



# Reciprocal value propositions in practice: Constraints in digital markets<sup>☆</sup>

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## ABSTRACT

The value proposition concept, while forming a central foundational premise of service-dominant (S-D) logic, has nevertheless been treated somewhat ambiguously. Recent work in attempting to address this has focused through a S-D logic lens on the reciprocal nature of value propositions. Important to this work has been a focus on communicative interactions and resource integration between network suppliers and customers. Overall, value proposition thinking has not studied in detail their adoption and use in practice. Considering the compelling notion of reciprocity, there have been recent calls for research to consider reciprocal value propositions in practice. The overall aim of this paper, therefore, was to explore how reciprocal value propositions are developed (or not) in practice at the network level. The study was set in the mobile television (TV) sector, which, as an internet-driven sector, is viewed as particularly pertinent. To conduct the study an S-D logic and Industrial Marketing and Purchasing (IMP) Group framework are integrated for the first time. A key finding is that while the reciprocal value proposition concept is theoretically intuitive, it is by no means inevitable in practice. Reciprocal value propositions were found to be simultaneously constrained, and, potentially enabled by these constraints in practice. At an overall level this paper contributes to the ongoing collaborative process, which aims to move S-D logic from a framework to a theory. More specifically, we provide new insights into the development of reciprocal value propositions in practice.

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## 1. Introduction

How value is created, maintained and promoted lies at the heart of marketing theory and practice. It is central to recent debate that challenges the goods dominant (G-D) logic of marketing, with Vargo and Lusch (2004) calling on marketing theorists to consider a service-dominant (S-D) logic for marketing. Vargo (2011), more recently, stated that S-D logic is essentially a value co-creation model that views all actors as resource integrators, bound together in shared systems of exchange—service ecosystems or markets. He goes on to discuss how such markets are characterized by mutual value propositions. However the value proposition concept, while forming a central foundational premise of S-D logic, has nevertheless been treated somewhat ambiguously in original and subsequently refined

formulations (see Vargo & Lusch, 2004; Lusch, 2007; Vargo & Lusch, 2008a).

Foundational premise (FP) 7 of S-D logic states that the enterprise can *only* make value propositions (Vargo & Lusch, 2004: pg. 11). In attempting to reformulate this, Vargo and Lusch (2008a) assert that the firms cannot deliver value, but *only* offer value propositions. They also suggest eliminating the supplier–consumer distinction (Vargo & Lusch, 2008b). While noting attempts at reformulation, Ballantyne, Frow, Varey, and Payne (2011) point out that the basis of S-D logic thinking remains orientated around the original FP7. They propose a reformulation of FP7 which is based on the notion of reciprocity. Reciprocal value propositions are positioned as communication practice with the potential to integrate exchange activities, relationship development and knowledge renewal. With the rise of Web 2.0 and associated interactive technologies, empowered consumers have amplified the need for value proposition thinking to move from a supplier-dominant to an initiator–participant perspective. Suppliers and consumers take on interchangeable initiating and participating roles in value proposition development. Critical to this is are communicative interactions between network firms and consumers, which take on a *dialogical* nature. That is to say, the parties involved must intend to interact and *learn together*, with empowered consumer requirements emerging through mutually creative, co-constructed dialogue (Jaworski & Kohli, 2006).

<sup>☆</sup> Research Project: This research is part of an ongoing project involving a Media and Networks Cluster and associated with technologies in the image value network (HD TV, mobile TV, interactive communication, optical technologies, virtual reality, platform and network broadcasting, telecoms and security systems), spanning creation to actual use. Its members include multinational firms, technologically innovative SMEs, content providers, university research labs and graduate schools located in France.

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On the whole, Frow and Payne (2011) state that the S-D logic literature does not study in detail the adoption and use of value propositions in practice. They call for further research to explore the value proposition concept and the processes involved in its development. Similarly, and building from their proposed reformulation, Ballantyne et al. (2011) call for further research to consider how reciprocal value propositions are developed in practice. Practice can be conceptualized as a social activity, constructed through the actions, interactions and negotiations of multiple partners (Jarzabkowski, Balogun, & Seidl, 2007). In this respect we posit that the potential for reciprocal value propositions will not, therefore, necessarily be unconstrained in practice. They will depend upon not only network relationship dynamics, which may be entrenched, but also on the motives surrounding network parties, which may be aligned with self-interests and other desired market outcomes.

The overall aim of this paper, therefore, was to explore how reciprocal value propositions are developed (or not) in practice at the network level. By considering this aim at a network level we acknowledge calls for an extension of thinking beyond customer-supplier relationships, to a network of stakeholder relationships (Flint & Mentzer, 2006; Frow & Payne, 2011; Lusch, Vargo, & O'Brien, 2007). The study focuses on two theoretically-derived research questions developed from the research aim and Ballantyne et al.'s (2011) conclusions: (i) how do communicative interactions in network relationships influence (or not) reciprocal value propositions?; (ii) how do reciprocal value propositions influence (or not) network interactions to create conditions for learning together?. The study was set in the mobile television (TV) sector. Such internet-driven sectors are viewed as pertinent for the study of reciprocal value propositions (Ballantyne et al., 2011). Addressing the research aim and questions, the findings of this paper contribute to the ongoing collaborative process which aims to move S-D logic from a framework to a theory. Vargo (2011) comments that S-D logic as it stands represents a 'pre-theoretic' lens or framework for developing theory. At one level we contribute to a noted lack of understanding regarding how suppliers in practice seek to manage the co-creation of value (Payne, Storbacka, & Frow, 2008). More specifically, we answer Frow and Payne (2011) and Ballantyne et al.'s (2011) recent calls for research to explore further reciprocal value proposition development in practice. In this respect we provide new insights at three levels.

First, the study findings reveal that the reciprocal value proposition concept while theoretically intuitive, is by no means inevitable in practice. We found that the dominance of one supplier in the mobile TV network presented significant constraints for other suppliers in the development of reciprocal value propositions. Also, empowered consumers in an internet-driven market were found to be significant to this. Their evident desire for mobile TV content that was not exclusive and controlled by dominant suppliers, as well as attempts by dominant suppliers to defend exclusive and controlled content for their own ends, was an important aspect of both constraints to, as well as the potential of, reciprocal value propositions in practice.

Second, when these constraints and the potential were considered further the findings revealed a collision between, on the one hand, supplier dominance, and the traces of a nascent network system grounded in the realities and challenges of the mobile TV marketplace. It was in the collision, between dominance by one supplier and a desire by other suppliers for interactive and dialogically-based communications, that reciprocal value propositions were found to be simultaneously constrained, and, potentially enabled by these constraints in practice. Theoretically, Lindgreen and Wynstra's (2005) network system was found to be conducive to understanding how dominant suppliers can move constraints towards being enablers in approaching knowledge renewal, incorporating dialogue and a knowledge brokerage role. We show how the mindset changes required, create the conditions for knowledge renewal and the embeddedness of

social relations over time, with reciprocal value propositions facilitating as a platform for communicative interaction.

Third, we integrate for the first time an S-D logic framework with an Industrial Marketing and Purchasing (IMP) Group framework to empirically study reciprocal value propositions in practice. This contributes to observed, and considerable, commonalities between the evolving view of service as the dominant logic of business, and the more established empirical observations of IMP (Vargo & Lusch, 2008b; Ford, 2011; Storbacka & Nenonen, 2011). Data collection was informed by a theoretical frame of reference developed by Munksgaard (2010) which builds on IMP work. This framework allowed us to consider how mobile TV executives perceived and understood network relationships at the level of activities and resource integration. Ballantyne et al.'s (2011) platform which they developed as an analysis tool, provided a schema for analyzing the data collected, focusing it on activities and resource integration relating to reciprocal value proposition development in practice.

The first part of the paper presents a literature review relevant to the research aim. Building on this, the second part of the paper outlines the qualitative research design chosen to address the research aim. Developed from the research findings we present a discussion section, explicating theoretical, normative and research contributions before conclusions are drawn.

## 2. Literature perspectives

In this section literature is reviewed relating to the research aim and questions. To begin with value co-creation is considered through the S-D logic lens. This provides a basis for introducing the value proposition concept and recent work focusing on reciprocity. IMP literature is reviewed, noting complementarities with S-D logic thinking and the reciprocal value proposition concept.

### 2.1. Co-creation of value

Marketing scholars are well versed in the functional school of the early 1950s, where marketing developed into a management activity with a focus, above all, on satisfying the customer at a profit (Drucker, 1954; Levitt, 1960). Marketing management, drawing from classical and neoclassical economics, focused on a view that value was embedded in products. Vargo and Lusch (2004) considered this view as belonging to a goods dominant (G-D) logic in marketing. A key aspect of the G-D logic is that suppliers market to customers. Firms attempt to embed value in products as the primary focus of market exchange, defining markets using segmentation and market research tools in an attempt to manage product development, pricing, promotion and distribution activities. The G-D logic, as a foundation for understanding value creation and exchange, is considered to have significant limitations, focused as it is on the distribution of commodities (Vargo & Lusch, 2008b).

Various reformist agendas have arisen in an attempt to move marketing thought in new directions, which are more aligned with the realities of marketplaces in an internet age. Vargo and Lusch (2004) draw the threads of these agendas together to create a new foundation for a service dominant (S-D) logic in marketing. Stephen Vargo recently commented: "In all of our efforts, our purpose has been to identify, find, converge, and point toward a logical extension of conceptual and perceptual shifts taking place in apparently diverse research streams, especially, though not exclusively, in marketing" (Vargo, 2011: 217). They emphasize a different foundational understanding of the role of exchange in human systems, where goods take on value for customers as service appliances. Service value is determined at the time of its use, or as value-in-use. S-D logic focuses on the value-creating processes that involve the customer as a co-creator of value. Customers, therefore, become active players who are able to

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