



Consumer entrepreneurship and cultural innovation: The case of GinO12

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ABSTRACT

Although the literature on consumer (or user) entrepreneurship is flourishing, research has focused on sources of product innovation as a driver of consumer entrepreneurial venture establishment and overlooked sources of cultural innovation. By drawing on the theory of cultural innovation, this paper provides a case study on the emergence and rise of a recently established consumer entrepreneurial venture that stands out in the local competitive arena for the cultural positioning that it pursues. Findings drawn from a two-year longitudinal case study combining longitudinal case analysis with enactive research shed light on how consumers can recognize the existence of a cultural opportunity, craft a cultural strategy and structure a firm to exploit this opportunity commercially. The study provides a theoretical and empirical elaboration to link the literature of consumer entrepreneurship with the theory of cultural innovation.

1. Introduction

The classic distinction between production and consumption that has long characterized the field of economics and marketing is increasingly questioned. Several phenomena have contributed to blurring the distinction between production and consumption such as: 1) The acknowledgment that consumers are value co-producers (Vargo & Lusch, 2004). 2) The emergence of new modes of production and consumption in which consumers play an active or pro-active role (Scaraboto & Fischer, 2013). 3) The establishment of new forms of consumers' involvement in business financing (Belleflamme, Lambert, & Schwenbacher, 2014) and in new product development (Kleemann, Voß, & Rieder, 2008). 4) The acknowledgment of the enforced role that consumers have facing their supplying counterparts (Kozinets & Handelman, 2004).

By assuming a more consumer-centric perspective on the marketplace, scholars have documented how consumers contribute to shaping and governing market dynamics and interactions (Arnould & Thompson, 2005; Merz, He, & Vargo, 2009) especially as ideological carriers (Giesler, 2008; Kozinets, 2002; Thompson & Coskuner-Balli, 2007). For example, research has underlined how consumers' collective practices can provide valuable inputs to stimulate product innovation (Ansari & Phillips, 2011; Cova, Dalli, & Zwick, 2011; Franke & Shah, 2003; Kozinets, Hemetsberger, & Schau, 2008; Prahalad & Ramaswamy, 2004), bring about significant market changes (Karababa & Ger, 2011), and even shape new markets (Martin & Schouten, 2014). In the specific stream of scholarship on innovation management,

research has mainly focused on the active role of a particular type of consumers, i.e. lead-users, as a source of product innovation (von Hippel, 1986, 1989). Lead users, i.e. users that experience the need for a specific innovation earlier than average consumers (Shah, 2000), furnish inputs valuable for new product development because they provide firms with reliable and effective information about what the demand actually needs and wants (von Hippel, 1989). Besides underlining the active role of consumers within marketplaces, a specific line of inquiry has studied the shift of consumers' role from consumption to entrepreneurship, i.e. consumer or user entrepreneurship (Shah & Tripsas, 2007), a topic that concerns all cases in which one or more consumers start up a new venture dedicated to the products or services that they normally consume. However, this topic is still little explored in current theoretical and empirical research (Agarwal & Shah, 2014; Shah & Mody, 2014). Usually embedded in communities, and in a nexus of market relationships involving several actors, consumer entrepreneurs are assumed to have a favorable position because they are granted early access to feedback and information relevant to commercialization prior to firm establishment (Shah & Tripsas, 2007). Moreover, consumer entrepreneurs typically face low opportunity costs, exhibit a strong willingness to experiment, and have high potential to explore commercial opportunities by entering existing markets or creating new ones (Haeffliger, Jäger, & Von Krogh, 2010). The way in which consumer-generated innovations lead to the establishment of new ventures has been documented in diverse contexts: for instance, rodeo kayaking (Baldwin, Hienerth, & Von Hippel, 2006), mountain biking (Lüthje, Herstatt, & Von Hippel, 2005), video gaming (Haeffliger et al., 2010),

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kite surfing (Tietz, Morrison, Luthje, & Herstatt, 2005), mountain climbing (Guercini & Cova, 2015), and virtual technologies (Chandra & Leenders, 2012). Regardless of the context, research agrees that when consumers have unsatisfied needs, they are keen to propose innovative solutions offering exploitable entrepreneurial opportunities for themselves (Shah & Tripsas, 2007). These needs generally concern acknowledgement that existing products are not sufficiently performative, unsatisfactory, or unable to achieve the desired results, with resultant phenomena of consumer-driven innovation. Yet, while studies have considered product innovation to be the main determinant of consumer entrepreneurship (see Agarwal & Shah, 2014 for a review),¹ the literature still lacks studies focused on specific cases of consumer-entrepreneurial ventures where innovation has to be sought, not in specific innovative features of the offering, but in its different cultural content and meaning.

Research in the field of cultural strategy (Holt & Cameron, 2010) has furnished several examples of companies that have obtained competitive advantages by pursuing an unconventional strategy aimed at achieving cultural rather than technological differentiation. Market innovation is made possible not only through better products, but also through the search for unconventional cultural expressions of the product, of the product category, of the way in which a specific business is expected to be run (Holt & Cameron, 2010; Rindova, Dalpiaz, & Ravasi, 2011), i.e. cultural innovation. Cultural innovation can be defined as a firm's active response to an emergent demand created by socio-historical context-specific changes within existing industries or categories that is not driven by the desire for better technology(ies) but rather by the quest of a business for a better ideological expression (Holt & Cameron, 2010).

Achieving cultural innovation thus requires pursuit of an innovative strategy that involves, not innovating the product, but instead leveraging the firm's ability to propose alternative cultural expressions of products or business practices which consumers value and ultimately influence their preferences and choices (Holt & Cameron, 2010; Ravasi, Rindova, & Dalpiaz, 2012). These alternative cultural expressions become a source of differentiation upon which a competitive advantage can be built (Grant, 1991). The result is a unique positioning of the offering with regard to the cultural conventions taken for granted within the marketplace (Ravasi et al., 2012).

The aim of this paper is to shed light on the dynamics of consumer entrepreneurship based on cultural innovation, and to provide a case study on the growth of a consumer-established small business, GinO12, created in order to achieve cultural differentiation in its competitive arena. Established in 2015 by three passionate consumers, GinO12 is the first cocktail bar in the city of Milan dedicated to the promotion of the gin culture. It stands out in the local competitive arena for the cultural positioning that it pursues. A two-year longitudinal case study was conducted from the business idea to current running of the business. It combined longitudinal case analysis (Yin, 1994) with enactive research (e.g. Johannisson, 2002) in order to show how consumers can recognize the existence of a cultural opportunity, craft a cultural strategy and structure a firm to exploit this opportunity commercially. The findings furnish a theoretical and empirical elaboration to link the literature on consumer-entrepreneurship (Shah & Mody, 2014) with the

theory of cultural innovation (Holt & Cameron, 2010; Ravasi et al., 2012).

2. Cultural innovation: a source of unconventional entrepreneurship

Because the study of consumer entrepreneurship has begun only recently, scholars are still far from reaching a full and shared understanding of this phenomenon (Agarwal & Shah, 2014). Although studies on consumer entrepreneurship assume diverse theoretical lenses, ranging from innovation management (Baldwin et al., 2006; Chandra & Leenders, 2012; Haefliger et al., 2010; Shah & Tripsas, 2007), through strategy (Tripsas, 2008; Winston Smith & Shah, 2013), to economics (Langlois & Robertson, 1992), they are generally rooted in the processual view of innovation development. Accordingly, consumers identify a need not fully satisfied by existing products during usage. They “hack” the product so that it fits better with their needs or those of similar others, and eventually establish their own firm once they have recognized opportunities for commercial exploitation of their innovation (Shah & Tripsas, 2007). Because the beginning of an entrepreneurial career is somewhat unplanned and unintended, consumer entrepreneurs are often called “accidental” (Baldwin et al., 2006; Shah & Mody, 2014; Shah & Tripsas, 2007). As authors have noted (e.g. Luthje et al., 2005; Shah, 2000), consumers are advantaged compared to incumbents because their condition of “insiders” allows them to access information not so readily available and conveniently accessible to “outsiders”. That is, as von Hippel (1994) points out, users benefit from “information stickiness”, i.e. they have better access than producers to specific sources and resources that are likely to generate product/process innovation.

However, while product innovation is undeniably the main driver of new venture establishment (Dougherty, 1992; Drucker, 2014), innovation has to be sought also beyond the product itself or beyond the process that makes the production of specific product features possible. In particular, innovation can be sought also in the cultural content that a product carries, i.e. cultural innovation. Differently from product innovation, which is associated with altering the product radically or incrementally, cultural innovation is associated with altering the cultural significance of the product (and of its consumption) according to cultural needs of target consumers (Holt & Cameron, 2010; Ravasi et al., 2012). Although the theory of cultural innovation has been developed especially to guide unconventional branding strategies, the theory is also well suited to guiding the emergence, development and growth of new ventures (Holt & Cameron, 2010).

In brief, the theory of cultural innovation postulates that while product innovation allows firms to gain access to ephemeral sources of competitive advantage, cultural innovation allows them to achieve long-term competitive advantages. Cultural innovation is about challenging/overcoming shared cultural codes of the product category, and proposing cultural meanings not previously exploited by incumbents that resonate with final customers. The cultural resources on which companies draw to pursue cultural innovation are generally found in the consumption domain. For example, consumer collectives like brand communities (Schau, Muñiz Jr, & Arnould, 2009), subcultures (Goulding & Saren, 2007; Schembri, 2009; Schouten & McAlexander, 1995) and countercultures of consumption (Hietanen & Rokka, 2015) secure genuine source material for cultural innovation. Besides consumer collectives, also non-market specific social changes create opportunities and offer valuable source materials for cultural innovation (Holt, 2004, 2006; Holt & Cameron, 2010).

Yet, while the adoption of a cultural strategy is recognized as a form of innovation, the literature is rather silent on how the dynamics of cultural innovation lead to new forms of consumer entrepreneurship. Findings in the field of consumer research, however, have shown that the locus of innovation and the reason for the market success of some firms consist especially in their ability to understand better than

¹ According to Agarwal and Shah (2014), user entrepreneurship “is entirely based on product innovation” (p. 1120). In their article, they provide a list of previous studies focused on the phenomenon of user (consumer) entrepreneurship in which it is evident that scholars have largely concentrated on product innovation as a source of consumer-entrepreneurial ventures. These studies deal with technological improvements in the following domains: video gaming (Haefliger et al., 2010); juvenile products (Shah & Tripsas, 2007); medical devices (Winston Smith & Shah, 2013); virtual technologies (Chandra & Leenders 2012); personal computers (Freiberger & Swaine, 1999; Langlois & Robertson, 1992); microscopes (Shah & Mody, 2014); semiconductors (Adams, Fontana, & Malerba, 2013); sports equipment (Baldwin et al., 2006; Fauchart & Gruber, 2011; Luthje et al., 2005; Shah & Mody, 2014; Tietz et al., 2005); stereo components (Langlois & Robertson, 1992) and type-setting equipment (Tripsas, 2008).

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