Contextualizing value propositions: Examining how consumers experience value propositions in their practices

Heli Holttinen *

Hanken School of Economics, Department of Marketing, P.O. Box 479, Arkadiankatu 22, 00101 Helsinki, Finland

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ABSTRACT

As a value proposition connects firms and customers, it becomes one of the central marketing concepts. Currently it has remained de-contextualized. Drawing on service-dominant logic, practice theory and consumer culture theory, this study aims at contextualizing value propositions by investigating theoretically how consumers experience and evaluate value propositions in practices. It pinpoints what their essence is in customers' lives; the ability of offerings to help customers to enact desirable cultural discourses into experience in practices. Hence the study constructs value propositions as firms' proposals that integrate sign value (the meanings of value propositions addressing desirable cultural discourses), experience value (sign value materialized into experience in a practice), exchange value (financial and non-financial sacrifices), and resources needed to address and materialize sign value. In general this study extends understanding on the socio-cultural and situational character of value propositions, value creation and value co-creation.

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CHINESE ABSTRACT

将价值主张情景化：

　　研究消费者如何在其行为当中实践价值主张

　　因为价值主张是连接公司和顾客的纽带，所以其已变成市场营销的中心理念之一。然而目前[价值主张]仍未得到情景化体现。在吸取以服务为主导的逻辑、实践理论和消费文化理论的基础上，本研究的目标在于透过在理论上研究消费者如何在其行为中实践并评价价值主张，从而将价值主张情景化。本研究确定顾客生活当中的本质需要是什么；以及是否有能力为客户将理想的文化话语落实到实践当中。 所以本研究提议构建公司的价值主张包括：符号价值(即价值主张应对理想的文化话语)、实践价值(即透过实践将符号价值实体化)、交换价值(即财政或非财政的牺牲)，以及解决和兑现符号价值所需的资源。总体来说，本研究延伸了对社会文化、价值主张的情景特征、价值创造以及价值共创的理解.

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1. Introduction

"The customer determines who the business is" (Drucker, 1977, p. 56). In the language of contemporary marketing one can rephrase Drucker's suggestion as follows: firms can only offer value propositions (Vargo and Lusch, 2008) – it is always a customer or any other beneficiary who accepts them. Thus firms get an opportunity to co-create value with their customers with the help of the value propositions (Grönroos, 2008). As the value proposition ties firms and their customers together, it becomes one of the central concepts of marketing. At the same time, only less than 10 per cent of firms have managed to successfully develop and communicate their value propositions (Frow and Payne, 2011).

Since the introduction of the concept of a value proposition by Lanning and Michaels at McKinsey & Company in the 1980s (Ballantyne et al., 2011), marketing research has emphasized its resonance with customers and other beneficiaries. It has meant dividing the value proposition into generic benefit and sacrifice categories: economic, functional, emotional and symbolic benefits, and monetary and nonmonetary sacrifices (e.g. Rintamäki et al., 2007; Flint and Mentzer, 2006; Day, 2006; Payne et al., 2005; Kaplan and Norton, 2004; Keeney, 1999; Aaker, 1995). Furthermore, service-dominant logic-informed researchers have conceptualized it as a process of designing reciprocal value (e.g. Ballantyne et al., 2011; Cova and Salle, 2008; Ballantyne and Varey, 2006; Flint and Mentzer, 2006). In an information technology services context the value proposition has been viewed as "a request from one service system entity to others to run a procedure or an algorithm" (Maglio and Spohrer, 2013, p. 367). The value generation potential

* Tel.: +35 8504618212.
   E-mail address: heli.holttinen@hanken.fi

of these relationships is known to depend on client characteristics, vendor characteristics, and the vendor-client relationship (Levina and Ross, 2003). Even though scholars have acknowledged that the value propositions relate to specific users and use situations (e.g. Ballantyne et al., 2011; Cova and Salle, 2008; Johnson et al., 2008; Lusch et al., 2007; Grönroos, 2007, 2009; Arnould et al., 2006; Flint and Mentzer, 2006; Lanning, 1998) they have not examined the implications further – with the exception of Arnould et al. (2006). These researchers argue for establishing meaningful links between the value propositions and consumers' goals and resources so that by using the value propositions the consumers can better perform their life projects and roles in different cultural environments. Despite the contribution of Arnould et al. (2006), the value propositions have largely remained de-contextualized.

The objective of this study is to contextualize value propositions in customers' practices. The approach is to investigate theoretically how consumers experience and evaluate the value propositions in their practices, based on the research contributions within service-dominant (S-D) logic (e.g. Vargo and Lusch, 2004, 2008), practice theory (PT) (e.g. Schatzki, 1996), and consumer culture theory (CCT) (e.g. Arnould et al., 2006; Venkatesh et al., 2006). More specifically, this study investigates consumer value creation in everyday situations: repetitive occasions which consumers perceive neither extraordinary nor dramatic, such as having supper. In the examination, value propositions are regarded as signs to which consumers ascribe intersubjective meanings while experiencing them in different socio-cultural, spatio-temporal and material contexts. More specifically, this study looks for conceptual explanations to three questions: (1) what is the essence of value propositions as signs that are experienced and evaluated by the consumers in their practices; (2) on what basis do the consumers evaluate the value propositions as signs; and (3) what implications can been drawn for further development of the value proposition concept?

S-D logic, CCT and PT were chosen as the key theoretical foundations of this study because they, by complementing one another, make it possible achieve the research objective in the best possible way. S-D logic research has highlighted the importance of the concept of the value proposition in the co-creation of value (e.g. Ballantyne et al., 2011; Frow and Payne, 2011; Vargo and Lusch, 2004, 2008). Furthermore, it has conceptualized and examined how value is co-created in value networks in which different stakeholders, such as consumers and firms, integrate resources and exchange service for service (e.g. Lusch et al., 2009; Vargo and Lusch, 2004, 2008). Thereby S-D logic helps examine the role of the value propositions in the consumers' value-creating practices. However, S-D logic studies have not focused on investigating why different stakeholders are willing to participate in value co-creation in different contexts. CCT research in its turn has widely evidenced how cultural discourses, such as ideologies and cultural ideals, drive consumption choices in different socio-cultural and historical settings where consumers use their culturally situated understandings to buy things for what they mean (e.g. Arnould, 2006; Arnould and Thompson, 2005). Consequently, CCT research has accumulated theoretical knowledge on why consumers choose to consume certain offerings in different socio-cultural contexts. Thereby CCT assists in understanding why the consumers accept or do not accept value propositions. However, CCT scholars have not focused particularly on examining how the practical material and temporal context of everyday life impacts consumer choices. Here PT closes the circle; its research unit, a practice, ties consumer value creation to a specific socio-cultural and spatio-temporal and material setting (Schatzki, 2005). In practices, offerings are not important for their own sake but for carrying out practices (e.g. Korkman et al., 2010; Schau et al., 2009a; Warde, 2005).

This study is positioned ontologically and epistemologically within critical realism. Critical realism acknowledges the existence both natural and social worlds and argues that they differ from one another. Unlike the natural world, the social world depends on human thought and action for its existence and meaning: it is socially constructed discourse in social practices where people produce and reproduce discourses (Fairclough, 2005). Human-beings are social agents who make sense of discourses, draw upon them and act on them (Fairclough, 1992). As individuals have different experiences and resources, they interpret discourses and act on interpretations in different ways (Fairclough, 1992). Social construction is constrained by extra-discursive elements, such as materiality and social structures (Sims-Schouten and Willig 2007; Fairclough, 2005; Nightingale and Comby, 2002), Social structures and conventions shape and constrain discourses, their production and interpretation (Fairclough, 1992). Fairclough (2005, p. 916) conceptualizes discourses as "the linguistic/semiotic elements of social events and the linguistic/semiotic facets of social structures and social practices". Critical realism does not privilege between human agency and social structures (Fairclough, p. 2005; Fleetwood, 2005). They reciprocally presuppose each other (Johnson and Duberley, 2000): "one is what it is, and can exist, only in the virtue of the other" (Fleetwood, 2005, p. 216). In other words, while social structures govern the everyday activities of human-beings, the human-beings reproduce and transform social structures in daily life.

The study starts by examining what the essence is of value propositions as signs for consumers. It continues by investigating on what basis the consumers experience and evaluate value propositions in their everyday life. Next, the implications for the contextualized value proposition concept are derived from two perspectives: the customers' and value co-creation design perspectives. In the end the study pinpoints contributions and suggests areas for further research.

2. What is the essence of value propositions as signs?

This study starts by examining how consumers experience and evaluate value propositions as signs in their practices based mainly on the research contributions within S-D logic, CCT and PT. The findings introduce two standpoints.

2.1. Value propositions as firms' proposals for consumers' resource integration in practices

S-D logic perceives consumers as resource integrators who, in order to enhance their value creation in their daily lives, acquire, use, change, and integrate resources, including offerings where offerings refer to goods, services and solutions (e.g. Vargo and Lusch, 2004, 2008; Arnould et al., 2006). Customer resource integration refers to "the processes by which customers deploy their resources as they undertake bundles of activities that create value directly or that will facilitate subsequent consumption/use from which they derive value" (Arnould, 2005). Lusch et al. (2007, p. 13) relate value propositions, at least implicitly, with offerings: "A value proposition can be thought of as a promise the seller makes that value-in-exchange will be linked to value-in-use. When a customer exchanges money with a seller s/he is implicitly assuming the value-in-exchange will at least result in value-in-use that meets or exceeds the value-in-exchange". The value-in-use concept means that value is created in use rather than being embedded in offerings (Vargo and Lusch, 2004, 2008). In addition to the financial sacrifices, non-financial sacrifices, such as time costs and search costs, have been shown to influence the perceived value of offering (e.g. Zeithaml, 1988).

According to Korkman et al. (2010), enhancing value creation is about providing customers with resources that fit with the other elements of customer practices: places, tools, images, physical