ask customers for feedback? If yes, please describe your activities. If not, why not?

Appendix 5: Interview Guide for Customer Service Employee Interviews

1. Please tell me a little about yourself, your background, how long you have been at this auction house, your role here, etc.
2. Has the relationship between customers and specialists changed over the past years? If so, in what way has it changed?
3. How would you describe the role of the specialist in the relationship between the customer and the auction house?
4. What does your auction house stand for?
5. Do you think it is part of your role to ‘embody/live’ this message? If yes, how do you do this? If not, why not?
6. Which motives do customers have for buying and selling at auction?
7. Which aspects of your auction house and its services attract customers (sellers) in the first place and convince them to choose your auction house over competitors (apart from price-related matters such as estimates etc)?
8. What do you think ‘trust’ means (to you/in the auction house context/to the customer)?
9. Does it affect a specialist’s relationship with a customer if they trust the specialist? If yes, how?
10. Do you think it matters whether the specialist trusts the customer? If yes, why? If not, why not?
11. Is there a difference between the customer trusting the specialist and trusting the auction house? If yes, what is the difference?
12. How important is it that the customer trusts you? Why?
13. Which aspects of your auction house’s service do customers value most?
14. Do long-term customers value different aspects in comparison to new or one-off customers (e.g. in relation to your service)?
15. Does the specialist benefit from the relationship to the customer in any way?
16. How do you describe your role in the relationship between the auction house and the customer?

17. How do you evaluate whether the customer is satisfied with your service?
18. Who do customers complain to?
19. A customer engages with different types of employees while using the auction house's service, e.g. the specialist, customer services, transport department, accounting etc. How important are these different encounters for customers?
20. If a customer reveals (possibly private/personal) information while dealing with you, do you forward this information to the specialist? If yes, what do they do with it? If not, why not?
21. After dealing with a customer, do the specialists ask you for details or your opinion about the process? If yes, what do they exactly ask for?

Appendix 6: Overview of Codes for Data Analysis

1 st Coding Loop	2 nd Coding Loop	3 rd Coding Loop	4 th Coding Loop
Customer background	<ul style="list-style-type: none"> ▪ Length of being customer ▪ Consignor ▪ Buyer ▪ Consignor and buyer 		
Development of customer-specialist relationship	<ul style="list-style-type: none"> ▪ Relationship has not changed ▪ Relationship has changed 	<ul style="list-style-type: none"> ▪ Internationalisation ▪ Increased customer base 	<ul style="list-style-type: none"> ▪ More competition
Specialist background	<ul style="list-style-type: none"> ▪ Length of experience ▪ Education 	<ul style="list-style-type: none"> ▪ Art historical studies ▪ Other 	
Roles of specialists	<ul style="list-style-type: none"> ▪ Providing expertise ▪ Advice and guidance ▪ Intermediary between buyers and sellers ▪ Acquisition of consignments ▪ Relationship managers 	<ul style="list-style-type: none"> ▪ Conflict of interests 	
Relationship-building skills	<ul style="list-style-type: none"> ▪ Listening/ empathy ▪ High contact frequency ▪ Socialising 		
Marketing activities	<ul style="list-style-type: none"> ▪ Press Relations ▪ General promotion ▪ Customer Relationship Cultivation 	<ul style="list-style-type: none"> ▪ By auction house ▪ By specialist 	<ul style="list-style-type: none"> ▪ Social events ▪ Educational workshops ▪ Mailings ▪ Personalised communication ▪ Home visits ▪ Lunch/dinner invitations

Appendix 6: Overview of Codes for Data Analysis (contd.)

Character of customer-specialist interaction/relationship	<ul style="list-style-type: none"> ▪ Transaction-based ▪ Long-term ▪ Determinants for type of interaction ▪ Interaction initiation 	<ul style="list-style-type: none"> ▪ One-off exchange ▪ Repeated exchange ▪ Professional contact only ▪ Personal/close contact ▪ Profitability/importance of customer ▪ Relational preferences of customer ▪ Initiated by specialist ▪ Initiated by customer 	<ul style="list-style-type: none"> ▪ High importance ▪ Low importance ▪ Loose contact ▪ Close relationship ▪ Reputation of auction house ▪ On recommendation
Type of customer-specialist interaction	<ul style="list-style-type: none"> ▪ Personal meetings ▪ Telephone ▪ E-mail 		
Customer's service evaluation	<ul style="list-style-type: none"> ▪ Complaining behaviour ▪ Relevance of other departments 	<ul style="list-style-type: none"> ▪ Complaints to specialist ▪ Complaints to management ▪ Complaints to receptionist ▪ No or low importance ▪ Medium to high importance 	
Importance of trust	<ul style="list-style-type: none"> ▪ Customer perspective ▪ Specialist perspective 	<ul style="list-style-type: none"> ▪ Low importance ▪ High importance ▪ Risk of customer ▪ Low importance ▪ High importance ▪ Risk of specialist 	<ul style="list-style-type: none"> ▪ Fakes ▪ Incorrect description ▪ False advice ▪ Object unsold ▪ Fakes ▪ Incorrect provenance ▪ Object's condition ▪ Non-payment

Appendix 6: Overview of Codes for Data Analysis (contd.)

Trust antecedents	<ul style="list-style-type: none"> ▪ Customer trust in specialist ▪ Specialist trust in customer 	<ul style="list-style-type: none"> ▪ Ability ▪ Integrity ▪ Ability ▪ Integrity 	<ul style="list-style-type: none"> ▪ Benevolence ▪ Rapport ▪ Benevolence
Development of trust	<ul style="list-style-type: none"> ▪ Customer trust in specialist ▪ Specialist trust in customer 	<ul style="list-style-type: none"> ▪ First instinct ▪ Slowly over time ▪ Customer does <u>not</u> trust specialist ▪ First instinct ▪ Slowly over time ▪ Specialist does <u>not</u> trust customer 	<ul style="list-style-type: none"> ▪ Acts/Episodes ▪ Sequence(s) ▪ Relationship ▪ Acts/Episodes ▪ Sequence(s) ▪ Relationship
Influence of trust on customer-specialist interaction	<ul style="list-style-type: none"> ▪ Customer perspective ▪ Specialist perspective ▪ Disruptions of value co-creation 	<ul style="list-style-type: none"> ▪ Disclosure of value-related information ▪ Consequences of disclosure ▪ Understanding of value-related information ▪ Consequences of understanding value-related information ▪ Customer perspective ▪ Specialist perspective 	<ul style="list-style-type: none"> ▪ Disclosure enables joint value realisation ▪ Adaptation of value proposition ▪ Participation in value activities ▪ Untrustworthy behaviour from specialist ▪ Service dysfunctions by auction house ▪ Untrustworthy behaviour from customer
Value co-creation	<ul style="list-style-type: none"> ▪ Drivers of value co-creation 	<ul style="list-style-type: none"> ▪ Commitment ▪ Common goals ▪ Shared interests ▪ Working together 	

Appendix 6: Overview of Codes for Data Analysis (contd.)

Value co-creation	<ul style="list-style-type: none"> ▪ Value/benefits for customer 	<ul style="list-style-type: none"> ▪ Transactional/episode value ▪ Relationship value ▪ Emotional attachment ▪ Episode value 	<ul style="list-style-type: none"> ▪ Seller – high price ▪ Buyer – low price ▪ Buyer – coherent description ▪ Auction atmosphere ▪ Prestige ▪ Accessibility/flexibility ▪ Customer service ▪ Interaction/dialogue ▪ Advice/exchange of ideas ▪ Learning ▪ Customer community ▪ Contacts ▪ Security ▪ Tailored terms and conditions ▪ Relationship to specialist is <u>not</u> valuable
	<ul style="list-style-type: none"> ▪ Specialist’s value proposition ▪ Value/ benefits for specialist 	<ul style="list-style-type: none"> ▪ Similar value propositions ▪ Transactional/episode value ▪ Relationship value 	<ul style="list-style-type: none"> ▪ Seller – marketing activities ▪ Buyer – transparency ▪ Brand/ reputation ▪ Auction results ▪ Specialist expertise ▪ Seller – artwork ▪ Seller – provenance ▪ Buyer – money ▪ Quick negotiations ▪ Repeated consignments ▪ Customer loyalty ▪ Learning/information ▪ Contacts/referrals ▪ Relationship to customer is <u>not</u> valuable

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