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What's in it for me? Capital, value and co-creation practices

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ABSTRACT

Marketing research is increasingly concerned with the practices through which service providers and their customers interact and how these practices influence value co-creation.
Applying S-D logic and drawing on practice theory developed in sociology research in past decades, we propose a definition of value in terms of the coexistence of diverse forms of capital and currency variations. We then develop a conceptual model to explain value co-creation in terms of service provider–customer interaction practices (SPCI practices). We employ an extensive, qualitative study in the context of professional service firms. Our findings reveal three general categories of SPCI practices (access to capital, capital exploitation and capital attrition) that affect value co-creation. These insights move forward business-to-business marketing theory and practice, advancing our understanding of how service provider–customer interaction practices can be used to define value propositions and assess the types and amount of value that are co-created.

1. Introduction

Since the introduction of Service Dominant logic (S-D logic) (Vargo & Lusch, 2004), marketing literature research emphasizes that value co-creation is a key element in business-to-business marketing (Aarikka-Stenroos & Jaakkola, 2012; Haas, Snehota, & Corsaro, 2012; O'Cass & Ngo, 2012; Vargo & Lusch, 2011). S-D logic (Grönroos & Voima, 2013; Vargo & Lusch, 2004, 2008; Vargo, Maglio, & Akaka, 2008) posits that value is co-created through interaction between firms and customers. In the context of service provider–customer interactions (SPCI), successful service production and delivery hinge upon organizational and personal relationships and the recognition of the roles and positions of both service providers and customers (Chan, Yim, & Lam, 2010; Ulaga, 2003). Through interacting with their customers, service providers can influence the customer's process of value creation and seize opportunities to enhance their value proposition (Skålén, Gummerus, Koskull, & Magnusson, 2015). A value proposition is the tool through which service providers invite customers to assess their offerings and engage in value co-creation (Ballantyne, Frow, Varey, & Payne, 2011; Chandler & Lusch, 2015). Customers review and assess competing value propositions, seeking answers to some fundamental questions such as "What is unique in this offering that I do not find elsewhere?" or simply "What's in it for me?" These may be quite complex questions to answer (Keränen & Jalkala, 2013), and service providers must define, disclose and communicate the uniqueness in their value propositions (e.g., available experts, methodologies, references). This is challenging because value propositions are uniquely accessed and interpreted by each customer (Vargo et al., 2008). Different customers can evaluate the same value proposition in very different ways (Chandler & Vargo, 2011). What is judged to be unique and valuable for customer A may not be so for customer B. "On this basis, perceived service complexity can be defined as subjectively perceived difficulty in making sense of a service" (Mikolon, Kolberg, Haumann, & Wieseke, 2015, p. 514). Furthermore, assessing value propositions is not just a matter of judging what service providers marketize and offer. Recent research shows that independently from the capabilities offered by the service provider, the value that customers may expect to co-create also depends on the customers' practical interactions with their service providers (Aarikka-Stenroos & Jaakkola, 2012; Cabiddu, Lui, & Piccoli, 2013; Grönroos & Voima, 2013; Lindgreen, Hingley, Grant, & Morgan, 2012). For this reason, in recent marketing literature, the notion of "practice" (Echeverri & Skålén, 2011; Schau, Muniz, & Arnould, 2009; Yngfalk, 2015) has been introduced to suggest that value proposition should be understood based on the practices through which service providers interact with their customers (Aarikka-Stenroos & Jaakkola, 2012; Grönroos, 2011; Grönroos & Voima, 2013; Payne & Holt, 2001).

The concept of practice provides opportunities to conceptualize social interactions among multiple actors (Jarzabkowski, Balogun, & Seidl, 2007) and is increasingly being adopted in the study of value co-creation in marketing research (Echeverri & Skålén, 2011; Korkman, Storbacka Kaj, & Harald, 2010; Schau et al., 2009; Yngfalk, 2015). The main stance is that the attractiveness and uniqueness of a value proposition depend on the service provider–customer interaction (SPCI) practices it enables (Skålén et al., 2015). Several studies suggest

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that the impact of SPCI practices on the definition and assessment of value creation is not sufficiently understood (Aarikka-Stenroos & Jaakkola, 2012; Payne, Storbacka, & Frow, 2008; Ramirez, 1999). The extant literature provides various frameworks to approach SPCI practices (Aarikka-Stenroos & Jaakkola, 2012; Echeverri & Skålén, 2011; Ordanini & Pasini, 2008; Payne et al., 2008), but these frameworks are conceptual and quite generic and limit themselves to presenting different sets of SPCI practices that are typical in various business sectors. Furthermore, the vast majority of these studies does not fully capitalize on the theoretical and methodological opportunities that practice theory (Bourdieu, 1990; Dreyfus, 1991; Nicolini, 2012; Schatzki, 2005) provides to help customers to understand the impact of their own practices on the value they co-create with their service providers.

More research is needed to untangle, dissect and understand the practices through which service providers and customers interact and influence value co-creation (Grönroos & Voima, 2013; Laamanen & Skalen, 2015). We designed the current study to address these gaps. We propose a methodological approach to understand how SPCI practices mold value co-creation and how they can be used to define value propositions. To do so, we apply the conceptual thinking of S-D logic (Vargo & Lusch, 2004, 2008), we draw on previous practice theory research (Lombardo & Kvålshaugen, 2014; Sandberg & Tsoukas, 2011; Schau et al., 2009) and we borrow the notions of *social field* and *capital* from the sociology literature (Bourdieu, 1987; Bourdieu & Wacquant, 1992). We define value accordingly in terms of the coexistence of diverse forms of capital and currency variations. We employ an extensive, qualitative field study in the context of professional service firms (PSFs), and inspired by strategy literature, we adopt the value shop concept (Stabell & Fjeldstad, 1998) which provides a useful framework to describe and appreciate the characteristic work phases of the interaction between service providers and their customers.

In the following sections, a brief review of previous research that uses practice theory in the study of value co-creation is provided as theoretical background for our main proposition: the development of a practice-based model for value definition and assessment (Pra.v.d.a.). The model is first developed theoretically and then applied empirically to cases within the engineering services sector. Our findings reveal three general categories of practices that service providers and their customers can draw upon when interacting to co-create value, SPCI practices that, respectively promote or prevent the following: *access* to capital, capital *exploitation* and/or capital *attrition*. The findings also show that value co-creation is maximized through SPCI practices that provide access to various forms of capital and that enable capital exploitation. These insights contribute to advance business-to-business marketing theory and practice by providing a deeper understanding of how value co-creation can be explained in terms of SPCI practices. The findings are discussed in terms of new insights gained and limitations of the model. Suggestions are given for further developing this research.

2. Theoretical background

In designing and marketing their value propositions, service firms need to give significant attention to the practices through which multiple actors interact and co-create value in specific contexts (Fischer, Sieg, Wallin, & von Krogh, 2014; Mikolon et al., 2015).

Inspired by social practice theories, some studies have focused their attention on different types of marketing practices to understand how markets are constructed (Kjellberg & Helgesson, 2007). The process of collective value creation within brand communities has been analyzed, and a common set of value-creation practices in these communities has been identified (Schau et al., 2009). Other sets of practices have been identified to explain how service providers and customers interact to co-create (Grönroos, 2011) or even co-destruct value (Echeverri & Skålén, 2011; Plé & Cáceres, 2010). In a similar vein, other studies have posited that the particular social context in which service provider–customer interactions occur also contributes to appreciating value co-creation as a set of social practices (Edvardsson, Tronvoll, & Gruber, 2011).

Given this increasing emphasis on the centrality of social practices in the definition and assessment of value propositions (Ballantyne et al., 2011; Skålén et al., 2015), several efforts have been made to produce frameworks to conceptualize and explain service provider–customer interaction practices.

Some studies propose frameworks to explain how customers actively contribute to service production and value generation within service dominant relationships (Ordanini & Pasini, 2008). Other frameworks depict how value co-creation occurs through a dyadic problem solving process (Payne et al., 2008) and identify critical processes, resources and roles for service providers and customers in their joint activities (Aarikka-Stenroos & Jaakkola, 2012). Other studies outline a framework that explains how interactive value formation takes place in practice and how value is intersubjectively assessed by agents (Echeverri & Skålén, 2011).

Taken together, these studies suggest that a deliberate use of practice theory in the study of value co-creation may provide deeper insights into how service provider–customer interaction practices influence value co-creation and how these practices should be taken into account when measuring value (Sanchez-Fernandez & Iniesta-Bonillo, 2007). While these advancements provide valuable insight regarding value co-creation practices, several important theoretical and methodological gaps in the literature limit the understanding of how unique SPCI practices mold value co-creation and how they can be used to define value propositions.

For example, most of the existing frameworks are conceptual (Prahalad & Ramaswamy, 2004) (Brodie, Saren, & Pels, 2011; Karpen, Bove, & Lukas, 2012) and do not capitalize on the methodological and empirical resources of practice theory (Bourdieu, 1990; Reckwitz, 2002). Furthermore, empirical research to develop value co-creation frameworks is mainly focused on business-to-consumer (B2C) contexts (Leroi-Werelds, Streukens, Brady, & Swinnen, 2014; Payne et al., 2008). Consequently, even if the relation between SPCI practices and value is acknowledged, on a more detailed empirical level, it remains largely unexplained. Extant frameworks tend to avoid holistic value definitions and to focus on certain forms of value, such as the financial aspects (Lambert & Enz, 2012). Finally, when interesting concepts, such as value co-destruction, are proposed (Echeverri & Skålén, 2011), little theory is provided to discern the fundamental social mechanisms on which they are grounded.

In response to these gaps in the literature, this study capitalizes on the key concepts of practice theory (Bourdieu, 1990; Reckwitz, 2002) to focus on how value co-creation is influenced by SPCI practices. We adopt practice theory deliberately to develop a model for value definition and assessment that accounts for the practices through which service providers and customers interact to co-create value. Drawing on recent practice-focused studies (Echeverri & Skålén, 2011; Kowalkowski, Ridell, Röndell, & Sorhammar, 2012) and applying the conceptual thinking of S-D logic (Vargo & Lusch, 2004; Vargo et al., 2008), we present their efforts by explaining in detail the practices through which agents assess value and the social mechanisms that link service provider–customer interaction practices and value. Our study also provides a mathematical model to account for *both* value co-creation *and* value co-destruction practices. The model proposed in this study supports the view of value as a bidirectional construct (Echeverri & Skålén, 2011) and provides an operational way to take into account the various value assessments performed by service providers and customers at different stages in their interaction.

2.1. Interaction practices as a source of value co-creation

This study builds on S-D logic and practice theory that places SPCI practices at the center of the analysis. The research mentioned above has demonstrated how practice theories are useful to approach the

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