Value co-creation in web-based multisided platforms: A conceptual framework and implications for business model design

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Abstract The internet is fertile ground for multisided platforms that articulate the production of goods or the execution of services between third parties, thus relying on value co-creation as their core business model mechanism. However, an understanding of co-creation that underlies dynamics and implications for business model design and innovation is still dispersed and fragmented along a number of literature streams. This article aims to provide an understanding of the value co-creation process in web-based multisided platforms. A conceptual framework is proposed based on the combination of an analysis of a comprehensive systematic literature review, interviews with academics and entrepreneurs, and an analysis of secondary data on representative cases of multisided business models based on value co-creation. We offer a model of value co-creation in multisided platforms and advance a number of propositions regarding value dynamics, including the role of the focal firm in defining and maintaining value creation, propositions, and capture structures with consequences to monetization schemes and actors’ contributions and motivations for value co-creation. This article contributes to the understanding of the co-creation phenomenon, especially in multiple actor interaction regimes, and raises a number of suggestions for future research.

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1. Value co-creation: A new source of business model innovation?

The synergy between technological development and the evolution of management practices constantly redefines the roles of consumers and companies and generates new ways of integrating resources to create value. In fact, the traditional logic of value creation, delivery, and capture is being challenged by new forms of interaction that promote collaboration in value creation activities. Value co-creation can be understood as a “joint, collaborative, concurrent, peer-like process of producing new value, both materially...
and symbolically” (Galvano & Dalli, 2014, p. 644).

Web-enabled interaction allows for the creation of new business models based on the wisdom and knowledge of the masses to create value. In this context, the market becomes an arena of interaction between customers and firms, which jointly promote value co-creation and whose roles often overlap (Prahalad & Ramaswamy, 2004). Co-creation can be just another source of differentiation for firms, or it can be the key mechanism upon which the whole business model is built.

Indeed, the internet has been both catalyst and stage for numerous new businesses that explore the possibilities of value co-creation using a variety of mechanisms and concepts, such as crowdsourcing, crowdfunding, open innovation, and peer production (Täuscher, 2016; Zwass, 2010). Many of these new enterprises are web-based platforms that enable, facilitate, or promote demand matching (for instance, between customers and service providers) and profit from completed transactions. These platforms are a specific case of multisided platforms (Muzellec, Ronteau, & Lambkin, 2015).

Some of these companies have attained huge notoriety and market value. Uber and Airbnb, prototypical examples of firms that embody the values and principles of the sharing economy, both have multibillion dollar valuations. However, these spectacular successes seem to be the exception rather than the rule. The business models associated with this emerging economy are not without problems (Cohen & Kietzmann, 2014). In fact, there are many unknowns about how co-creation can be promoted, managed, and exploited by firms and how a business model can be designed (or reinvented) to benefit from value co-creation.

Value co-creation is a broad and abstract concept, and the body of theoretical literature about it is diffuse and complex (Saarijärvi, Kannan, & Kuusela, 2013). Although there are a few initiatives (e.g., Galvano & Dalli, 2014), a sufficiently well grounded and consolidated theory of value co-creation is still lacking. Moreover, the link between value co-creation and the theory and practice of business model design is still incipient as well (Muzellec et al., 2015). Particularly relevant practical challenges involve how value co-creation can be fostered by the focal firm (Bharti, Agrawal, & Sharma, 2015) and how the dynamics for capturing the co-created value must be structured in order to support a sustainable business model (Chesbrough & Appleyard, 2007). As Durugbo and Pawar (2014) framed it, although the academic literature about value co-creation is expanding, there are few attempts to formalize it as a process and systematically apply prescriptive methodologies and techniques for involving customers in it.

Thus, in this article we aim to understand the value co-creation process at play in web-based multisided platforms, as well as the management implications for the firm promoting the value dynamics. By combining interviews with specialists and entrepreneurs whose businesses are built around co-creation with a systematic review of the published academic literature on the topic, our results expand the corpus of knowledge on value-creation applied to business modeling and propose new venues for research in this area. For practitioners, we provide insights on how to promote value co-creation and value capture, both for brand new ventures and firms that are already committed to a working business model.

2. What we know about value co-creation

Prahalad and Ramaswamy (2004) disseminated the concept of value co-creation from a service logic perspective, in which the market is understood as an open forum wherein value is no longer generated unilaterally by a firm and delivered to the customer, but co-created from the interactions between firms and consumers. This particular view is the cornerstone of the service-dominant logic (SDL). According to SDL, services—and not goods—should be the fundamental unity for value exchange. Thus, goods would be simply vehicles that embody and allow the transmission of services, acting as a medium for the customer to benefit from a firm’s competencies (Vargo & Lusch, 2008).

An evolution of this theoretical perspective is service logic (SL), a specific field of service sciences (Grönroos & Gummerus, 2014). According to SL, value can only be created by the consumer when he or she is using the product or service. The provider does not create value but proposes it. Consequently, if the provider is able to create the required enabling and facilitating conditions, it can be part of the value creation process alongside the consumer.

Although the evolution of value co-creation theory is evident, with some consensus about definitions and concepts, academic literature regarding the elements and dimensions that constitute value co-creation from a process perspective is still fragmented. A process perspective is important because it shows the main elements (phases, dimensions) of a specific phenomenon articulated in a logical sequence, suggesting instances of cause and effect. In the context of multisided platforms, models that represent and explain value co-creation dynamics from a process perspective are even scarcer.
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