

# **Value Propositions Related Communication and What Creates Value in Civil Engineering from a Service-Dominant Logic Perspective**

Case study

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### Abstract

Value propositions consider the context, competitive environment, customer base, products, and other factors, that uniquely and credibly, communicate the benefits in the mindset of mutual gain of involved actors. The Service-Dominant (S-D) Logic framework consists of eleven foundational premises intended to explain value creation through service-for-service exchange.

The aim is to improve the service provided to an existing customer. To identify the key areas of importance to creating and co-creating value a qualitative study was conducted with front office employees in managerial positions at the firm and from the customer.

A customer profile was built with research questions related to their daily work activities, customer pains (what the customer wants less of) and customer gains (what the customer dreams of). The answers provided valuable insight to new value propositions and value experiences in a service context. A value map - what services are or can be made available - was constructed in the firm through additional interviews based upon the customer profile results, to reduce customer pains and increase customer gains.

The result after synthesizing the interview answers was an *“actor-related communication in value proposition(s) and generated value experiences”* framework. The managerial use of the framework model serves as a base e.g. improvement of processes, relationship building, strategies and a tool for creating value propositions. The framework will also guide users to an S-D logic mindset of *“doing something for the benefit of another actor”* instead of the more established G-D logic mindset of units of output.

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## EXAMENSARBETE

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### Abstrakt

Värdeerbjudanden tar hänsyn till sammanhanget, konkurrensmiljön, kundbasen, produkterna och andra faktorer som på ett unikt och ömsesidig nytta för de inblandade aktörerna. Service-Dominant (S-D) Logic Framework består av elva grundläggande premisser som är avsedda att förklara värdeskapande genom utbyte av tjänster mot tjänster.

Syftet med denna fallstudie förbättra den service som erbjuds en befintlig kund. För att identifiera de huvudområden som är viktiga för att skapa och samskapa värde genomfördes en kvalitativ studie med anställda i direkt ledande kund-leverantörs befattningar vid företaget och hos kunden.

En kundprofil skapades med forskningsfrågor som rörde deras dagliga arbetsaktiviteter, besvär för kunden (vad kunden vill ha mindre av) och fördelar för kunden (vad kunden drömmer om). Svaren gav värdefulla insikter om nya värdeerbjudanden och värdeupplevelser i ett service sammanhang. En värdekarta - vilka tjänster som finns eller kan göras tillgängliga - byggdes upp i företaget genom ytterligare intervjuer baserade på resultaten från kundprofilen med målet att minska kundbesvären och öka kundfördelarna.

Resultatet, efter att ha sammanställt intervju svaren, blev en ramverks modell för "aktörsrelaterad kommunikation i värdeerbjudande(n) och skapade värdeupplevelser". Modellen kan användas av ledningen som en bas för t.ex. förbättring av processer, relationsbyggande, strategier och som ett verktyg för att skapa värdeerbjudanden.

Ramverksmodellen kommer också att vägleda användarna ett tankesätt av Service-Dominant logic med inställningen att "gör något till förmån för en annan aktör" istället för det mer etablerade Goods-Dominant (G-D) logic tankesättet produktionsenheter.

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Språk: Engelska

Nyckelord: Värdeerbjudande, Värde, Service-Dominant Logic, Samskapande av värde, B2B-kommunikation

## OPINNÄYTETYÖ

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### Tiivistelmä

Arvolupaukset ottavat huomioon kontekstiin, kilpailuympäristön, asiakaskunnan, tuotteet ja muut tekijät viestiäkseen ainutlaatuisesti ja uskottavasti hyödyistä, jotka on suunnattu molemminpuoliseksi eduksi osalliselle toimijoille. Service-Dominant (S-D) Logic - kehys koostuu yhdestätoista peruslähtökohdasta, joiden tarkoituksena on selittää arvon luominen ”palveluiden vaihto” konseptin avulla.

Tavoitteena on parantaa nykyiselle asiakkaalle tarjottua palvelua. Arvon luomisen ja yhteisluomisen kannalta tärkeiden avainalueiden tunnistamiseksi suoritettiin laadullinen tutkimus, johon osallistui yrityksen ja asiakkaan johtotehtävissä toimivia toimihenkilöitä.

Tutkimuskysymysten perusteella luotiin asiakasprofiili, joka liittyi toimihenkilöiden päivittäisiin työtehtäviin, asiakaskipuihin (mitä asiakas haluaa vähemmän) ja asiakashyötyihin (mistä asiakas haaveilee). Vastaukset antoivat arvokasta tietoa uusista arvolupauksista ja -kokemuksista palvelukontekstissa. Yrityksessä rakennettiin arvokartta - mitä palveluita on tai voidaan tarjota - asiakasprofiilin tulosten perusteella tehdyillä lisähaastatteluilla, joiden tavoitteena oli asiakaskipujen vähentäminen ja asiakashyötyjen lisääminen.

Haastatteluvastausten yhdistämisen jälkeen tulos oli ”toimijaan liittyvä viestintä arvolupauksessa ja luoduissa arvokokemuksissa” -viitekehys. Mallin hallinnollinen käyttö toimii perustana esimerkiksi prosessien parantamiselle, suhteiden rakentamiselle, strategioille ja työkalu arvolupauksien luomiseen. Kehys ohjaa myös käyttäjiä S-D-logiikkaan perustuvaan ajattelutapaan, jossa ”tehdä jotakin toisen toimijan hyödyksi” sen sijaan, että noudatettaisiin vakiintuneempaa G-D-logiikkaan ajattelutapaa, joka keskittyy tutantoyksiköihin.

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Kieli: Englanti

Avainsanat: Arvolupaus, Arvo, Service-Dominant Logic, Arvon yhteiskehittäminen, B2B-viestintä

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## 1 Introduction

In an ever more competitive world engineering companies need to have a competitive advantage. They need to stand out against competitors by offering something unique or something better than the alternatives. To stand out does not necessarily mean the best price win since other features play a significant part such as service, trust, cooperation and value creation. To communicate the features a company will develop value propositions to the customer. A value proposition needs to be formed for the specific customer segment and communicated clearly and credibly. A value proposition statement *is a clear, compelling and credible expression of the experience that a customer will receive from a supplier's measurably value-creating offering* (Barnes, Blake, & Pinder, 2009, p. 22) and the value proposition should be expressed in the offer considering e.g. individual preferences, project requirements or external factors at that point of time. The value proposition states WHAT we do, HOW we do it and how the customer can measure the experience.

An engineering company needs to create value for the customer. Value to the customer is defined as the benefits minus the cost (Barnes, Blake, & Pinder, 2009, p. 24) and McColl et al. (2019) elaborate on value (according to Vargo and Lusch, 2004;2008;2016;2017) further that “value is always uniquely and phenomenologically determined by the beneficiary”. To create value for and/or with the customer a company needs to identify what is important to the customer and around that, develop value propositions, with the available services in the firm. The most important resources for an engineering company are its employees as they are the ones ultimately delivering the service to the customer. For the resources to succeed in providing an expected service e.g. value engineering, the customer expectations and requirements are to be communicated to all actors in participation of the service delivery. The central concept in Service-Dominant Logic (S-D logic) is that service — the application of resources for the benefit of another party — is exchanged for service (Vargo & Lusch, 2004, FP1). This view implies the central role of resources. Broadly, resources are of two types: operand, those that require some action to be performed on them to have value (e.g. natural resources) and operant, those that can be used to act (e.g. human skills and knowledge) (Vargo & Lusch, 2011, p. 184)

## **1.1 Need for the study**

Competition is increasing both for customers and engineering companies. When a contract is awarded it is unfortunately very seldom that the customer or engineering company will get the full insight into why they won or why they lost. The most common reply for losing is “You were too expensive” or “this is not the price we were expecting”. The given reason of cost might very much be the lack of articulated value propositions in the offers, or the features of the value propositions did not coincide or were not understood by the individual awarding the contract. The wrong features could have been promoted e.g. cost over sustainable materials and thus not bringing needed value to the customer, such as value in use or benefits over the competitors, or the value propositions were not credible nor measurable for the customer segment. The market context is constantly transforming; meaning the features that created value in the past are not the same features generating value today. There’s a need to investigate the customer segment to better understand their expectations and how to offer and provide services that promote trust and brand recognition to generate repeat business. Fianko et al. (2022, p. 386) explain (according to Farris et al., 2017) that research shows that a firm is up to 14 times more likely to sell to an existing customer than to a new customer and a report by Reichheld and Schefter (2000) shows that increasing customer retention by 5% is associated with a 25% – 95% increase in profitability.

## **1.2 Aim of the study**

The study aims to explore value propositions most relevant to the customer segment and build a framework model around the areas of communication between the firm and customer for generating value for both actors. The expected benefit for the firm is to be able to provide the customer with a better service experience and strengthen the relationship-building process between the firm and the customer, thereby remaining the preferred engineering partner. The following two research questions are developed to meet the aim of the study.

Research question 1: What is the value proposition related communication in an S-D logic mindset?

Research question 2: What creates value internally and for the customer following the S-D logic perspective?

### 1.3 Delimitations

Although the firm has several key customers and potential key customers this case study is delimited to one existing customer, where the firm has a track record of 20 years of cooperation. The customer is active in several industry sectors but is delimited to the field of energy business. The engineering services provided by the firm are usually multi-discipline e.g. process, mechanical, electrical, civil and structural, but the case study will be delimited to civil and structural engineering.

A reason for choosing the civil and structural discipline is the more competitive environment the firm is facing than other disciplines. Another reason is the customer needs to be competitive in civil and structural being an actor in a global market with local competitors.

The research questions are delimited to what value propositions should be communicated and if they generate value for the firm and the customer. It is not part of this study to formulate the value propositions on a macro-level nor to make a comprehensive list of what value is experienced and by whom.

To get trustworthy and credible results from the qualitative study a homogenous group of interview subjects are chosen with a minimum of 10 years of work experience with the customer and delimited to working in managerial roles within - or having a stakeholder interest - in civil and structural. The positions of interview subjects were e.g. Head of Civil Project Engineers, Account Managers and Head of Project Managers. The interview subjects work either at the engineering firm or at the customer company.

The study is embedded in a Service-Dominant logic mindset of value creation through service-for-service exchange. The service and value experience are in focus. The emerging perspectives of S-D logic share an implicit logic that places more emphasis on (1) intangible resources in relation to tangible resources in value creation, (2) collaboration over competition, and (3) relationships over transactions (Huotari & Vargo, 2019, p. 41).



## 1.4 Main concepts

### 1.4.1 Value proposition

So, what is the benefit of building a value proposition? Barnes & et. al (2009, p. 23) write in their book "Creating and Delivering your value proposition - Manage Customer Experience for Profit" that...

"...value proposition development is an organizational approach to building in value to the customer experience; it is the management of the discipline of providing profitable customer value. It is simply that by building a value proposition you will provide profitable and superior customer value, more profitable and more superior than if you hadn't built one. The whole object is to generate wealth. By providing superior and profitable customer value you are increasing your own wealth "

A value proposition is not directed only to the customer as it also serves as a guideline for the employees. The use of the value proposition is further elaborated by Åkesson et al. (2015, p. 341) (as explained by Lusch and Vargo, 2006; Lusch et al., 2007; Vargo and Lusch, 2008) to communicate, to both customers and employees, what value is expected from a service and constitute an invitation to co-create value. As promised value-in-use, value propositions consist of integrated resources offered to customers to support their value-creation process (Vargo and Lusch, 2004, 2008).

In their journal article "The customer value proposition: evolution, development, and application in marketing" Payne et al. (2017) concentrate on four characteristics that may be especially important in a customer CVP (customer value proposition): the CVP perspective adopted, explicitness, granularity, and focus. The three CVP perspectives of prior literature suggest CVPs that are principally supplier-determined, reflecting a value-in-exchange emphasis; CVPs that are transitional, with recognition of the customer experience; and CVPs that are mutually determined, reflecting a value-in-use emphasis (Payne et al. 2017, p. 471).

The CVP perspective adopted is explained to be customized value propositions considering the context, competitive environment, customer base, products, and other factors that help the firm determine its potential to move toward the mutually determined outside-in perspective (Payne et al. 2017, p. 478). In short, this could also be described as mutual market-

oriented perspective. Barnes et al. (2009, p. 9) also add to the mutual market perspective with their value focus model with *“this has to work for the both of us”*.

Concerning explicitness, organizations can explicitly or implicitly communicate their value propositions to internal and external audiences. Without explicit communication, however, the value proposition is more likely to remain ambiguous and different areas of an organization may not share the same understanding of organizational priorities that are implied within it. Customers may also fail to comprehend the CVP, especially when inconsistent messages are conveyed through an implied value proposition (Payne et al., 2017, p. 478).

In addition, CVPs can be formulated at different levels of granularity, such as the firm level, customer segment level, or individual customer level. On each level, the CVP fulfills a different purpose, for the company and the customer (Payne et al., 2017, p 479). Barnes et al. (2009, p. 24) explain the same as a *“specific sales opportunity for that offering within that segment; and for individual influencers (eg chief executive officer, chief information officer, finance, marketing, etc) within that opportunity”*. Payne et al. states (2017, p. 479) firm-level CVPs have important roles in the supplier organization, in that they provide internal guidance and strategic direction, but increasing CVP granularity requires and reflects a greater depth of customer knowledge, so granular CVPs may be more relevant for external customer audiences. The authors claim that *“focus is the number and breadth of superior value dimensions”*, but acknowledge that Anderson et al. (2006) have a different point of view. Payne et al. state that Andersson (Anderson et al. 2006, p. 94) argue for a resonating focus and recommend a CVP that emphasizes the (few) points of difference that make the biggest difference in customers’ usage situation, with the assertion that customers *“want to do business with suppliers that fully grasp critical issues in their business and deliver a CVP that’s simple yet powerfully captivating”*.

#### **1.4.2 Service-Dominant logic**

Huotari and Vargo (2019, pp. 40-41) state (according to Vargo and Lusch, 2004a: Vargo et al., 2008) that S-D logic emerged as an alternative mindset to the prevailing G-D logic mindset, which frames exchange in terms of tangible units of output (e.g. goods) and views the production and exchange of goods as the core business and economics. Huotari and Vargo (2019) further explain that G-D logic focuses attention on tangible goods, and places

the firm as the central responsible actor for value creation and the monetary value of the product. Another point difference to G-D logic is the customer participation in the value creation process as Skålén and Gummerus (2015, p. 6) is G-D logic does not address the inherent participation of the customer in creating value that service marketing has emphasized (as argued by Bitner et al. 1997; Ouschan et al. 2006; Solomon et al. 1985) because of the focus on the exchange of manufactured goods

“S-D logic’s main purpose was to develop an alternative logic of value creation that might break free from some of the conceptualizations of G-D logic. The emerging perspectives of S-D logic shared an implicit logic that placed more emphasis on (1) intangible resources in relation to tangible resources in value creation, (2) collaboration over competition, and (3) relationships over transactions. As a consequence, S-D logic was grounded on an alternative logic of value creation which argued that economic activity is best understood in terms of *service-for-service exchange*, rather than the exchange in terms of goods-for-goods or goods-for-money (Huotari & Vargo, 2019, p. 41).”

The first article on Service-Dominant logic was published in 2004. which mainly focused on value co-creation with a reciprocal exchange between a firm and a customer, the core S-D logic literature moved towards emphasizing that value co-creation takes place within and among multiple actors as explained by (Lush and Vargo, 2006b; Vargo and Lush, 2008b,2011, 2019). A service value experience is difficult to measure as it is subject to an individual’s own experience of the value in use. Identifying what value a service brings to the customer might require significant efforts as the customer might not be aware of all value creation aspects prior to having experienced the value-in-use.

“The disconfirmation paradigm states that customers have expectations on services and that customers compare these expectations with the actual experiences. If they match, the customer is satisfied and quality is adequate; if the delivery is below expectations customers are dissatisfied; and if it is above expectations customers are delighted. However, customer expectations are often not explicit and well-thought through, may be based on ignorance or faulty information, and keep changing (Gummesson, Lush, & Vargo, 2010, pp. 16-17).”

This phenomenon calls for close communication and thereby a joint effort of value co-creation between the company and customer resources. Generally, neither firms nor customers have all the resources they need to survive. Thus exchange is required to gain access to the resources of others. This requirement catalyzes service and exchange, which can further be viewed as the basis of value co-creation (Akaka & Chandler, 2019, p. 136).

## 2 Literature review

### 2.1 Service-Dominant logic

Service-Dominant logic (S-D logic) offers a metatheoretical framework that identifies service (usually singular) – the process of using one’s resources for the benefit of another actor – rather than goods, as the fundamental basis of economic (and social exchange) (Lush & Vargo, 2019, p. 4). The focus should be on providing service to a beneficiary actor, in the context of that actor’s own existence – its relevant networks, available resources, guiding institutional arrangements, etc., and not on beating the other potential service providers (Huotari & Vargo, 2019, p. 52). In S-D logic, goods are service-delivery mechanisms. That is, S-D logic represents an emerging service realization rather than a reflection of a service revolution (Lush & Vargo, 2019, p. 4).

Two recurring vocabularies in S-D logic mindset are, as just mentioned, actors and resources, which could use a bit of further explanation for a better understanding of how it differs from traditional G-D logic.

“S-D logic avoids using traditional labels such ‘consumers’, ‘producers’, ‘suppliers’, and other role-specific terms typically found in the traditional literature. Rather, it uses the more neutral, generic term ‘actor(s)’, to reflect the fact that all of these entities do fundamentally the same things: resource integration and service exchange (see Vargo and Lusch, 2011). The focus on actors allows the separate study of business-to-consumer (B2C), business-to-business (B2B, and consumer-to-consumer (C2C) to be consolidated under an actor-to-actor (A2A) rubric (Lush & Vargo, 2019, p. 8).”

Resources can be tangible or intangible and can also be classified as operand or operant. Operand resources are (potential) resources that require other resources to act on them to provide benefit – often, they are static and tangible, such as natural resources. Operant resources are resources that are capable of acting on other (potential) resources to create benefit – they are often intangible and dynamic, such as knowledge and skills (Lush & Vargo, 2019, p. 8). One interesting example in earlier literature highlighting the value in service relations is the article “quantifying resource effects in service-dominant logic” where the authors looked at three types of seller operant resources, categorizing them as either “core” or “augmented.” Core resources fulfill basic customer expectations. Augmented resources go beyond basic expectations and enhance seller differentiation. Instrumental service is a core resource reflecting the seller’s product-specific expertise;

interpersonal service is a core resource reflecting the seller's basic service-delivery skills; and value mindset is an augmented resource reflecting the seller's holistic understanding of the buyer's business context, value-realization opportunities, and implementation pathway to value. Among the most striking results of our analysis was the degree to which a value mindset improves a customer's perception of realized value and relationship quality. Its impact on a buyer's satisfaction with a relationship was three times that of either instrumental service or interpersonal service (deLeon & Chatterjee, 2017, p. 403).

The English dictionary (Oxford Dictionary, 2017) characterizes the term 'context' as 'The Circumstances' that form the setting for an event, statement, or idea, and in terms of which it can be fully understood' (Akaka & Chandler, 2019, p. 121). In S-D logic, the role of context is essential in analyzing value and value creation. In their foundational premises and axioms, Vargo and Lush (2008;2016) point out that value is not stable, as value experiences vary in different contexts (Akaka & Chandler, 2019, p. 121).

Innovation is one way to create benefits for another actor. This could be outcomes such as automation, new areas of resource integration or new services according to Kjellberg et al., (2019, p. 496)

"While S-D logic shifts the focus from output to activities and processes it does not deny the importance of outcomes of innovation (Vargo and Lush, 2016). However, in line with the argument that 'actors cannot deliver value but can participate in the creation and offering of value propositions', S-D logic considers the emergence of novel outcomes as the co-creation of new value propositions. In addition to the improvement of existing offerings and the creation of new offerings, the relationships between stakeholders, in a service system are based on value propositions; a value proposition defines the pattern of shared access to resources (Maglio and Spohrer, 2013). Reciprocal value propositions can be used to initiate and guide resource integration activities between initiators and participants. The function as a communication practice that brings exchange activities, relationship development and knowledge renewal together (Ballantyne et al., 2011). Thus, value propositions provide a link between activities and outcomes: they are promises not only about what but also about how the firm, the customer and other parties co-create value with the help of resources (Skålén et al., 2015)."

The new value propositions are thereby important to be communicated to all actors participating in the service exchange process. The value propositions of how the promises will be met need to be known by all operant resources e.g. how they are part of the value co-creation process.

At its core, S-D logic deals with five foundational concepts: actors, service, resources, value and institutions. From this core, other concepts can be derived (Lush & Vargo, 2019, p. 8). The SD-logic is a theoretical framework that comprises 11 foundational premises, which are intended to explain value creation through service-for-service exchange (Lush & Vargo, 2019, p. 9). The English Oxford Dictionary defines an axiom as “*a statement or proposition which is regarded as being established, accepted, or self evidently true*”. Axioms in S-D logic are consolidated foundational premises (Vargo and Lush, 2016) (Brodie & Löbner, 2019, p. 572).

The foundational premises are presented in the below table where the axioms are highlighted and further explanations to their meaning are described more in detail on a foundational premises basis.

**Table 13.1 The 11 foundational premises of S-D logic**

FP 1	Service is the fundamental basis of exchange (2008)	Axiom
FP 2	Indirect exchange masks the fundamental basis of exchange (2008)	
FP 3	Goods are distribution mechanisms for service provision (2004)	
FP 4	Operant resources are the fundamental source of strategic benefit (2016)	
FP 5	All economies are service economies (2004)	
FP 6	Value is co-created by multiple actors, always including the beneficiary (2016)	Axiom
FP 7	Actors cannot deliver value but can participate in the creation and offering of value propositions (2016)	
FP 8	A service-centred view is inherently beneficiary-oriented and relational	
FP 9	All social and economic actors are resource integrators (2008)	Axiom
FP 10	Value is always uniquely and phenomenologically determined by the beneficiary (2008)	Axiom
FP 11	Value co-creation is coordinated through actor-generated institutions and institutional arrangements (new in 2016)	Axiom

Source: Vargo and Lusch (2004, 2008, 2016).

Figure 1 Axioms and foundational premises. (Lush & Vargo, 2019, p. 215)

### **Axiom 1/FP1: Service is the fundamental basis of exchange**

Lush and Vargo (2019) imply that service is doing something for the benefit of another actor (pp. 9-10). This mindset differs from the G-D logic where service measures the intangible goods as units of output e.g. tonnage of steel assemblies manufactured per day. The process-and-benefit orientation is more robust than a units-of-output orientation in S-D logic. The logic is how the goods assist the beneficiary in the value-creation process and how goods provide service through benefit (Lush & Vargo, 2019, p. 10). G-D logic does not either capture the benefits provided in the two-way (or greater) dynamics of exchange: “I’ll do something for you if you do something for me” (Lush & Vargo, 2019, p. 10) as G-D logic is focused on getting the items sold.

**FP2: Indirect exchange masks the fundamental basis of exchange**

With market economies, most individuals rely upon two primary markets. The labor market, in which they exchange their knowledge and skills for pay and the benefit market they draw on to acquire service(s), through economic currency, which they need but do not provide for themselves directly. The external beneficiary does not reciprocate by serving the microlevel provider directly. Rather, the economic currency is obtained by the firm from the market, through service exchange, and then used to compensate the employees (Lush & Vargo, 2019, p. 10).

**FP3: Goods are distribution mechanisms for service provision**

Goods are obtained for what they can do for a beneficiary. That is, they are valued because they are tools for service provision (Lush & Vargo, 2019, p. 10). An example might be construction drawings which enable the construction workers to install the structure. Goods benefits are not necessarily only functional, they can also be emotional and symbolic (Lush & Vargo, 2019, p. 10).

**FP4: Operant resources are the fundamental source of strategic benefit**

Actors can apply knowledge and skills – operant resources – to operand resources to realize their potential, their resourceness (Lush and Vargo, 2014). Operand resources are tangible e.g. a computer software, but the operant resources have the skills to use the tool effectively and innovatively. In short, operant resources are the key to benefits (Lush & Vargo, 2019, p. 11). The focus on strategic benefit, coupled with the service-for-service perspective of S-D logic, moves the mindset of businesses and nations away from gaining a competitive (or strategic) advantage over others. Rather, it focuses on serving one's self through beneficial service to others (Lush & Vargo, 2019, p. 12).

**FP5: All economies are service economies**

The economic literature is heavily anchored in the G-D logic mindset because the output-based economic category usually measures the number of employees against the units of output (Lush & Vargo, 2019, p. 13). In S-D logic the focus is on macro-specialization; meaning the continuous development of skills and service. Two similar companies might have in-house staff performing some of the support functions such as marketing and logistics or these might be procured services. If the company with in-house staff would outsource these support functions, the output-based classification schema would show employment in manufacturing to decline and service employment would be seen as increasing. Yet nothing has changed in terms of actual economic activity and jobs. People and (firms) are still applying specialized knowledge and skills. The important point of all of this is institutions can see economic activity and growth opportunities more clearly if they recognize that all economies are fundamentally concerned with the application of exchange of specialized knowledge and skills (operant resources) and categorize activity based on the resources and not on the type of output a firm (or economy) produces' (Lush & Vargo, 2019, p. 13).

**Axiom 2/FP6: Value is cocreated by multiple actors, always including the beneficiary**

Co-creation is the process of increasing the well-being (viability) of an actor through the integration of resources available from the service ecosystems of which it is a part. This value co-creation system is not optional. Human systems and all societies comprise specialized actors, with interdependencies, often on a massive scale. Thus, no single actor can create value. Value co-creation occurs through a large host of actors drawing upon and integrating many resources (Lush & Vargo, 2019, p. 13). This means that the customer or beneficiary needs to recognize his/her responsibility in value co-creation.



**FP7:** Actors cannot deliver value but can participate in the creation and offering of value propositions

One actor (e.g., the firm) cannot create and deliver value to another (e.g., a customer), as often assumed in the G-D logic. Thus, they can only make or endorse value propositions. (Lush & Vargo, 2019, pp. 13-14). Value propositions can originate from other sources than the direct service e.g. from marketing, employees or suppliers practices.

**FP8:** The service-centered view is inherently beneficiary oriented and relational

Since service is defined in terms of providing benefit to another actor (beneficiary), S-D logic doesn't require an add-on concept of 'customer orientation'. Even the term 'consumer' or 'customer' suggests something of a firm-centered orientation, since there can be no customer orientation unless the firm is the starting point. In a related sense; a 'consumer' implies an actor who uses up the output of the firm. Similarly, the idea of a 'customer' is contingent upon an identification of a particular firm. In S-D logic, the beneficiary actor, which can be an individual, a family, a firm, or any other entity, depending on a given value analysis, is primary, by definition (Vargo and Lush, 2016) (Lush & Vargo, 2019, p. 14)

**Axiom 3/FP9:** All social and economic actors are resource integrators

This FP is intended to capture the other activity, besides service provision, in which all actors must engage: resource integration, given that any act of service provision requires drawing upon and integrating a variety of resources. Two types of resources are identified: operand and operant (Lush & Vargo, 2019, p. 14). Resource integration represents the combination of resources to create new resources (Lush & Vargo, 2019, p. 15).

**Axiom 4/FP10:** Value is always uniquely and phenomenologically determined by the beneficiary

In S-D logic, value is understood in terms of the *well-being*, the *viability* (survivability), of the system. Although value is cocreated, its appraisal is assessed by, or at least referenced to, a particular beneficiary. This assessment is unique to each beneficiary because the experience in each instance of exchange is in a different context, thus dependent on the availability, integration, and use of different combinations of resources and actors (Lush & Vargo, 2019, p. 15).

**Axiom 5/FP11:** Value cocreation is coordinated through actor-generated institutions and institutional arrangements

*Institutions are the humanly devised rules, norms, beliefs, etc. that enable and constrain action and make social life predictable and meaningful* (North, 1990; Scott, 2008) *and institutional arrangements are assemblages of interrelated institutions* (Lush & Vargo, 2019, p. 15). In S-D logic, institutions play a particularly important role because value cocreation (A2/FP6) and determination (A4/FP10) through resource integration (A3/FP9) and service-for-service exchange (A1/FP1) imply a system of coordination among actors for the avoidance and reconciliation of conflict (Lush & Vargo, 2019, p. 16).

## 2.2 Value

Value can be defined and measured in different ways, and is synthesized in “The SAGE Handbook of Service-Dominant logic (McColl-Kennedy & Cheung, 2019, p. 69) as value-in-use, value-in-social context, value-in-context and value as experience. Value-in-use is determined by the beneficiary as the beneficiary is required to have or learn the skills to use the product and implement its potential successfully. Value-in-social context could depend on factors like religion, status and culture requiring the firms to change their habits and mindset to what is perceived as value for the beneficiary. Value-in-context refers to the different social levels within service network institutions and as an example could be an installation contractor and the other actor the designer of the installation. Value as

experience is described by (Vargo & Lush, 2008) as value derived and determined when experienced in use through the integration and application of resources in a specific context. Earlier literature defines value in different ways throughout history. In the Academy of Strategic Management Journal Komaladewi et al. (2018) studied the definitions of value based on keywords such as *customer value*, *consumer value* and *perceived value*. Some of their key findings were

“Zeithaml (1988) defined “*perceived value*” as the consumer’s overall assessment of the utility of a product based on perceptions of what is received and what is given, Hallowell (1996) defined value as “*equal to quality compared with the price*”, Sirdesmukh et al. (2002) clearly stated: “*customer value as the consumer’s perception of the cost gap between benefits gained and what he has to give in order to maintain relationships with service suppliers*”, Finn et. al (1997) stated that customer’s assessment of the value created and given by the supplier is in the balance between benefits and sacrifices that are in certain use circumstances” (p. 1).

I like the definition set forth by Barnes et al. (2009, p. 22) explains value is equal to the benefits minus the cost. A similar definition, with more elaboration on the benefits in terms of benefits and what the customer expects or experiences, is presented by Fianko et al. in business-to-business (B2B) research (Blocker et al., 2011), Gligor et al. (2020) operationalize customer value as “the aggregation of benefits that a customer expects or experiences, along with associated undesired consequences” (p. 723). Following the historical development of value definitions one can see that value experience is becoming a much more established fact e.g. Komaladewi et al. (2018, p. 1) state that “*Value is customer experience in using a product, according to Holbrook (1999) who defined “consumer value as an interactive relativistic preference experience”*. A similar opinion from Vransevic et al. (2004), who said that “*the perceived value is a is a subjective experience and not a fact of general knowledge*”. The perceived value is also reflected in the Service-Dominant logic foundational premise (A4/FP10) value is always uniquely and phenomenologically determined by the beneficiary ( (Lush & Vargo, 2019, p. 15)

It is worthwhile to point out the difference in defining value in the context of goods or service. Gummesson et al. (2010, p. 16) state that service quality cannot be assessed before consumption while goods quality can and that quality has transitioned away from being a recurrent word in S-D logic as value has taken over. Goods and service are anyhow interrelated as seen in the foundational premise 3 of S-D logic “*goods are distribution mechanisms for service provision*”. An example from engineering is the drawings produced

which enable the customer to perform a wide range of activities from procurement to installation creating a value-in-use. Sakayi et al. (2018, p. 37) write that (according to Macdonald et al., 2011) customer-based definition for such value-in-use is: *“The benefits that accrue to customers and enable them to achieve their own business goals, purposes, objectives and/or priorities as result of engaging their resources with a provider’s offering”*. The accrued benefits are however not always easy to define as *“buyers and sellers may also have very different notions of success”* (deLeon & Chatterjee, 2017, p. 402) giving further evidence to the S-D logic premise (A4/FP10).

Vargo and Lush (2019) argue that value is actor-specific, an indication of benefit, a net change in the well-being of a particular actor, making each instance of its creation contextually distinct. The context of value is varying through time. Akaka & Chandler (2019, p. 140) explains...

*“...value can be evaluated and measured at particular points in time, from specific perspectives, total value is subject to change across time and space. Thus, actors continually interact in order to understand and satisfy unmet wants and needs. In other words, because value is unique and phenomenological, actors must continually interact to better understand changing desires and develop appropriate solutions or value propositions. “*

### **2.3 Value proposition**

Based on the definitions from earlier literature it defines that a value proposition communicates WHAT is the service going to be provided and HOW it is going to create benefits for the customer. DeLeon & Chatterjee (2017, p. 419) (according to Sengupta et al., 2000) states a seller value proposition should reflect all the benefits associated with its offering, and ideally, all of the benefits pertinent to a particular buyer. Payne et al (2017) offer a similar view; *the value package should include both benefits and costs that establish clear differentiation from competitive offerings and are important to targeted customers.*

The benefits, or value, can be offered through different approaches (Payne et al. 2017; Sakayi-Gyineae & Holmlund, 2018) e.g. value points or resonating focus, all benefits or value statements and value substantiation or favorable points of difference. The original customer value proposition (CVP) concept according to Payne et al. (2017, pp. 471-472)

illustrates a supplier-determined perspective, with a value delivery system that consists of three key stages (according to Bower and Garda 1986; Lanning and Michaels 1988): choose the value proposition, provide the value proposition, and communicate the value proposition. Webster (1994, p. 60) defines the customer value proposition as *“a statement of how the firm proposes to deliver superior value to customers and to differentiate itself from competitors”*.

Value as experience is described by (Vargo & Lush, 2008) as value derived and determined when experienced in use through the integration and application of resources in a specific context. Payne et al. (2017) also say that a good customer value proposition needs to consider the context

*“ firms must determine which CVP design characteristics to emphasize when developing value propositions. For example, the CVP perspective adopted must fit the supply context. In competitive environments, a supplier-determined CVP perspective may need to shift toward a mutually determined one, especially in B2B markets where resource sharing implicitly assumes that a CVP can be cocreated together by the customer and the supplier firm (p. 477). ”*

S-D logic is providing a service to the benefit of another actor and focuses on relationships over transactions, but earlier literature on value propositions brings up the monetary value and profits, so it felt worthwhile to mention it in the theoretical framework as S-D logic's foundational premise (FP2) *indirect exchange masks the fundamental basis of exchange* states that in a service-for service exchange a service can be reciprocated with monetary compensation. Value experience was described in the S-D logic as value derived and determined when experienced in use through the integration and application of resources in a specific context. Payne et al. emphasize the nature of the resource sharing is pertinent, especially in instances in which deeper reciprocal engagement might result in meaningfully cocreated CVPs and a necessary consideration of how value gets distributed across the customer relationship, before, during, and after the usage experience, including when the greatest value might be created. Barnes et al. (2009, pp. 30-31) claim that a value proposition should address points such as time, convenience, physical or mental risk in addition to the monetary cost, the offered service should be clear and comprehensive, how your offering delivers clear customer value and how you position yourself against competitors and convey trust and credibility to the offer stated by.

Value propositions are also used by firms to form and work according to their strategies. Barnes et al. (2009, p. 21) (according to Robert S. Kaplan and David P. Norton, HBS Press, 2004) explain strategy requires a clear articulation of targeted customer segments and the value proposition required to please them. The clarity of this value proposition is the single most important dimension of strategy.

A summary of how to build a value proposition is to identify the customer segment, select the approach of your value experience communication in terms of benefits and context, and be credible in answering the questions of HOW and WHAT you deliver. There are different illustrative models for developing a value proposition that are built up of similar features. The following figure is one example from earlier literature.

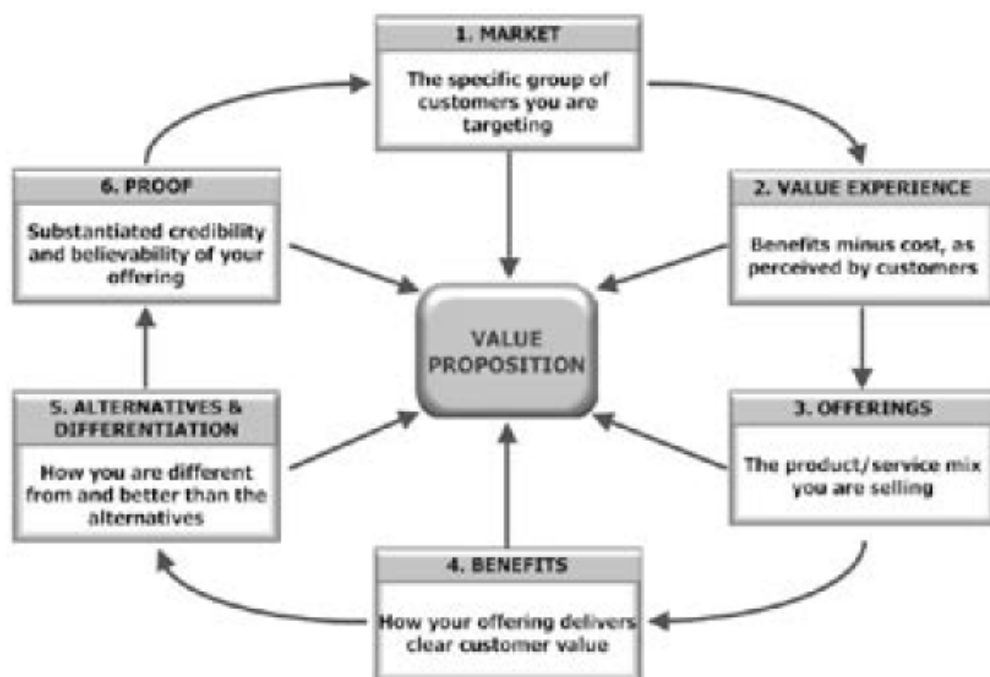


Figure 2 The Value Proposition Builder. (Barnes et al., 2009, p. 31)

Looking more into value propositions through the lens of S-D logic Gustafsson et al. (2012, p. 313) (according to Vargo et al. 2009) say that based on a service-dominant logic, a market offering is attractive if it captures the value-in-context for a customer and (argued by Grönroos, 2000) the focus is not on the offering per se but on the customers' value-creation

process, through which value for customers emerges. Payne et. al defines customer value proposition (CVP) as a strategic tool...

*“...that is used by a company to communicate how it aims to provide value to customers. As one of the most widely used terms in business (Anderson et al. 2006), a CVP also “ should be the firm ’ s single most important organizing principle” (Webster 2002, p. 61), considering that it is crucial to the value creation process (Payne and Frow 2005), with significant performance implications (p. 467).*

*“Payne and Frow goes on to state that a customer value proposition (CVP) is a strategic tool facilitating communication of an organization’s ability to share resources and offer a superior value package to targeted customers (p. 472).”*

Using value propositions as a tool alters the views on value proposition as it will have a critical role as a communication device, promote resources and resource sharing and shift the focus to a customer value experience. Skålén & Gummerus add on to the importance of value proposition communication via direct interactions with the actors. Via direct interaction, firms can explain the value proposition, how it should be used, and how it can be used in tandem with other value propositions, thus trying to align firm and customer processes (Skålén & Gummerus, 2015, p. 7).

As stated in chapter 2.3 S-D logic shifts the focus from output to activities and processes it does not deny the importance of outcomes of innovation (Vargo and Lush, 2016). However, in line with the argument that ‘actors cannot deliver value but can participate in the creation and offering of value propositions’, S-D logic considers the emergence of novel outcomes as the co-creation of new value propositions. Payne et al. (2017, p. 469) state (according to Skålén et al.2015, p. 156) as the key managerial insight by Skålén et al. (2015), that “service innovation must be conducted and value propositions must be evaluated from the perspective of the customers’ value creation, the service that customers receive” A customer value proposition needs to identify the goals of the customer and their operating framework to address them clearly and credibly so that the value proposition is communicated and understood by all stakeholders.

Although CVPs focus on customer-supplier interactions, they can affect other stakeholders too (Ballantyne et al. 2011; Corvellec and Hultman 2014). Several researchers emphasize the importance of considering a broad range of stakeholders (e.g., Gummesson 2006; Lanning 2003; Mish and Scammon 2010). Payne et al. (2017) recognize that value

propositions need to consider social, environmental, and ethical concerns; CVPs require cognizance of these other stakeholders. Barnes et al. (2009, p. 24) state it is necessary to define the top-level value proposition (VP) for an organization; for a specific market segment; and for a particular offering over time; and for a specific sales opportunity for that offering within that segment; and for individual influencers (eg chief executive officer, chief information officer, finance, marketing, etc) within that opportunity.

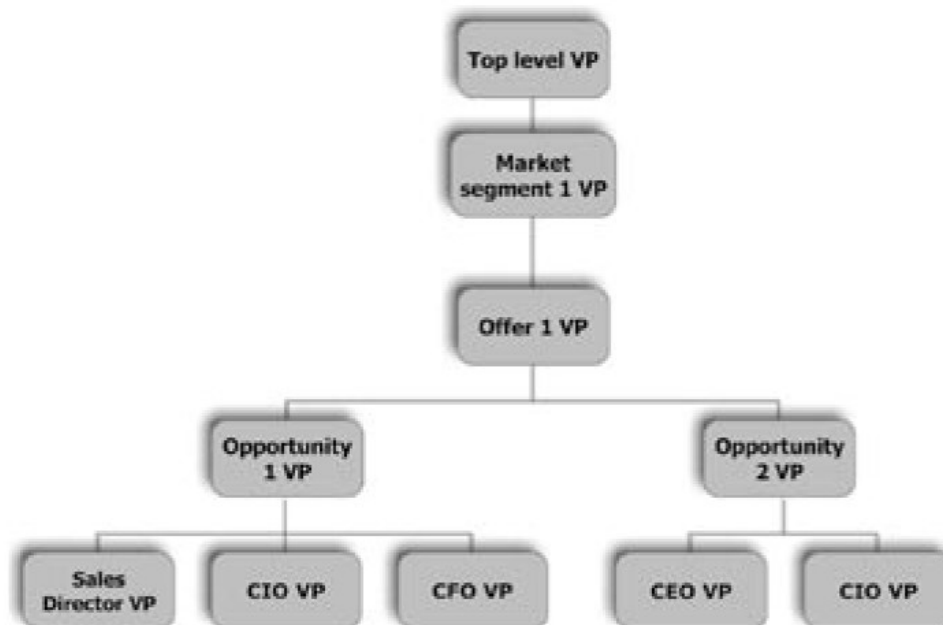


Figure 3 Value propositions developed for each layer. (Barnes et al., 2009, p. 25)

Value propositions are not (or should not) only be intended for company external actors. As earlier stipulated a value proposition is a powerful communication tool guiding all actors in the co-creation of value. Referring to SD-logic (FP4) operant resources are the fundamental source of strategic benefit and shouldn't be overlooked in the value proposition preparations and the need to invite them to the value co-creation process should be made evident. Skålén and Gummerus research established practices on what compose value propositions. The practices identified are the routine activities and sensemaking frameworks used to integrate resources into value propositions. They identified three aggregates of practices: provision practices, representational practices, and management and organizational practices. Provision practices make sure the value proposition is fulfilled (Skålén & Gummerus, 2015, p. 18). In provision practices, "operating practices" integrate resources to support the value creation of the customer as stated in the value proposition. Representational practices enable communication between the



parties, as these practices integrate resources so that the entire value proposition, or parts thereof, can be described, made sense of, and communicated, both internally and externally. (Skålén & Gummerus, 2015, p. 18) The third aggregate, management and organizational practices, provide the baseline working methods and resources needed for provision and representational practices (Skålén & Gummerus, 2015, p. 18)

Provision practices enable the value proposition by supporting customer value creation. Provision practices answer the question; “How does the firm make sure that the value proposition can be used so that value-in-use emerges for the customer, according to the firm’s promise?” Representational practices involve articulating the value proposition, giving it meaning and structure, and are used to communicate the value proposition both externally and internally. They answer the question; “How is the value proposition communicated, and what does it mean?” Management and organizational practices answer the question; “How does the firm fulfil its part of the proposed value?” (Skålén & Gummerus, 2015, pp. 19-20)

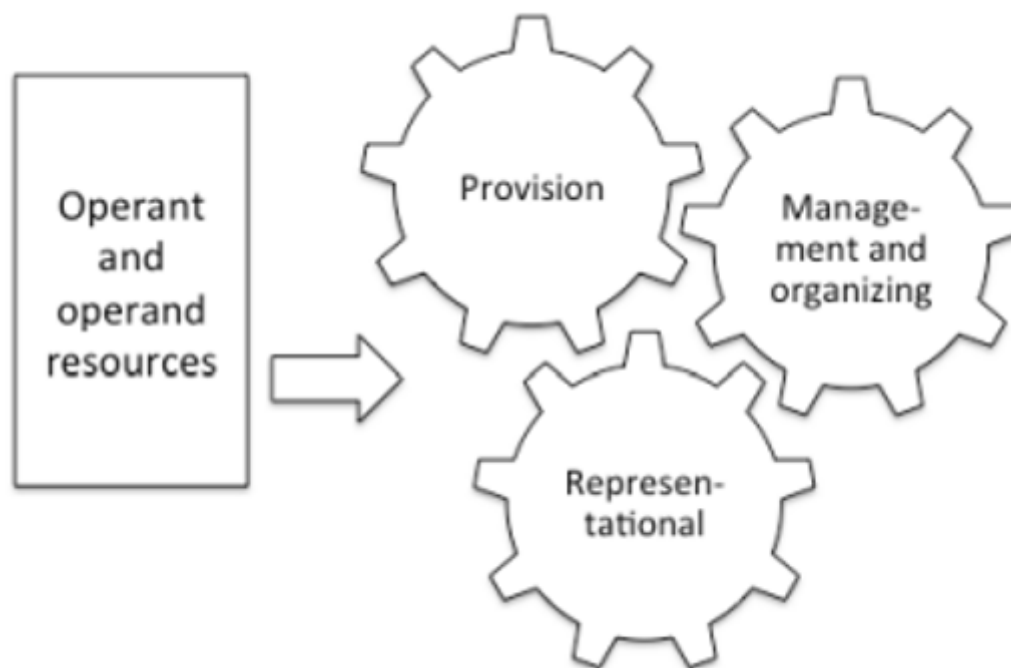


Figure 4 Service Innovation. (Skålén & Gummerus, 2015, p. 51)

## The zoom in to the value proposition

The customer wants value in their purchase and the firm needs to develop a value proposition around their product/services to meet or exceed their expectation. As seen earlier in this chapter a value proposition needs to highlight the benefits that accrue to customers and enable them to achieve their own business goals. In their book (Value Proposition Design - How to Create Products and Services Customers Want, 2014) Alexander Osterwalder et al. have developed a tool for building the customer segment profile by identifying the customer jobs, customer pains and customer gains and also a tool called the value map consisting of three key features; Gain Creators (customer gains), Pain Creators (alleviate the customer pains), Products and services (a list of products and services the value proposition is built around). The customer segment profile is a zoom in to the business model canvas customer segments. The value map is a zoom in to the business model canvas value proposition and focuses more on creating value for the customer instead of value for the company.

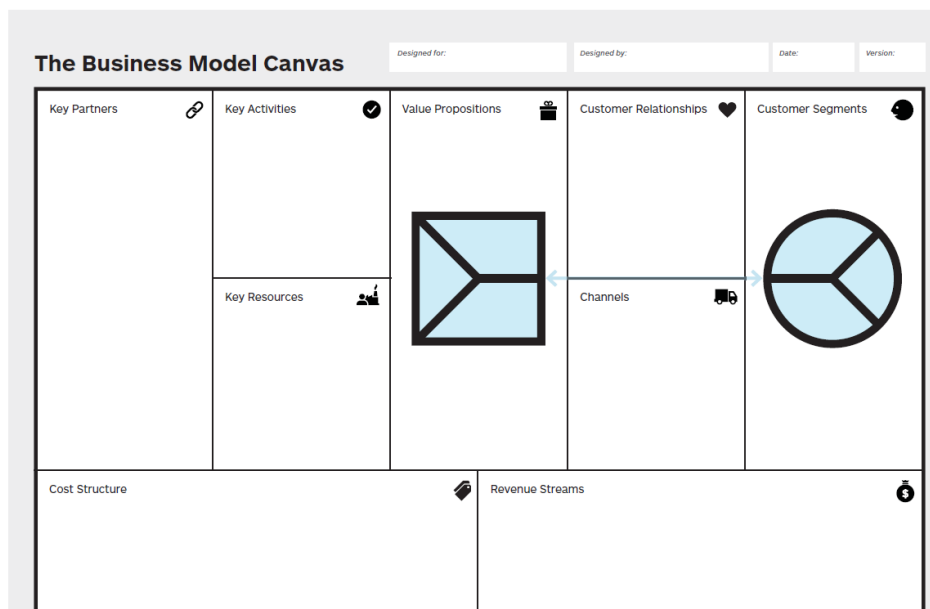


Figure 5 The business model canvas. (Osterwalder et al., 2014, p. xvii)

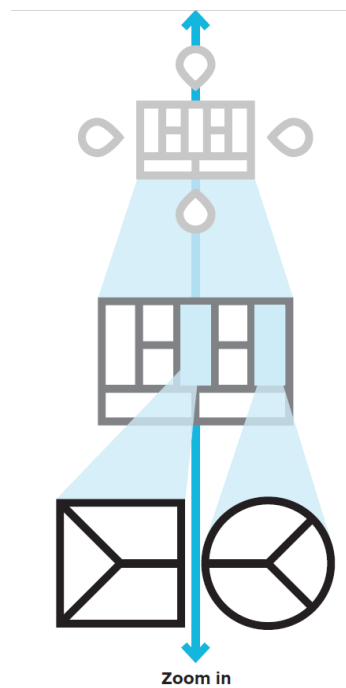


Figure 6 The value proposition canvas. (Osterwalder et al., 2014, p. xiv)

The authors state that when one can identify the most important pain relievers and gain creators to achieving their goals FIT can be established and a powerful value proposition can be conveyed. It is important to acknowledge that it will most likely not be possible to address all customer gains and pains in the value proposition.

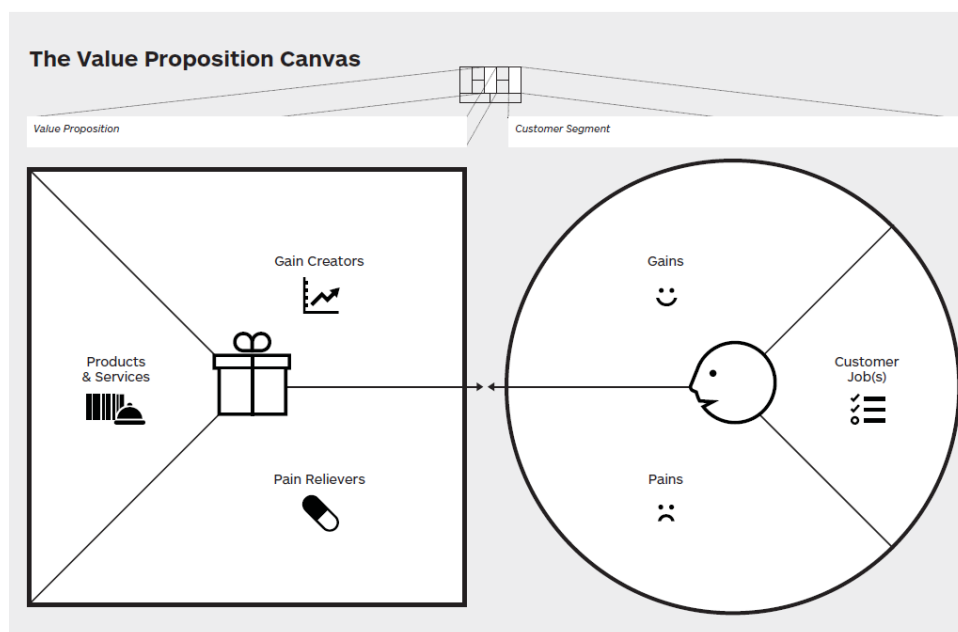


Figure 7 The value proposition canvas. (Osterwalder et al., 2014, p.61)

## **The customer profile**

Customer Jobs describe what customers are trying to get done in their work and in their lives, as expressed in their own words. Customer jobs are divided into four main categories; *Functional* jobs, are when your customers try to perform or complete a specific task or solve a specific problem, e.g. help clients as a professional. *Social* jobs; when your customers want to look good or gain power or status e.g. perceived as competent as a professional, *Personal/emotional* jobs; when your customers seek a specific emotional state, such as feeling good or secure. *Supporting* jobs can be divided into three different roles; buyer of value, cocreator of value and transferrer of value. Customer Pains describe anything that annoys your customers before, during, and after trying to get a job done or simply prevents them from getting a job done (Osterwalder et al. 2014, p. 14). Pains can be risks, obstacles or undesired outcomes both technically and socially. Customer Gains describe the outcomes and benefits your customers want. Some gains are required, expected or desired by customers, and some would surprise them. Gains include functional utility, social gains, positive emotions and cost savings (Osterwalder et al. 2014, p. 16).

## **The value map**

Products and services are a list of what the firm can offer. The products and services help your customers complete either functional, social, or emotional jobs or help them satisfy basic needs. It is crucial to acknowledge that products and services don't create value alone - only in relationship to a specific customer segment and their jobs, pains, and gains. The list of products and services may also include supporting ones that help your customers perform the roles of buyer, co-creator, and transferrer (Osterwalder et al. 2014, p. 29). Pain relievers describe how exactly your products and services alleviate specific customer pains. They explicitly outline how you intend to eliminate or reduce some of the things that annoy your customers before, during, or after they are trying to complete a job or that prevent them from doing so. Great value propositions focus on pains that matter to customers, in particular extreme pains (Osterwalder et al. 2014, p. 31). Gain creators describe how your products and services create customer gains. They explicitly outline how you intend to produce outcomes and benefits that your customer expects, desires, or would be surprised by, including functional utility, social gains, positive emotions, and cost savings (Osterwalder et al. 2014, p. 33).

The authors state that it is not possible to take all identified pains, gains and services along to the value proposition. One should sort out the features which really can make an impact on the customer and create what they refer to as Fit; meaning when a customer gets excited about your value proposition.

## 2.4 Co-creation of value

Akaka & Chandler (2019, p. 118) explains the value co-creation in today's market and the benefits of value co-creation in the SAGE Handbook of Service-Dominant Logic Reframing Exchange: A Service-Ecosystems Perspective.

*“As early as 1999, Pine and Gilmore claimed that we live in the Experience Economy, where the core of business is to engage customers with such experiences that customers consider being of value to them. Prahalad and Ramaswamy (2003) added that competition lies in unique value cocreation with customers”.*

McColl-Kennedy & Cheung (2019, pp. 63-64) propose (as argued by Grönroos, 2008) that *“value creation’ is the customer’s creation of value-in-use”*, with co-creation being the function of the interaction between the firm and the customer. Valuable experiences are cocreated with customers and other relevant actors in value-creating ecosystems. Co-creation of value is as earlier mentioned in the S-D logic not optional for the customer as described in the foundational premise (A2/FP6) *value is cocreated by multiple actors, always including the beneficiary* and the own responsibility must be a part of the customers' mindset. McColl-Kennedy & Cheung (2019, p. 73) enhances this statement with *“value cocreation involves effort on part of customers, with some activities being more effortful than others”*. McColl-Kennedy & Cheung (2019, pp. 63-64) define (as argued by Grönroos and Voima, 2013, p 138) that *“the customer is the value creator and the firm facilitates value for its customers”*. It means each actor plays a role and has their own responsibility in the value co-creation process; the customer controls the value-in-use creation process, while the service provider (or firm) facilitates this by producing and delivering resources and processes that represent expected value-in-use for the customer. Customers anyhow may invite other actors to join the process as a creator of value. McColl-Kennedy & Cheung (2019) brought up interesting future research questions about

coordination of value co-creation. *Is it always the customer's role to coordinate? Or under what circumstances could (should) a firm, or other actor(s), coordinate value creation?* Although an answer is not found in the literature I would claim it is safe to say the responsibility is context-driven and thereby to be determined on a case-by-case situation.

Fianko et al. (2022, p. 386) highlight the need for resources to create value (as argued by Blocker et al., 2011; Zeithaml et al., 2020) and that customer-centric resources could enable firms to address the customer value creation challenge. In particular, supply chain management (SCM) research stresses customer integration as an important determinant of customer value (Cheng et al., 2016; Flynn et al., 2010). Previous research further suggests that customer value creation is strengthened when firms collaborate with customers in the process of creating new products and processes (Flynn et al., 2010; Koufteros et al., 2005). McColl-Kennedy & Cheung (2019, p. 68) argue that it is the "co-creation experiences" (not the firm's offering) that are the basis for the consumer (Prahalad and Ramaswamy, 2003: 2004; Ramaswamy and Ozcan, 2018) and value cocreation as the integration of resources from a range of sources by multiple actors, always involving the customer, to realize benefit in use for the beneficiaries involved in a given context (p. 70).

Cocreation has special relevance in business-to-business (B2B) markets. Payne et al. (2017, p. 472) argue that firms that engage with customers in the mutual development of CVPs adopt a mutual market-oriented perspective or "outside-in" approach (Day 2011), such that the CVP involves a proposal of the benefits accruing to the customer before, during, and after the usage experience. Barnes & et. al (2009, p. 8) mention that often, our attitudes toward client-supplier relationships are deeply ingrained and go to one or other of two extremes. The authors talk about an inside-out and outside-in model, where inside-out is explained as "*Clients must be persuaded to buy what our organization decides they should buy, based on ease and convenience for our organization*" and outside-in is explained as "*clients must be supplied with whatever goods or services they say they want*". However, the value proposition should stem from the value-focused approach in co-creation of value.

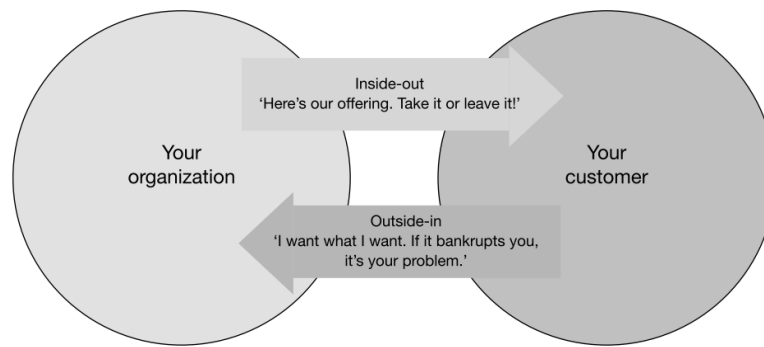


Figure 8 The inside-out and outside-in models. (Barnes et al., 2009, p. 8)

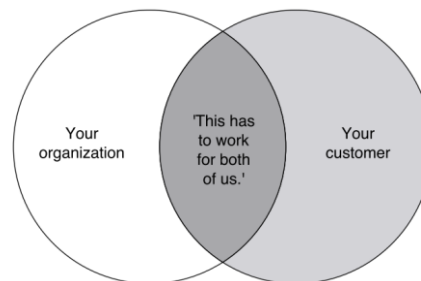


Figure 9 The value focused approach. (Barnes et al., 2009, p. 9)

Several frameworks seek to identify the components of value co-creation (VCC) and assist with understanding and managing VCC. For example, Prahalad and Ramaswamy (2004) suggest a 'DART' model, setting out four building blocks – dialogue, access, risk assessment, and transparency – that managers can focus on in managing VCC (Frow & Payne, 2019, p. 82). Frow and Payne propose three key elements in VCC: value propositions, practices (when resource integration occurs) and institutions (rules of the game). Dialogue, or communication, is one of the DART model building blocks and is recurring in value cocreation literature and especially in service innovation. Gustafsson et al. (2012, pp. 320-321) have looked at customer co-creation as a communication process that is frequent, bidirectional, and face-to-face when attempting creative problem solving. Their findings from such a perspective were...

*...communication and interaction are among the most important aspects of co-creation to achieve product and market success. Firms should create dialogues with customers during the value co-creation process and meet and communicate with customers in the customers' own environment. Good results from co-creation with customers are generally caused by frequency, direction, and content. This means that a company can improve the results by spending more time communicating with customers (p. 321).*

S-D logic FP4 states “operant resources are the fundamental source of strategic benefits” and Åkesson et al. (2015, p. 339) emphasize the particular importance of the operant resources in direct contact with the customer, especially the frontline employees.

*“Frontline employees as personnel either working entirely with customer contact duties or combining customer-contact obligations with back-office work. Because frontline employees frequently co-create value with their customers, they know these customers’ preferences and may be able to help in developing new or modifying existing value propositions. In line with Heinonen et al. (2010), this suggests that service providers would need to focus on becoming involved in their customers’ lives, something which frontline employees are well positioned to do (Åkesson et al. 2015, p 341).”*

Research from Gustafsson et al. (2012) says that employees, whether front-line or elsewhere in the organization, must communicate with customers to understand the experiences that create value for them; otherwise, they will lose their capacity to generate ideas for the next generation of offerings that will serve their customers. The authors identified two dimensions significant in radical innovation which are frequency (positive) and content (negative). Surprisingly direction and modality did not have a significant impact on product success. This implies that companies should learn from customers through frequent contact, which is the same as in the case of incremental innovations.

Co-creation of value requires collaboration between companies with innovation, technical competencies and exchange between the actors. S-D logic argues that firms in collaboration with other service eco-system actors offer value propositions to their customers, promising value-in-use and integrated resources that customers can integrate into their value-creation process (Grönroos and Voima, 2013; Vargo and Lusch, 2008; Vargo et al., 2014) and service is “the application of specialized competences (knowledge and skills), through deeds, processes, and performances for the benefit of another entity or the entity itself ”. Åkesson et al (2015, pp. 339-340) explain that more recently, value propositions have been described as invitations to engage with the firm (and potentially other actors) in the co-creation of value and to engage in service eco-systems. Lusch and Vargo (2014) describe a service eco-system as “a spontaneously sensing and responding spatial and temporal structure of largely loosely-coupled value-proposing social and economic actors interacting through institutions and technology: first, co-produce service offerings; second, exchange service offerings; and third, co-create value ”



The central focus of S-D logic is value co-creation. As already determined S-D logic deals with five foundational concepts: actors, service, resources, value, and institutions. In value co-creation actors work together from many different networks creating a service ecosystem. To coordinate all actors in the integration process institutional arrangements are developed and a S-D logic narrative is formed that continues to develop in a loop. The picture below illustrates the repetitive cycle.

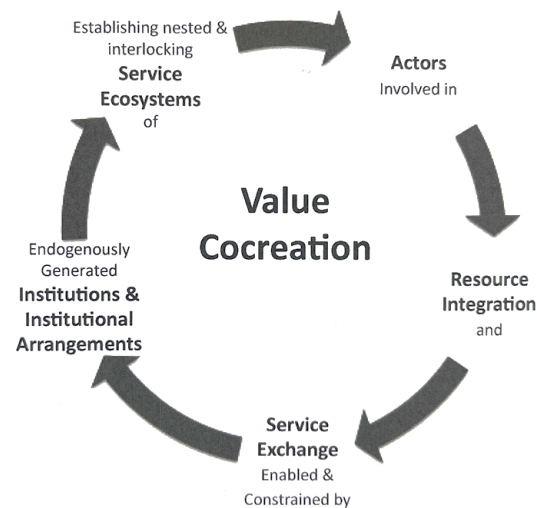


Figure 1.5 The S-D logic narrative

Source: Vargo and Lusch (2016).

Figure 10 S-D logic narrative. (Lush & Vargo, 2019, p. 18) The literature review on the value creation process so far has identified who are involved (actors), the actor engagement and the combination of resources to create new resources (resource integration), doing something for the benefit of another actor (service exchange), enable coordination of involved actors by developed rules (institutions & institutional arrangements) and a closed system with resource-integrating actors governed by mutual added value (service ecosystems). To further explore the customer value co-creation it is important to refer to Tommasetti et al. (2017) research on customer value co-creation activities. Their work was based upon the work of McColl-Kennedy et al. (2012) of dividing customer value co-creation behavior into eight activities, resulting in a measurement framework with a list of actions performed by users during the value co-creation process.

*“We maintain that the latent construct of customer value co-creation behavior has a hierarchical factor structure comprising eight complex activities: cerebral activities, cooperation, information research and collation, the combination of complementary activities, changes to habits, co-production, co-learning, and connection (p. 935).”*

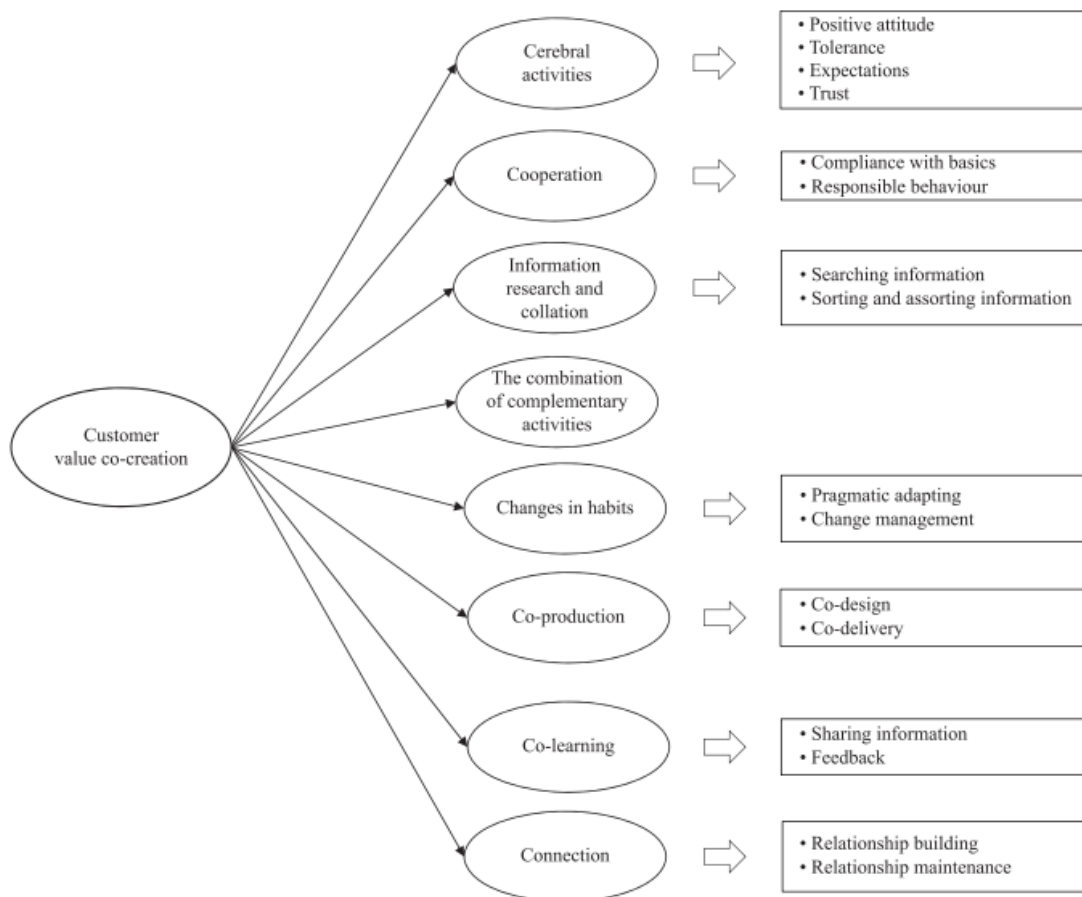


Figure 11 The measurement framework for customer value co-creation activities. (Tomasetti et al., 2017, p. 935)

### **Dimension 1:** Cerebral activities

The cerebral activities comprises mental attitudes consumers have toward potential all-round involvement in service delivery, which includes a general consumer approach to the service (Tommasetti et al. p. 936). The dimension explains the attitudes, expectations and hopes that positively affect the customer attitude to cooperation with service providers in terms of achieving desired outcomes; meaning the consumers' ability to tolerate hypothetical lacks in services and trust in supplier skills. An item representing this dimension could be the following: *"I aim to maintain a positive attitude toward service providers.* Tomasetti et al. (2017) state that *the failure to meet user expectations can influence tolerance,* and (as defined by Yi and Gong, 2013) consumers' willingness to be patient when service does not completely reflect their expectations, at various levels (Parasuraman et al., 1991). This variable impacts trust and future customer loyalty, but the positive attitude should be *"If the employee makes a mistake during service delivery I am willing to accept it"*. It follows that a certain amount of trust on the part of buyers can trigger ideal conditions for the spontaneous generation of value during interaction, engendering a balanced relationship between beneficiaries and suppliers based on mutual respect that is capable of generating synergies (Tommasetti et al. 2017, p. 936).

### **Dimension 2:** Cooperation

Cooperation represents an essential step toward co-creation according to Tommasetti et al. (2017, p. 937) as various studies (according to Tanev, 2011; Chen et al., 2012) show that cooperative performance positively influences the generation of value. The acceptance of guidelines provided by suppliers and compliance with the terms of service may result in the facilitation of delivery in general and the establishment of synergic relations between users and suppliers aimed at creating shared value and shared knowledge in particular. This calls for the responsibility of the customer to recognize their co-creation duties. The authors provide the the example *"compliance with basics"* by McColl-Kennedy et al., (2012, p. 9), *an introductory phase of cooperation (i.e. acceptance of guidelines related to service) that has been shown in some empirical studies to enhance perceptions of goal attainment and overall satisfaction* (according to Dellande et al., 2004; Fattal et al. 2005).

**Dimension 3:** Information research and collation

Information research represents a necessary step that enables value co-creation, as without such information, buyers would be unable to take part in the service or the delivery could not even begin (Tommasetti et al. p. 938). Customers should carry out a preliminary information search to obtain the necessary data to clarify service requirements and how they intend to use the data to achieve their value creation process. The collation of data is needed for the customer to manage their daily activities.

**Dimension 4:** The combination of complementary activities

The dimension pertains to user involvement in further activities and in events related to the service or in additional services, organized mainly by suppliers to increase their engagement and intensify the opportunities for interaction (Tommasetti et al, (2017, p.938). This activity could involve resource integration, innovation and new service ecosystems. The authors explain *“The supplementary activities thus enhance customer skills, making consumers more expert co-creators, whereas participation in events organized by suppliers reinforces their sense of belonging”*.

**Dimension 5:** Changes in habits

During the change management phase, customers welcome change and act to adapt, indicating a proactive and dynamic phase linked to behavioral aspects. Change management affects how consumers react to the impact of the service on their lives and how they handle the changes, thus co-creating value. (Tommasetti et al. p. 939-940). The authors identified two dimensions of change; choosing to deviate from the normal way of doing things to meet the service requirement of co-creating value or change in habits to implement a new way of doing things.

**Dimension 6: Co-production**

Maximum consumer involvement in service provision coincides with its production. Co-production, starting from the studies of Vargo and Lusch (2004), refers to the achievement on the part of customers of processes traditionally internal to the company (Tommasetti et al. 2017, p. 940). The co-production can take place before the service takes place and during the service. The customer conveys his requirements to the provider and they jointly develop the shared value experience

**Dimension 7: Co-learning**

Tomasetti et al. (2017, p. 941) state that (interpreted in line with McColl-Kennedy et al. 2012, p. 15) a core phase in the co-creation process –as an integration of resources – is the stage of co-learning, in which users actively seek and share information. Information seeking is part of the early stages (information research and collation), whereas co-learning pertains to a subsequent level, in which customers exchange the knowledge that they possess of the service with other participants in the customer's service network.

**Dimension 8: Connection**

Connection corresponds to the effective relations between participants involved in the value creation process. Relationship building establishes links with suppliers and their service network and relationship maintenance, even in the post-delivery phase, on the condition that these relationships are solid and trust based (Tommasetti et al. 2017 942) (according to Palmatier, 2008). The authors go on to state that stable relationships are also susceptible to differences in the various types of service, mainly regarding the regularity of service delivered by the same supplier. Reiterated consumption, furthermore, increases satisfaction, which in the long-term can lead to loyalty.

“This not only contributes to supplier empowerment, increasing their knowledge about users, but also produces positive effects on their modalities of approach with customers, on their tactics for customers' assistance and on the final value that they obtain. From this point of view, connection can create value both for providers – who can enhance their relationship with users, their empowerment and the optimization of their time – and for users who in this way receive better treatment and an improvement in their quality of life (p. 943).”

## 2.5 Branding

From the literature review on value, value propositions and co-creation of value propositions one can see the contributions and interlinkage to branding and further emphasizing the importance of value propositions. Branding is a quite vast area for literature studies and not part of this thesis case study, but to illustrate the commonalities of developing a compelling value proposition, the brand management iceberg is a good example.

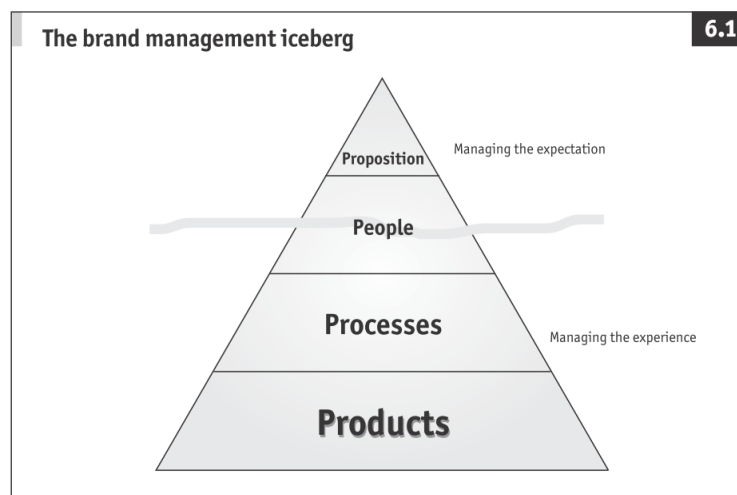


Figure 12 The brand management iceberg. (Clifton, et al., 2003, p. 101)

### Clear proposition

Successful brands begin with a clear proposition. Unless a brand has a clear idea of the value it brings and to whom, it will have difficulty in ever making the brand stand for anything distinctive (Clifton, et al., 2003, p. 100). The brand purpose answers the question WHY; why the organization is here and what they stand for whilst the organization's value proposition answers HOW the organization delivers the value and WHAT value it delivers. The brand proposition is the promise of quality and functionality of the product service and the value proposition is how the different features of the product/service will meet quality and functionality.

## **People and Processes**

People are at the waterline level because, for most companies, they represent the point at which customers finally interact with the brand and the organization should hire people with competencies to satisfy customer expectations (Clifton, et al., 2003, p. 102). In the co-creation of value proposition, the front office employees were identified to have great possibilities for developing new or modifying existing value propositions. To manage the experience the customer will get an organization requires work processes. Unfortunately, all too often these approaches are used simply as a means to take cost (or rather frontline people) out of the system without really examining whether the revised process is adding value to the brand and delivering the promise to customers (Clifton, et al., 2003, p. 104). As stated in the value proposition literature review processes and people play a major part in the co-creation of value proposition e.g. service is “the application of specialized competencies (knowledge and skills), through deeds, processes, and performances for the benefit of another entity or the entity itself”; meaning mutually agreed processes will assist in the customer value experience.

## **Product**

It used to be said that the difference between a product and a service is that customers are actively engaged in experiencing a service, but they acquire and use a product. Brands are now emerging that create experiences connected to the purchase or the use of a product, but they offer value to the customer that goes beyond the product alone and becomes synonymous with the brand (Clifton, et al., 2003, p. 105). The different definitions of value relate to customer perceptions and benefits concerning sacrifices or undesired consequences. The benefits and mitigation of sacrifices for the customer are something that a well-written value proposition addresses.

## 3 Methodology

### 3.1 Research strategy

As the research approach, I have chosen a qualitative study. I've chosen this approach over a quantitative study with the expectation of getting a better and more correct understanding of the research results. A quantitative study e.g. a questionnaire would, in my opinion, not provide in-depth answers and the first results would be subject to follow-up questions and there would be a risk that the sample population wouldn't understand what is sought after without a discussion. The qualitative study was conducted in the form of one-on-one interviews, face-to-face and with an average interview time of 1,5-2 hours.

Validity and reliability are important in a qualitative study. Validity means assessing if the study is measuring what it is intended to measure. In a qualitative study, this could entail ensuring that the research questions are relevant and that the data collected reflects the phenomenon under investigation according to Franklin et. al (2010). To ensure the validity of my study I chose the book *"Value Proposition Design - How to Create Products and Services Customers Want"*. The book was written by Osterwalder et al. 2014 where the leading authors in the field of value propositions had listed interview questions on how to build a customer profile and a value map for building compelling value propositions. Franklin et. al (2010) describes reliability as the results are replicable and consistent. In this study, I've strived to assure reliability by carefully planning and conducting the data collection, analysing data in a systematic and structured way and documenting the study in a detailed and comprehensive manner.

The first interview was piloted with the firm's Head of civil engineering, who commissioned the thesis, and the interview was evaluated for relevance; were the questions understandable or did they need clarifications or changes before proceeding with additional interviews. The feedback on the questions was that they were deemed appropriate for further use and there was consensus on adding a free feedback point to conclude the interviews. The Head of Engineering evaluated, together with his peers in the firm, internal and external interview subjects to participate in the interviews who would give valuable information with criteria such as experience, relevance, and a holistic view of the civil engineering segment. The sample population consisted of these eight persons.



The first group of interview questions were about the customer jobs; what is their mission to achieve, what tasks they are performing to achieve it, and what they need to create trust and be representatives of the company. The questions were formulated “Tell me in your own words about Your/your customer job; including functional, social, emotional and support jobs (buyer and/or co-creator of value” ). Each category was reviewed to receive two to three answers on each job type.

The second group of interview questions was about customer pains. What is it that the customer does not desire as outcomes, what service aren't they receiving or what services are underperforming? Supportive interview points are added in *Italic font* under the interview questions and are presented below.

1. How do You/your customers define too costly?  
*Does it take a lot of time? Does it cost too much money? Does it require substantial effort?*
2. What makes You/your customers feel bad?  
*What are their frustrations, annoyances, or things that give them a headache?*
3. How are current value propositions underperforming for You/your customers?  
*Which features are they missing? Are there performance issues that annoy them or malfunctions they cite?*
4. What are the main difficulties and challenges You/your customers encounter?  
*Do they understand how things work, have difficulties getting certain things done, or resist particular jobs for specific reasons?*
5. What negative social consequences do You/your customers encounter or fear?  
*Are they afraid of a loss of face, power, trust, or status?*
6. What risks do You/your customers fear?  
*Are they afraid of financial, social, or technical risks, or are they asking themselves what could go wrong?*
7. What's keeping You/your customers awake at night?  
*What are their big issues, concerns, and worries?*
8. What common mistakes do You/your customers make?  
*Are they using a solution the wrong way?*
9. What barriers are keeping You/your customers from adopting a value proposition?  
*Are there upfront investment costs or a steep learning curve preventing adoption?*
10. Other pains?

The third group of interview questions was about the customer gains. What is it that the customer dreams about and wants more of, what services are working well or are there new services that can be developed or improved? Supportive interview points are added in *Italic font* under the interview questions and are presented below.

11. Which savings would make You/your customers happy?  
*Which savings in terms of time, money, and effort would they value?*
12. What quality levels do You/your customer expect, and what would they wish for more or less of?
13. How do current value propositions delight You/your customers?  
*Which specific features do they enjoy? What performance and quality do they expect?*
14. What would make Your/your customers' jobs or lives easier?  
*Could there be a flatter learning curve, more services, or lower costs of ownership?*
15. What positive social consequences do You/your customers desire?  
*What makes them look good? What increases their power or their status?*
16. What are You/your customer looking for most?  
*Are they searching for good design, guarantees, specific or more features?*
17. What do You/your customer dream about?  
*What do they aspire to achieve, or what would be a big relief to them?*
18. How do You/your customers measure success and failure?  
*How do they gauge performance or cost?*
19. What would increase Your/your customers' likelihood of adopting a value proposition?  
*Do they desire lower cost, less investment, lower risk, or better quality?*
20. Other customer gains?

The second part of the interview was conducted only with the firm's resources to build the value map. Before participating in the second part of the interview, these resources had in the customer profile interview reflected on the customer's jobs, pains and gains. The value map framework was built up with the firm's available products and services relevant to the customer segment pains and gains. The results of the interviews gave valuable insight into new areas of value co-creation.

The first group of interview questions was about the firm's products and services to determine which could be of value to the customer. The interview covered goods (=deliverables), services, copyrighted material and other in-house developments. The questions were formulated *"Tell me in your own words about the tangible, intangible, digital and financial services our firm could provide to the customer to create value"*. Each category was reviewed to receive two to three answers on each product/service type.

The second group of interview questions were about the pain relievers. What customer pains can the firm's product and services relieve? Supportive interview points are added in italic font under the interview questions presented below.

1. Can our products and service produce savings?  
*in terms of time, money, or efforts*
2. Can our products and services make our customer feel better?  
*by killing frustrations and other things that give customers a headache.*
3. Can our products and services fix underperforming solutions?  
*by introducing new features, better performance, or enhanced quality*
4. Can our products and services put an end to difficulties and challenges your customers encounter?  
*by making things easier or eliminating obstacles.*
5. Can our products and services wipe out negative social consequences your customers encounter or fear?  
*in terms of loss of face or lost power, trust, or status.*
6. Can our products and services eliminate risks your customers fear?  
*In terms of financial, social, technical risks, or things that might go wrong*
7. Can our products and services help your customers better sleep at night?  
*By addressing significant issues, diminishing concerns, or eliminating worries.*
8. Can our products and services limit or eradicate common mistakes our customers make?  
*By helping them use a solution the right way.*
9. Can our products and services eliminate barriers that are keeping our customer from adopting value propositions?  
*introducing lower or no upfront investment costs, a flatter learning curve, or eliminating other obstacles preventing adoption*
10. What other pain relievers can our product and services offer?

The third group of interview questions was about the gain creators. How can the firm's products and services provide value to the customer that meets his dreams and expectations? Supportive interview points are added in *Italic font* under the interview questions and presented below.

11. Could our products and services create savings that please your customers?  
*in terms of time, money, and effort*
12. Could our products and services produce outcomes your customers expect or that exceed their expectations?  
*by offering quality levels, more of something, or less of something.*
13. Could our products and services outperform current value propositions and delight your customers?  
*regarding specific features, performance, or quality.*
14. Could our products and services make your customers' work or life easier?  
*via better usability, accessibility, more services, or lower cost of ownership.*
15. Could our products and services create positive social consequences?  
*by making them look good or producing an increase in power or status.*
16. Could our products and services do something specific that customers are looking for?  
*in terms of good design, guarantees, or specific or more features*
17. Could our products and services fulfill a desire customers dream about?  
*by helping them achieve their aspirations or getting relief from hardship?*
18. Could our products and services produce positive outcomes matching your customers' success and failure criteria?  
*In terms of better performance or lower cost.*
19. Could our products and services help make adoption easier?  
*through lower cost, fewer investments, lower risk, better quality, improved performance, or better design*
20. Could our products and services enable other gain creators?

### **3.2 Data collection**

The interview subjects for the value proposition communication related value were firm employees and customer counterparts working in a position of management and with customer relations in the customer segment of civil engineering. I interviewed four persons in the firm in positions as key account managers and managers of civil engineering departments. Four interviews were conducted with the customer representatives in positions as managers in their civil department managers working closely with the civil department. Seven out of the eight interviews were conducted face-to-face and one was conducted via Teams. To build the value map additional interviews were conducted with the same four interview subjects that first had taken part of the customer profile. One of the interviews was conducted face to face whilst the three others were conducted via Teams. The interviews were recorded via Teams in all interviews and answers were noted down during the interviews for each interview question and were cross verified with the interview subjects.

### **3.3 Data analysis**

The answers to the interview questions were thematically coded. Several of the interviews required two to three iterations of thematic coding to ensure the context in which the answers were given correspond to the correct theme. The next step of the analysis was sorting the data, as many interview questions had the same or similar answers, and based on the sorting I was able to break the themes down to more narrow and specific categories. These steps were conducted separately on the results from each interview. In the data analysis process, I compiled all the interviews into one sheet for starting to synthesize the data. Common themes were then derived from the compiled and sorted data.

## **4 Findings**

The findings from the interview after synthesizing the data of value propositions enabled me to draw parallels to “the measurement framework for customer value co-creation activities” Figure 11 in chapter 2.4 developed by Tommasetti et al. These parallels stem from the communication of requirements in value co-creation in a service-dominant logic mindset. Earlier literature gives much insight into what activities should be conducted to

enable value and value co-creation. The interviews and earlier literature both emphasize the need for communication in value co-creation as communicating e.g. requirements, context, and expectations to relevant actors. If actors cocreating value don't have an understanding of what brings value to the customer project the activities they will undertake will not reach their full potential or the service experience will not meet the expectation e.g. even if the results will be met, the efforts put in were too time-consuming or in the worst case scenario the service didn't meet the requirements, context or the value wasn't recognized.

When developing value propositions efforts are needed to show all stakeholders how the firm plans to achieve the value and awareness is to be communicated to all actors. Important reasons for finding the right value propositions at the beginning of a project are to establish joint expectations on the project and be able to communicate these to the actors not being part of the offer preparation stage. It is not possible or worthwhile to develop a multitude of value propositions as there is a greater need to identify main areas where value service or value engineering can be offered to the client or other actor.

The result of the study is a framework model *“Actor related communication in value proposition(s) and generated value experiences”* with the main areas of what value propositions are important to communicate based on the case study interviews.

Actor related communication in value proposition(s) and generated value experiences				
Communication area	Value proposition activities	Main value Internal	Main value External	Relation to Axiom(A)/Foundational premise (FP)
Create trust	Cocreation of value	Satisfied customer	Exceeding the expectations	A1 Service is the fundamental basis of exchange. FP7 Actors cannot deliver value but can participate in the creation and offering of value propositions. A2 Value is cocreated by multiple actors always including the beneficiary
	Reporting	Show adherence to the value proposition	Input to the customer value creation process	
	Manage the project	Deliver the project within given frameworks	Deliver the project within given frameworks	
Responsibility	Purchase Orders	Efficient engineering	Less rework	A2 Value is cocreated by multiple actors always including the beneficiary. A4 Value is always uniquely and phenomenologically determined by the beneficiary. A5 Value cocreation is coordinated through actor generated institutions and institutional arrangements
	Legal	Increased service scope	Reduction in efforts	
	Ownership	Increased service scope	Reduction in efforts	
Requirements	Customer expectations	Efficient engineering	Meeting the customer expectations	A2 Value is cocreated by multiple actors always including the beneficiary. A4 Value is always uniquely and phenomenologically determined by the beneficiary. A5 Value cocreation is coordinated through actor generated . institutions and institutional arrangements
	Context	Total cost awareness	Total cost awareness	
	Supply chain	Efficient engineering	Meeting the project requirements	
Consultative approach	Proactiveness	Satisfied customer	Reduction in efforts	A1 Service is the fundamental basis of exchange. FP7 Actors cannot deliver value but can participate in the creation and offering of value propositions
	Planning	Efficient engineering	Deliver the project within given frameworks	
	Innovation	Efficient engineering	Total cost awareness	
Value engineering	KPIs	Show adherence to the value propositions	Input to the customer value creation process	A1 Service is the fundamental basis of exchange. A4 Value is always uniquely and phenomenologically determined by the beneficiary
	Total cost efficiency	Efficient engineering	Cost reduction	
	Automation	Efficient engineering	Cost reduction	
Integration	Resources	Increased service scope	Reduction in efforts	A3 All social and economic actors are resource integrators
	Tools	Efficient engineering	Cost reduction	
	Processes	Efficient engineering	Cost reduction	
Information sharing	Lesson Learnt	Efficient engineering	Meeting the project requirements	A1 Service is the fundamental basis of exchange. A5 Value cocreation is coordinated through actor generated institutions and institutional arrangements
	Knowledge sharing	Efficient engineering	Meeting the project requirements	
	Databases	Efficient engineering	Meeting the project requirements	
Support	Technical Support	Increased service scope	Reduction in efforts	A3 All social and economic actors are resource integrators
	Tool Support	Increased service scope	Reduction in efforts	
	Manpower	Increased service scope	Reduction in efforts	

Table 13 Actor related communication in value proposition(s) and generated value experiences.

Each communication area is linked to the axioms and foundational premises of the S-D logic and broken down into the main value activities and is further explained with examples of the main value it would bring internally to the firm and externally to the customer. The following chapters present each communication area more in detail.

### **Dimension 1 Create trust**

A common notion from interviews about the value propositions is that they should communicate and enable trust to the actors. In several of the interviews the statement *“trust is to be earned”* came up and comments like *“once trust is lost it is difficult to regain”*. Different characteristics of creating trust were identified as transparency, confidence and integrity. Trust is earned via relationship building and as seen in the earlier literature deLeon and Chatterjee (2017) research showed that the impact on a buyer’s satisfaction with a relationship was three times that of either instrumental service or interpersonal service. The fundamental premises axioms (A1) service is the fundamental basis of exchange and (A2) value is cocreated by multiple actors always including the beneficiary supports the activities for relationship building by doing something for the benefit of another actor in a two-way (or greater) dynamics of exchange and the process of increasing the wellbeing (viability) of an actor through the integration of resources available from the service ecosystems of which it is a part. The interview identified the most important activities for creation of trust and relationship building as co-creating value, reporting and managing the project. These activities are described further below:

### **Co-creation of value**

The results from the interviews validated the importance of preparing offers and value propositions together with clients. This will aid in establishing the requirements of context and expectations for other actors, essentially the value propositions will work as a tool. When a joint value proposition is established, the baseline is set, and if deviations from jointly agreed baselines occur it might create trust issues, but on the other hand, having clear expectations will guide all actors towards the common goal. The interviews defined the success from co-creation to be a satisfied customer and can best be achieved in a joint effort between the actors.

Exceeding the expectations will have a positive effect on trust and relationship building. New value propositions might (and should) be developed by actors during the project execution. Failure to live up to the expectations was brought up under the customer profile pains as it leads to a negative impact on trust. An example of expectation was related to change orders. Change orders usually originate from the change of information or delay in receiving information and additional cost and effort related to them are often met with negativity and a mindset of *"I did not expect this to be a change to the scope of works"*. In the service-dominant logic mindset of doing something for the benefit of another actor an interesting service approach was brought up in the interviews by the customer. The statement was *"don't fare change orders, sell them"*. Communicating the positive aspects of the change in the form of a value proposition by highlighting the benefits by transforming it into an opportunity, would promote relationship building and exceed the expectations of the involved actors. An example could be when equipment and other installations related to the equipment are to be removed from a design, the actors should evaluate the possibilities there are with the new available space e.g. enhance already made solutions from an operational point view and thereby generate additional value to the operators. The interviews identified the key value for the firm as having a satisfied customer and the customer value was receiving an experience with exceeded expectations.

## **Reporting**

Reporting is an important form of communication, the actors need to know the status e.g. adherence to the value propositions or the value of the used solutions over the disregarded solutions. Reporting can be treated as one delivery (=goods) in the field of engineering. The firm should develop, propose and agree on a means of reporting that generate value to all stakeholders and serves as input in the customer value creation process. Delays or changes in baselines need to be transparent and communicated well in advance or on time. Tools, templates, and intervals for reporting should be part of a value proposition and are not to be treated as something reducing one's available time, but rather as a communication tool that promotes benefits to all actors. The right use of the tool will give confidence to the customer and assist in the management of the project baseline. The used way of communication needs to be informed to all stakeholders as each stakeholder is contributing inputs to the reporting based on their daily work activities. The main value of



reporting for the firm was to have a communication tool to show adherence to the value propositions and value to the customer was to receive inputs to their value creation process.

### **Manage the project**

Managing the project is not a one-person job. Careful planning is to be conducted to staff the project and identify the needs of all stakeholders. This was highly emphasized during the interviews that a joint plan on monitoring the baselines e.g. scope, time schedule, input/outputs, requirements and project context needs to be developed. The value proposition for how to enable this, and ensure that supportive communication takes place, to discuss challenges is to be developed and executed. In an interview, a recurring review forum was suggested to be planned between the parties, where unexpected challenges are identified and the parties jointly develop suggestions of resolution to ensure value creation by the successful management of the project. The main value of successful management was identified to be the same for both the firm and the customer – delivering the project within given frameworks – although it's worth pointing out that for different actors there are different frameworks.

### **Dimension 2 Responsibilities**

All actors involved in value creation need to have a clear understanding of their roles and responsibilities. The service one is providing is different depending on e.g. the ownership of the activity. The resources might be contributors or responsible actors. During the interviews, the subject of ownership emerged, and the customer pain was that ownership many times is outside of the customer segment's direct control, but still a part of the customer firm. Although ownership of an activity or service belongs to another actor there would be potential value involving the actors from the value co-creation network. An example in value propositions could be developing a RACI-Matrix and acting as contributors where the firm sees they can offer value. The main themes of pains related to ownership in the case study were purchase orders, legal and ownership.

## Purchase orders

Although the responsibility of issuing purchase orders is with the customer it was identified that it would be of value to include the firm's subject matter experts on the technical part. Some of the interviewees stated that it's not necessarily that the person writing the technical part is aware of "*how all things interact*" or is "*not having in depth understanding of the technical requirements*". Whatever the reason, all interviewees agreed, that an additional pair of eyes would assist in the guarantee that what is offered equals what is promised is met. The value for the customer would be less rework e.g. avoiding issuing additional clarifications to other actors or reissuing updated information in the form of deliverables and the benefit for the firm is to be able to provide an efficient service in the form of efficient engineering.

## Legal

In the customer profile, one of the pains recognized was gaining "*in-depth knowledge of local norms and regulations in due time*" when working in a global market. The firm's global network could assist and offer the service for the requirements and based on this value proposition, the firm can communicate these service requirements to actors in its ecosystem network. The benefit for the other actors would be e.g. a reduction in customer efforts and the firm would experience value in the form of an increased service scope.

## Ownership

Areas of customer pains and gain creators were related to ownership. This included Building Information Modelling (BIM) services, base solutions, and collaborative platforms. There's a joint consensus all these tools and services are needed and are of high importance in the value creation process, but when building the customer profile it was identified that the ownership of products/tools is preferred to be "*in-house*" by other company actors. It was concluded that the choice of tools, base solution, and collaborative platform to be identified at an early stage. This will enable the actors to find the "*right persons for the right task at the right time*" expressed as a gain from the customer profile. The firm's value proposition on the ownership could be e.g. integrating resources to the customer processes

or offering the benefits of using their tools. An idea from the interview on how to challenge the mindset of having ownership in-house was e.g. conduct development and offer innovation in the form of an “*outcome-based pricing model*”; meaning development would be done internally in the firm and when the solution or service was used a percentage of benefits would be allocated back to the firm. Outsourcing the ownership or invest in a co-cooperation would create value for customer in reductions of own efforts and create value for the firm as an increased service scope.

### **Dimension 3 Requirements**

One of the most common customer pains was identified as not being successful in meeting all the project requirements set forth by the end customer. As an example, a tender project might contain several thousands of pages, and in addition to that, the local country requirements e.g. norms and regulations, construction culture and undefined requirements. It is quite a challenge to manage the requirements internally and with all actors as customer expectations might have been misinterpreted, expectations might not be known or not understood in time thereby adding to the complexity. The requirements and expectations need to be understood, communicated to all actors and monitored they are implemented. The interviews, as well as the S-D logic focus of value co-creation, confirm the need for cooperation from actors and institutions to enable the promises to the end consumer. To make a powerful value proposition to answer the question of HOW value will be created the firms need to examine the capabilities in integrations of e.g. operand and operant resources. It could be specialized skills (operant resource) or tools and processes (operand resources).

### **Customer expectations**

As the customer is the first and often the only point of contact with the end customer, the customer has a tremendous task to identify the (new) end customer expectations. This could be everything from extended serviceability to desired construction methods to interconnections between existing installations or cooperation with other actors having an interest in the same area. These requirements and expectations are to be identified during sales and value propositions on how to meet the most challenging requirements and

expectations are to be developed in a joint effort. The main value for the firm is to be enabled to provide efficient engineering and the value to the customer is to be able to meet the customer expectations.

### **Context**

The context of a project is affected by many factors, but in the interviews, three main factors identified were: Material vs hourly work rates, delivery time vs optimized solutions, and total cost vs sustainability (carbon footprint). It's imperative the value propositions take the context into account and that the expectations brought forth by the context are part of all actors' mindsets. Akaka & Chandler (2019, p. 121) stated that in S-D logic, the role of context is essential in analyzing value and value creation. In their foundational premises and axioms, Vargo and Lush (2008;2016) point out that value is not stable, as value experiences vary in different contexts. Axiom (A4) *value is always uniquely and phenomenologically determined by the beneficiary* implying that service meeting the context is of high importance for how value is determined. Payne et al. (2017, p. 478) also emphasized the importance of context in value provision with *"the CVP perspective adopted is explained to be customized value propositions considering the context, competitive environment, customer base, products, and other factors help the firm determine its potential to move toward the mutually determined outside-in perspective"*. The main values in understanding the context for the service were identified to be the same for the firm and the customer – total cost awareness - although it's worth pointing out that the mindset has to be that it has to work out for both parties as emphasized by Barnes et al. (2009, p. 9) *"meaning it has to work for the both of us"*.

### **Supply chain**

Managing the supply chain with all requirements is a task that requires substantial effort. Many actors will have a fairly small, although important, contribution to the project. It is a pain to the customer if *"the project requirements and context is not communicated fully to each actor"* and in one interview a customer's pain about the supplier was when *"baselines and framework are not communicated to them"*. Many suppliers have standardized

products, and these are not necessarily possible to alter to suit the project requirements. Even minor modifications will require efforts from many actors and the need and benefit of the change should be communicated. Interactions and coordination are needed between all actors and *“flexibility needs to be on both sides”*. This is also highlighted in the SD-logic axiom (A5) *value cocreation is coordinated through actor generated institutions and institutional arrangement*. The main value identified for the firm is efficient engineering and for the customer, it is meeting the project requirements.

#### **Dimension 4 Consultative approach**

Doing something for the beneficiary of another actor is the foundation of service. The service provided should be of good quality, meaning providing value to the beneficiary. This refers not only to the outcome of the received service but also to the experience the customer will receive during the value co-creation. The three top expected service experiences were proactiveness, planning, and innovation.

#### **Proactiveness**

In the interviews, the lack of time was a recurring topic. A general statement was *“Don’t come with questions, come with solution options generating value”*. An interesting comment that also came up in a couple of the interviews was *“Challenge yourself to step out of your comfort bubble”* which further explained that one shouldn’t be afraid suggesting something new to you or would require more effort. The statement is valid for the individual actor as well as the firm developing the value propositions. Actors, especially in the firm should be proactive with inputs to value propositions e.g. be prepared for meetings, use benchmarking, research, and interview their colleagues where the main points that came up during the interviews. The main value for the firm would be to have a satisfied customer and the customer value would be a reduction in efforts.

## Planning

Planning in this context means planning the needed resources with the needed special competencies. To provide the beneficiary with the best possible service *“the right resource with the right competence should be available at the right time”*. This is answering the HOW the firm promised to in their value proposition in providing a consultative approach. The main value for the firm is delivering efficient engineering and for the customer to deliver the project within the given frameworks.

## Innovation

With an everchanging market, new ideas are needed. What worked 20 years ago and what is needed now will for sure differ. Areas for innovation can come from any actor, and as stated in the literature frontline employees frequently co-create value with their customers. A base for value proposition found in the interviews related to innovation was *“Value engineering through (decreased) CAPEX”*. An example of this would be by spending more time on new solutions we can save on the total cost. Additional gains that could stem from innovation that were mentioned was to transform the base solutions, bridging tools with automation, and the use of AI in engineering. Other points regarding innovation were how to enable innovation and discussion took place about access to different actors' databases e.g. cost, supplier register, and competence databases. The main value for the firm would be efficient engineering and for the customer total cost awareness.

## Dimension 5 Value Engineering

All the interviews brought up the topic of value engineering; a systematic, organized approach to providing necessary functions in a project at the lowest cost. Different actors will have their view of what is value engineering e.g. adding more efforts on manufacturing to save cost in the installation will not give direct value to the supplier and conflicts might occur, but creating the benefits for another actor is the mindset needed. One interviewee mentioned, *“Engineering cost is a very small part of the overall project cost, but the value of good engineering will have a big positive impact on reducing the total cost”*. The main

customer pains identified were not well-defined KPIs, a total cost efficiency mindset, and automation.

## **KPIs**

The mindset of which KPIs (Key Performing Indicators) are *“the right ones”* to be followed where defined as a customer pain. Several interviewees stated customer pains when *“faulty KPIs”* are used and that there would be a great possibility to develop metrics on what is the total cost savings that can be achieved with using more time on engineering. Many existing KPIs are rooted in the G-D logic mindset with units of output instead of measuring the received value of the service. Referencing back to S-D logic axiom (A4) *value is always uniquely and phenomenologically determined by the beneficiary*, one can already identify there will be challenges with receiving accurate data from service KPIs. It was further emphasized that engineering shouldn't be a *“budget design, it should be a value design”*. KPIs are a metric that is especially important whilst preparing the offering, but also important during the execution to be developed on the macro level e.g. in the change management process. Relevant total cost efficiency KPIs would be a powerful value proposition giving the customer a better understanding of the service experience they will receive. The main value for the firm is to show adherence to the value propositions and customer value will be input to their value creation process.

## **Total cost efficiency**

To achieve total cost efficiency one needs to have the right mindset; lead and monitor the costs in the given framework and in support of this mindset, one interview subject stated *“We have to change our mindset to service e.g. in fixed price projects, final customer product etc...”*. The *“total project cost is more important than suboptimization”* was also identified as a customer gain. The total price reduction was highlighted to be context-driven, taking into account e.g. penalty delays, labour cost efficiency vs material quantity, and safety over cost. The main value for the firm would be efficient engineering and the customer value would be cost reduction.

## **Automation**

Manual repetitive work is to be automated by robotics. An example of this is relocating or converting data between different software's whose ownership could be internal as well as external to the actors. The interview subjects stated that standard libraries would need to be developed and maintained by the firm so that proven working solutions could be automated with project-specific parametrises and the robotic automation handles the validating thereby removing the repetitive task from the operant resources. The main value for the firm would be efficient engineering and the customer value would be cost reduction.

## **Dimension 6 Integration**

The interview findings identified the benefits and expectations of working in an integrated way. Resources could be part of development projects, or application specialists could develop tools to support the customer tools, and the alignment of processes were defined as the key points.

## **Resources**

The customer recognized that certain skills and competencies are needed from external parties to develop e.g. optimized base solutions. The other main reason for resource integration was the commitment and the understanding integration (or involvement) would bring between the actors. With the successful integration of the two activities, there's an expectation that the provided service would bring additional value to the customer in many areas. The main value for the firm would be increased service scope and the customer value would be a reduction in efforts.

## **Tools**

Bridging the tools between companies was an important point that came up during total cost-effectiveness as well. *"Time is money"* and *"manual repetitive processes should be decreased"*. One person mentioned that *"we can't continue to export data to Excel only"*



*transfer the Excel to the next person, who will upload the Excel to another software".* Working directly in customer tools was deemed for the customer as a benefit. There are certain quality-related topics e.g. not having all project documentation in the actor's system if this approach is taken, but automated robotics could be the solution and would be subject to further research. The main value for the firm would be efficient engineering and the customer value would be cost reduction.

### **Processes**

There's already been work conducted on aligning processes for sales and operative projects between the companies e.g. a Gate Model approach having mutually agreed milestones and content maturity. Having agreed processes will guide all actors to work in unison to achieve a well-coordinated project. Several interviews also emphasized it would be a customer gain, if in addition to a successful integration of processes, that there would be a joint continuous development of new and existing processes. It was also mentioned that the processes and practices in service should extend further to involve other actors in the firm who are not directly participating in the operative project. The main value for the firm would be efficient engineering and the customer value would be cost reduction.

### **Dimension 7 Information sharing**

Finding the right information is crucial for delivering value. In the context of the case study with actors working in a global market, information ranges from country laws and regulations to other actors (e.g. the customer using the end product or competitors), available products on the market, geographical conditions and cultures. Information can be retrieved by actors working in different institutions, but part of the service eco-system. The key sources to gather information from were identified as lessons learnt, knowledge sharing and databases.

**Lessons learnt**

Having an extensive “lessons learnt” library on which a company’s processes and tools are developed to quality assure the service is imperative. The gathered experience of accumulated knowledge from similar projects will give additional value to the service e.g by using what is working and avoiding what is learned to not work. This gathered information can be formulated as powerful value propositions creating trust to the receiver and providing guidance for the actors. The main value for the firm would be efficient engineering and the customer value would be meeting the project requirements.

**Knowledge sharing**

An important source of gaining knowledge was to interview colleagues about their experiences of the customer or country's culture. This could bring forth best practices for achieving value in service for all involved actors. In one of the interviews, it was stated that *“I begin interviewing my colleagues for any experiences they have had in this type of project or in this country”*. The main value for the firm would be efficient engineering and the customer value would be meeting the project requirements.

**Databases**

There are numerous databases of importance to actors involved in an engineering project. These databases might be internal as well as external to actors. Cost and material, reference projects, and local government institutions on the design parameters e.g. seismic, rain intensity, snow, wind, hurricanes, ambient temperatures. Identifying these databases and making them available and known to all actors will create value as input for completing their tasks. The main value for the firm would be efficient engineering and the customer value would be meeting the project requirements.

## **Dimension 8 Support**

Supporting functions as technical support, tools support or manpower were expected customer gains. These additional services are bringing value to the customer goals of meeting the customer expectations and completing the project objectives. The key type of support expected was identified as technical support, tool support, and manpower. A customer pain in support was the lack of it or slow response times when the engineering company's resources had finalized the engineering and were not available on short notice to provide the requested support e.g. to support the construction

### **Technical support**

Technical support with special skills and competence in engineering can assist with variation orders in scope, innovation and solutions. Technical requirements can be explained and clarified with suppliers and additional services in construction, as built documentation and commissioning can be offered. Being able to provide these services will hopefully create a positive service experience for the consumer. The main value for the firm would be increased service scope and the customer value would be reduction in efforts.

### **Tools support**

The subject "tool support" means in this context enablement of a service via tools. Support functions brought up in numerous interviews as customer gains where related to 3D scanning, site surveys, BIM tools, automation, AI and tools integration development. The main value for the firm would be increased service scope and the customer value would be reduction in efforts.

## Manpower

The customer profile identified that depending on the workload additional manpower might be needed to secure project goals. The manpower support could be of a deep technical nature requiring a special competence e.g. translations or complementary support for performing the customer's daily work activities e.g. quality assurance of the supplier network. The main value for the firm would be increased service scope and the customer value would be a reduction in efforts.

## 5 Discussion

In this chapter results and managerial impacts are discussed. First, the research questions are discussed whether they were answered by the research based on the results. Secondly, observations of earlier research are discussed. Lastly, the validity of the research is explained and recommendations for managerial use and opportunities for further studies are presented.

### 5.1 Research findings

The study was conducted with front office employees in manager positions at the firm and from the customer. The findings are opinions from their experiences of best practices and their view on what would create value for them. The central focus of S-D logic is value co-creation (Lush & Vargo, 2019, p. 18) and based upon the interviews of the customer profile and value map the *“actor related communication in value proposition(s) and generated value experiences framework model”* was developed with eight key areas of value proposition communication. The identified communication areas and related value proposition activities with relation to S-D logic foundational premises answer research question 1: *“What is the value proposition related communication in an S-D logic mindset?”*. As the interviews were conducted with participants from both the customer and the firm the results gave possibilities to identify the perceived value from both actors. The identified value creators were the same in for both the actors although the value experienced differed between the actors' importance and/or benefit. With insight research question 2: *“What creates value internally and for the customer following the S-D logic perspective?”* is answered.

## 5.2 Observations and earlier research

One thing that surprised me during the interviews was to define the firm's current value proposition(s) and how it is communicated. This topic was generally discussed in the interview at greater lengths than other questions. A consensus was that due to the long cooperation between the company and firm, the current value propositions are taken for granted. It was anyhow recognized that it shouldn't be taken for granted and an effort will be needed to communicate new and existing value propositions.

The S-D logic foundational premise (FP10) *value is always uniquely and phenomenologically determined by the beneficiary* (Lush & Vargo, 2019, p. 15) became quite evident in the interviews as the notion of difference in perceived value surprised and the additional challenge I then later faced while synthesizing the results of what creates value for each actor. The eight communication areas identified are admittedly exchangeable with other synonyms and there are some value proposition activities that could fit under more than one communication area.

The communication area of creating trust was identified recurring result in the interviews and its importance in value co-creation can be found in earlier literature. Tommasetti et al. (2017) brought up trust in the customer value co-creation activities as "connection". The connection dimension also included relationship building and its' importance was described by deLeon & Chatterjee (2017) *"with its impact on a buyer's satisfaction with a relationship was three times that of either instrumental service or interpersonal service"*.

Responsibility was identified as an important area of communication. In the value creation process, S-D logic brought up the responsibility of customers in the foundation premise (A 2/FP6): *"Value is cocreated by multiple actors, always including the beneficiary"* (Lush & Vargo, 2019, p. 13) where the customer needs to recognize his/her responsibility in value co-creation. Tommasetti et al. additionally emphasize this in dimension 2 of the customer value co-creation activities that *"service may result in the facilitation of delivery in general and the establishment of synergic relations between users and suppliers aimed at creating shared value and shared knowledge calls for responsibility"* and that the customer needs to recognize their co-creation duties.

Requirements are to be identified and value propositions on HOW to meet them need to be communicated by the firm. Although requirements identification is a part of customers as described by Tommasetti et al (2017) *“Customers should carry out a preliminary information search in order to obtain the necessary data to clarify service requirements and how they intend to use the data to achieve their value creation process”* customers anyhow may invite other actors to join the process as a creator of value as explained by MACColl-Kennedy & Cheung. Akaka & Chandler (2019) state that generally, neither firms nor customers have all the resources they need to survive. Thus exchange is required to gain access to the resources of others. This is in line with the foundation premise of S-D logic (FP4) *“Operant resources are the fundamental source of strategic benefit”* as actors can apply knowledge and skills.

Consultative approach communication was deeply sought after in the interviews which is in line with the S-D logic *“service is doing something for the benefit of another actor”* (Lush & Vargo, pp. 9-10). In terms of value propositions Åkesson et al (2015, pp. 339-340) explains *“that more recently, value propositions have been described as invitations to engage with the firm (and potentially other actors) in the co-creation of value and to engage in service eco-systems”*. In the consultative approach, one value proposition activity identified was innovations. In the literature review it's stated that S-D logic does not *“deny the importance of outcomes of innovation”* and S-D logic foundational premise (FP7) *“Actors cannot deliver value but can participate in the creation and offering of value propositions”* further strengthens the result from the interviews.

Value engineering was identified as important in the customer profile. Value propositions on how to create gain are instrumental in the value co-creation process. S-D logic foundation premise (A5/FP11) *“value cocreation is coordinated through actor-generated institutions and institutional arrangements”* enables value engineering. A definition of value in the literature is defined as *“value is customer experience in using product”* and in the context of engineering with primary delivery being design the value of the design is having a large impact on the beneficiary's determination of value.

The value of information sharing was emphasized in several interviews and Tommasetti et al. explain *“Information research represents a necessary step that enables value co-creation, as without such information, buyers would be unable to take part in the service or the delivery could not even begin”*. An exchange of information would be an important activity to perform whilst designing joint value propositions.

Support was identified as important as this was identified as a customer pain when not receiving it. Integration of resources that apply specialized skills and knowledge will help the customer in their value creation process. The successful implementation of the five foundation concepts of S-D will serve as gain creators: actors, service, resources, value and institutions.

### **5.3 Validity and reliability of the research**

It is important to highlight that identified communication areas and value findings are the results of personal opinions from the interviews. The interview participants held different positions in the company or firm and were possibly looking through the lens of their position in terms of appealing value propositions. The results might also have differed slightly depending on the participant's context experience. Clarifications were done during the interviews on what was sought after in each question, but as in any qualitative study, the result will end up with interpretation and observations of the interviewer. The interviews were delimited to participants working in managerial roles. The framework model is deemed valid based on the trustworthiness of the interview subjects and the reliability of their answers. The trustworthiness validation is based upon that all interview participants had 10-20 years of experience with the customer segment and the credibility was derived from the level of coherence in the answers provided.

The findings didn't put any weight on which communication area was of highest or lowest importance and there are a few reasons behind this. The interviews were conducted independently and not discussed in a consolidated group where they could have been ranked by importance. The second reason is that every project is unique in some way; meaning the context varies, so what was the most important area in one project is having lower importance in another, but all main findings could matter and should therefore be listed.

The correlations of communication areas, value proposition activities, internal and external value, and linkage to S-D logic theory were done based on the synthesized result from the interview and the S-D logic theoretical framework. In my opinion, the research study is valid in the aspect of identifying the value propositions communication and value creators for the firm and the company, but the Service-Dominant logic focus of value co-creation should have been more emphasized in the interviews.

#### **5.4 Managerial use of the findings**

Managerial uses of the framework model could be using it as checklist or guideline when preparing value propositions in offers or change orders. Users could be e.g. the sales organization or the employees working in operative projects.

On higher levels in the organization, the model framework could be used for developing strategies; such as relationship building and improvement of internal processes. There are also possibilities, and my dream is to see a change of mindsets to service from all involved actors to embrace the notion of value co-creation and doing something for the benefit of another actor.

The framework model should work as a tool to spur innovation; and enhance value co-creation of existing and new areas by further resource integration of operand and operant resources.

#### **5.5 Opportunities for further research**

The interview sample group did not include any back-office employees or front-office employees working outside managerial positions further research is encouraged with a larger and more diverse group of interview subjects. The proposed framework model could e.g. be proven empirically, challenged or further developed.

Further research could also e.g. evaluate the importance of each communication area or provide enrichments to the value proposition activities.



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