



## Practices as markets: Value co-creation in e-invoicing

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### ABSTRACT

This article proposes that a practice-based approach, accompanied by ethnographic methods, contributes to S-D logic by enriching our understanding of how resources are integrated, how value is formed, how markets 'work', and how firms can enhance value co-creation. The embeddedness of value creation implies that firms should focus on the practical relations between socio-cultural resources, available in the market space called everyday life. As a conclusion we suggest that S-D logic could incorporate practice-based viewpoints: (a) practices are fundamental units of value creation – value is created as actors engage in practices, (b) practices are resource integrators – value is created as customers integrate socio-cultural resources, (c) firms are extensions of customer practices – customers are not extensions of firm's production processes; value co-creation happens as firms participate in customer practices, (d) value propositions are resource integration promises – firms enhance value creation by providing resources that 'fit' into customers' practice constellations.

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### 1. Introduction

Service-dominant (S-D) logic suggests a need to re-define the neo-classical view on markets that is built around the notion of exchange value (Lusch and Vargo, 2006). Vargo and Lusch (2008) argue that markets become spaces for economic activity in terms of value co-creation or resource integration (Vargo, 2007) instead of being places where demand and supply meet and reach equilibrium as neo-classical economics suggests.

Venkatesh and Peñaloza (2006) propose that a market should include both the concept of exchange value and use value. As a consequence, the 'size' of the market cannot be measured only by the value of products exchanged in a product market, but also by the value generated in the customers' value-creating processes: in the activities and processes in the customers' everyday practices (Grönroos, 2008). It can, for instance, be argued that the practices of gaming is a larger 'market' than the products called games, simply because there are many forms of play and gaming that are not tapped into by commercial offerings. Nintendo, for example, has been able to increase their accessible market by focusing on 'family time and togetherness' practices, and created the Wii home video game console that is easy for all family members to engage in. Similarly, Nintendo has targeted older people, who did not use game

consoles, with their Brain Age edutainment video game that employs puzzles and mini-games, developed to improve the user's cognitive capabilities.

Vargo (2009) discusses the embeddedness of value creation in business ecosystems and suggests implications for two of the foundational premises (FP) suggested by Vargo and Lusch (2008). The resource integration pointed out by FP 9 (all economic and social actors are resource integrators) implies that a provider needs to understand the customer as "just another node in the larger ecosystem" (Vargo, 2009), and understand how the provider's resources can be combined with other resources – including the customer's resources. FP 10 (value is always uniquely and phenomenologically determined by the beneficiary) pinpoints the contextual, emergent and temporal nature of value determination that Vargo and Lusch (2008) explains by arguing that "value is idiosyncratic, experiential, contextual, and meaning laden".

This article explores these FPs and proposes that a practice-based approach can be used as a conceptual tool to describe resources integration and value creation. Practices are formed as the resources of customers and providers interlink with different contextual elements (Reckwitz, 2002) – these interlinks define value co-creation. A practice-based approach turns attention to the processual aspects of usage and consumption rather than to the outcomes of the exchange of goods. We suggest that the concept of practices contributes to the further development of S-D logic's view on how resources are integrated through interaction. Practice theory, accompanied by ethnographic methods, provides an

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operational way of conceptualizing and studying value co-creation as a complex societal process and presents a framework for understanding value creation in practical and socio-cultural terms.

In a practice-based approach, a market would not be presented as the meeting of demand and supply of homogenous products in a product market, but be represented by the practical dynamics of everyday life, and by circumstances in which economic exchange is embedded. Potential in the market would be embedded in the improvements of practices in socio-cultural terms.

We suggest that a practice-based approach has the potential to contribute to S-D logic by enriching our understanding of *how resources are integrated, how value is formed, how markets 'work', and how firms can enhance value co-creation*. Hence, the purpose is to (a) *develop a conceptual argument for using the practices approach for defining and understanding markets*, and (b) *illustrate a practice-based approach to market definitions by describing the development of the market for e-invoicing practices in Europe*.

This article is structured as follows. First, we discuss the practice construct from a resource integration and value co-creation perspective. Second, we propose a practice-based approach as a way of conceptualizing the market in the spirit of S-D logic, and describe the opportunities to use the practice-based approach using illustrative examples. Third, we present e-invoicing as a case of intervention into the practices of sending, handling, and paying invoices. Finally, we draw conclusions for further research avenues and managerial implications.

## 2. Practices as resource integrators

The practice approach views phenomenon as practical constellations (Reckwitz, 2002). Practices can be defined as “more or less routinized actions, which are orchestrated by tools, know-how, images, physical space and a subject who is carrying out the practice” (Korkman, 2006, p. 27).

Our practice-based approach, derived from practice theory and S-D logic literature, is founded on the following interrelated assumptions: (1) practices are contextually embedded, (2) practices are doings (rather than cognitions or emotions), (3) practices are path dependent, (4) as practices integrate resources they are fundamental units of value creation, and (5) practices describe use value in processual terms. We will next describe these foundations briefly.

### 2.1. Practices are contextually embedded

The practice-based approach argues that actions and value creation are socio-culturally embedded, and that practices can make it possible to understand the market as an undivided part of everyday life. A practice is embedded in a context of interlinked subjective and objective elements in practical terms, in our ways of eating, listening to music, relaxing, being. Practices are thus contexts where actions are carried out (Schatzki, 2001).

The practice-based approach is not interested in who is doing what, what these subjects think about, or what they are like. Rather it is interested in the processual aspects – what is done, how is this doing constituted, how are resources used, and how has the doing developed over time. Reckwitz (2002, p. 250) defines a practice as “a routinized type of behavior which consists of several elements, interconnected to one another: forms of bodily activities, forms of mental activities, “things” and their use, a background knowledge in the forms of understanding, know-how, states of emotion and motivational knowledge. A practice [...] forms [...] the ‘block’ whose existence necessarily depends on the existence and interconnectedness of these elements, and which cannot be reduced to any of these elements.”

A practice-based approach could be categorized as an anti-individualistic stance (Schatzki, 2002). Everyday practice is not only what the customer thinks, feels, and decides to do, but also something that the customer takes part in. A practice is neither determined by the customer, nor by context alone, but more specifically happens in the integration of resource elements. This does not imply that mental processes would be excluded; rather it refers to these as being a part of practices (Barnes, 2001).

### 2.2. Practices are doings (rather than cognitions or emotions)

The concept of practice refers to ‘a way of doing’, instead of a “way of thinking”. The practice-based approach puts emphasis on interlinks between objects, images and skills, and defines reality as emerging from “doings” in which these elements integrate into specific forms of practices (Shove and Pantzar, 2005). Empirical accounts of practices are described in the “doings” of people rather than the perceptions of these people according to the tradition of ethnography (Swidler, 2001).

Korkman (2006), for instance, suggests that taking a holiday cruise on a ship is a collection of practices comprised of specific tools, know-how, images and physical space. These practices are not dependent on the families cruising, but rather related to cruising as such. These practices are dependent on the elements in the physical configuration of a cruise vessel (e.g. certain practices of dining have developed in the context of cruising). Earlier, Holt (1995) made similar studies of the practices of consuming baseball as a spectator.

Practices can range from objective to subjective. Hence, some practices are the results of imitation and widely shared, whereas others (such as the practices of arts) can by their nature be creative and innovative from a practical point of view. The conformed practices have become stable ways of doing as consumers perform and imitate them. New variations of existing practices can occur as people start to do things in new subjective ways. Other people may or may not start to imitate these behaviors. This means that practices should not only be viewed as contextual, but consumers have the power to make subjective decisions about changing their way of doing, and naturally also decisions regarding which practices to engage in.

Korkman (2006) shows that practices carried out by families with smaller children on-board a cruise vessel are very conformistic – there were no significant deviations in families' ways of consuming a cruise. Hence, the acts of resource integration are widely shared in this context. The explanation for this was that the cruise vessel, the physical space, of the practices could not allow for many different ways of integrating resources. The vessel guides people to act as “one is supposed to act”, and does not allow for people to do acts of subjectivity and originality. As a cruise ship will carry other types of customers than families, the design of the vessel may need to support many different kinds of practices.

### 2.3. Practices are path dependent

Vargo and Lusch (2008) argue that value is always uniquely and phenomenologically determined by the beneficiary, and is idiosyncratic, experiential, contextual, and meaning laden in its nature (ibid., p. 9). The practice-based approach studies this phenomenon from a slightly different viewpoint, especially as to ‘experiential and idiosyncratic’, which entails the idea of the inherently subjective experiences of a person – experiences which are not observable by an external observer.

A practice-based approach does not study the subjective experience, but the integration of objective elements to certain practices, and the value and meaning emerging from this process. For instance Shove et al. (2004), and Shove and Pantzar (2005) have

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