

Contextualizing value propositions: examining how consumers experience value propositions in their practices

Heli Holttinen

Hanken School of Economics, Helsinki, Finland

Email: heli.holttinen@hanken.fi

Abstract

Purpose – The aim is to contextualize value propositions in consumer practices and draw implications for marketing theory and practice

Methodology/approach – Drawing on service-dominant logic, practice theory and consumer culture theory, I examine how consumers experience value propositions in practices and derive implications.

Findings – Value propositions are firms' proposals for consumers' resource integration that is guided by practice-tied meanings. They include an offering(s) and suggestions of how to integrate the offering(s) with other consumer resources. Purchasing an offering is an explicit sign of accepting a value proposition. The acceptability of the value propositions depends on their ability (1) to address valuable practice-tied meanings, and (2) to assist the consumers to materialize these meanings into use. The scope of the value propositions varies according to the need to integrate offerings with other resources in order to put valuable meanings into use. In resource integration, consumers can choose to follow the firms' suggestion or pursue their own plan. The firms' skills and knowledge assist the consumers in putting the valuable meanings into use.

Originality/value – From the beneficiaries' perspective, this paper constructs value propositions as the integrators of practice-tied sign value (valuable meanings), use value (valuable meanings materialized into use), exchange value (price), and resources. From a value co-creation design perspective, it constructs value propositions as design architecture for reciprocal sign value, use value, exchange value, and resource integration. This paper therefore offers firms a conceptual tool for designing value propositions.

Key words

Exchange value, meaning, practice, resource, sign value, use value, value proposition

Paper type – Conceptual paper

1 INTRODUCTION

“The customer determines who the business is” (Drucker, 1977, p. 56). In the language of contemporary marketing one can rephrase Drucker’s suggestion as follows: firms can only offer value propositions (Vargo and Lusch, 2008) - it is always a customer or any other beneficiary who accepts them. Thus firms get an opportunity to co-create value with their customers with the help of the value propositions (Grönroos, 2008). As the value proposition ties firms and their beneficiaries together, it becomes one of the central concepts of marketing.

Since the introduction of the concept of a value proposition by Lanning and Michaels at McKinsey & Company in the 1980s (Ballantyne, *et al.* 2011), marketing research has emphasized its resonance with customers and other beneficiaries. It has meant dividing the value proposition into generic benefit and sacrifice categories: economic, functional, emotional and symbolic benefits, and monetary and nonmonetary sacrifices (e.g. Rintamäki, *et al.* 2007; Day, 2006; Flint and Mentzer, 2006; Payne *et al.*, 2005; Kaplan and Norton, 2004; Keeney, 1999; Aaker, 1995). In addition to this, service-dominant logic-informed researchers have conceptualized it as a process of designing reciprocal value (e.g. Ballantyne *et al.*, 2011; Cova and Salle, 2008; Ballantyne and Varey, 2006; Flint and Mentzer, 2006). Even though scholars have acknowledged that the value propositions relate to specific users and use situations (e.g. Ballantyne *et al.*, 2011, Cova and Salle, 2008; Johnson *et al.*, 2008; Grönroos, 2009, 2007; Lusch *et al.*, 2007; Arnould *et al.*, 2006; Flint and Mentzer, 2006; Payne *et al.*, 2006; Lanning, 1998), they have not examined the implications further – with the exception of Arnould, Price and Malshe (2006). These researchers argue for establishing meaningful links between the value propositions and consumers’ goals and resources so that by using the value propositions the consumers can better perform their life projects and roles in different cultural environments. Despite the contribution of Arnould, Price and Malshe (2006), the value propositions have remained de-contextualized.

The objective of this paper is to contextualize value propositions in consumer practices and derive implications for marketing theory and practice. My approach is to investigate theoretically how consumers experience and evaluate the value propositions in their practices, based on the research contributions within service-dominant (S-D) logic (e.g. Vargo and Lusch, 2004, 2008), practice theory (PT) (e.g. Schatzki, 1996), and consumer culture theory (CCT) (e.g. Arnould *et al.*, 2006; Venkatesh *et al.*, 2006). In the examination, I regard the value propositions as signs to which consumers ascribe intersubjective meanings while experiencing

them in different socio-cultural and spatio-temporal contexts. Thus the consumers are perceived as socio-cultural interpreters who assign intersubjective meanings to signs and act upon them (Mick, 1986). I look for conceptual explanations to three questions: (1) what is the essence of the value propositions as signs that are experienced and evaluated by the consumers in their practices; (2) on what basis do the consumers evaluate the value propositions as signs; and (3) what implications can be drawn to the concept of a value proposition.

By contextualizing value propositions in the beneficiaries' practices, the paper contributes to marketing theory in two ways. Firstly, it links the generic benefits and sacrifices of the value propositions to the practice-tied meanings and thereby illuminates what their essence is in the beneficiaries' real-life contexts. Secondly, the paper highlights the primacy of practice-tied meanings in resource integration and exchange. They inform customers in their resource integration and thus in exchanges. Furthermore, they guide firms where to specialize in terms of skills and knowledge. For firms, this paper offers a conceptual tool for designing value propositions that resonate with the practices of their beneficiaries.

The paper starts by examining what is the essence of value propositions as signs for consumers. It continues by investigating on what basis the consumers experience and evaluate the value propositions. Next, the implications for the concept of a value proposition as contextualized are derived from two perspectives: the beneficiaries' and value co-creation design perspectives. The paper ends by pinpointing contributions and limitations, and by suggesting areas for further research.

2 WHAT IS THE ESSENCE OF VALUE PROPOSITIONS AS SIGNS?

Next I examine theoretically how consumers experience and evaluate value propositions as signs in their practices based on the research contributions within PT, CCT and S-D logic. The findings introduce three standpoints.

2.1 Value propositions as firms' proposals for consumers' resource integration

S-D logic perceives consumers as resource integrators who - in order to enhance their value creation in their daily lives - acquire, use, change, and integrate resources, including offerings where offerings refer to goods and services (e.g. Vargo and Lusch, 2004, 2008; Arnould *et al.*, 2006). At the same time, Lusch, Vargo and O'Brien (2007, p. 13) relate value propositions, at least implicitly, with offerings: "A value proposition can be thought of as a promise the seller makes that value-in-exchange will be linked to value-in-use. When a customer exchanges

money with a seller s/he is implicitly assuming the value-in-exchange will at least result in value-in-use that meets or exceeds the value-in-exchange". In other words, from the customers' viewpoint, the value proposition is a firm's promise that the value derived from offerings in use is at least as high as its financial sacrifice. According to Korkman, Storbacka and Harald (2010), enhancing value creation is about providing customers with resources that fit with the other elements of customer practices: places, tools, images, physical spaces, and actors. Consequently, they conceptualize the value propositions as resource integration promises. The promised value is derived from resource integration rather than using offerings in isolation. Finally, Arnould, Price and Malshe (2006) stress, based on CCT research contributions, that the consumers may derive value from value propositions creatively in ways which vary from firms' intents. This implies that the value creation in use proposed by firms is not always equivalent to the materialized one in the consumers' practices.

Drawing on S-D logic (Korkman *et al.*, 2010; Vargo and Lusch, 2004, 2008; Lusch *et al.*, 2007; Arnould *et al.*, 2006) I argue that for consumers the value propositions are firms' proposals on how the consumers can derive value from integrating offerings with their other resources. My argument has four implications. (1) Firstly, since the value propositions are only firms' proposals, the consumers have the power to accept value propositions or not (Vargo and Lusch, 2008). Acquiring an offering is an explicit sign of the acceptance of the value proposition. It signals that the anticipated use value at least meets the exchange value (the paid price) from the consumers' perspective.

(2) Secondly, because deriving value from the offerings in use always requires resource integration from consumers, the value propositions are invariably linked with more consumer resources than a specific offering(s) only. Therefore, the value propositions include a specific offering (offerings) and a suggestion of how to integrate this (these) offering (offerings) with other consumer resources. This suggestion can include explicit instructions how to use the offering(s) or implicitly guide consumers in their resource integration. For example, the shape and the wrapping of a food item implicitly inform consumers how to eat it: manually or using cutlery. In addition, the value proposition can invite using the offering before its purchase. Receiving design drawings of kitchen fitments and suggestions on how to integrate them with other resources, such as kitchen as an aesthetic space, kitchen equipment, tableware and cookware, illustrates this case.

(3) Consumers can choose to follow the firms' suggestion on how to integrate the offerings with their other resources, or they can choose to pursue their own plan. As with experiencing value

(Vargo and Lusch, 2008), consumers experience and evaluate the value propositions idiosyncratically: subjectively in each specific resource-integration context. When evaluating the value propositions, the consumers judge how they can fit the value proposition -related offerings with their other resources in order to derive value from their use. Because consumer goals and resources vary by consumer (Arnould *et al.*, 2006), and by situation in the case of the same consumer (Holtinen, 2010a), the consumers can imagine different uses and resource integrations for the same offerings. Thus they apply value propositions flexibly and mold them to fit with their own value-creation circumstances.

(4) Consequently, the scope of value propositions varies according to the resource integration needed to derive the desired value from integrating the offering with other consumer resources in a specific socio-cultural context and situation. The scope is unique to each value proposition. I illustrate this in Figure 1 via two value proposition examples: a chocolate bar and kitchen fitments. Notice that in Figure 1 all generic resources from one to eight refer to both examples. For instance, Resource 2 refers to a grocery store in the case of the chocolate bar and to a kitchen in the case of the kitchen fitments.

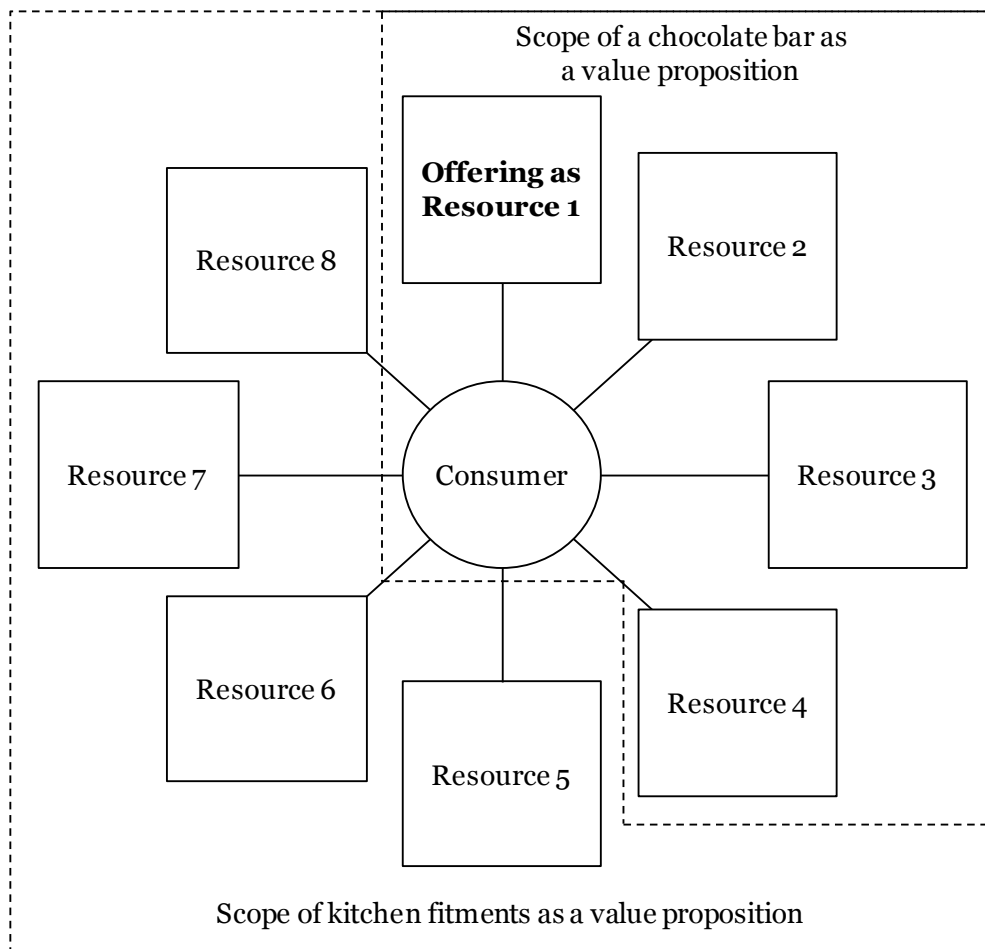


Figure 1. Illustration on the scope of value propositions.

Think first of a chocolate bar as a value proposition: as a proposal on how the consumers can derive value from integrating it with their other resources. The chocolate bar is easy to acquire and simple to use; barely no resource integration is needed beyond visiting a nearby grocery store (Resource 2), spending money (Resource 3), and using hands and a mouth for eating (Resource 4) in order to gain taste sensation from the chocolate bar. Even though in the consumers' minds this value proposition is mostly linked to a tangible product only, their other resources are necessary to experience the taste sensation. Think now about another value proposition example: kitchen fitments as the consumers' Resource 1. In order to experience the desired value from the kitchen fitments, the consumers need to integrate them with more resources than in the case of the chocolate bar: for example, with a kitchen as a material and aesthetic space (Resource 2), cookware (Resource 3), tableware (Resource 4) and kitchen equipment (Resource 5) and their cooking skills (Resource 6), consumer effort of selecting and negotiating with a suitable supplier (Resource 7), and money (Resource 8). It is worth mentioning that integrating the value proposition-related offering with other consumer resources can also enhance the derived value from other consumer resources. For example, the clever space solution of the kitchen fitments can help the consumers to benefit more from their previously unused tableware or kitchen electronics. Finally, notice that the scope of the value proposition is unfixed for the same value proposition. The very same cooking book generates dissimilar meals in different households due to differences, for example, in their cooking skills, exposure to different cuisines, and financial resources. In addition, the same consumer can integrate spaghetti with a sophisticated, home-made sauce or with one that is ready-made, depending on her/his prevailing energy levels and food ingredients at home.

2.2 Meanings as the primary source of value of proposed resource integration

Already in 1959 Sydney Levy introduced the idea that consumers are buying meanings in (or through) offerings. The underlying assumption is that market actors are socio-cultural interpreters who assign intersubjective meanings to signs (such as offerings) and act upon them (such as buying or not buying offerings) (Mick, 1986). Consequently, all market actors' activities, such as market exchange phenomena and consumption, are symbolic; they manifest their meaningfulness and values in a specific socio-cultural context (Venkatesh *et al.*, 2006). Values refer to rules, norms, goals, and ideals that serve as the basis for value judgments (Holbrook, 1999). Venkatesh, Peñaloza and Firat (2006, p. 258) give priority to meanings and

values over signs: when market actors exchange signs for signs, such as the offerings for money, the meanings and values “give the signs their currency”.

CCT research in particular has illuminated the symbolic role of possessions and brands in identity projects (e.g. Schau *et al.*, 2009a; Holt and Thompson, 2004; Belk and Costa, 1998; Schouten and McAlexander, 1995; Belk, 1988) and group identity projects (e.g. Martin *et al.*, 2006; Kates, 2004). For example, a Nike shoe as a value proposition is not a highly functional sports shoe but “a vehicle to “just do it”” (Arnould *et al.*, 2006, p. 95). Nike shoes help the consumers to achieve their fitness goals in their ‘keeping fit’ projects by offering functional shoes and by enhancing their self-confidence and fitness identity: “I can do it – with Nike shoes”. The meanings of possessions are not linked to the identity projects only; offerings as symbols comprise multiple layers of meanings dependent on social groups and cultural contexts (Venkatesh *et al.*, 2006). Think of the chocolate bar again. For consumers it is a source of many potential meanings, such as: ‘a vehicle for a fascinating taste sensation’, ‘I deserve no less than the best’, ‘I appreciate natural and pure ingredients, therefore chocolate is my choice’, ‘feeling down, needing cheering up with the help of chocolate’, and ‘what a nostalgic chocolate brand – reminds me of Grandma’. The consumers are the co-creators of meanings who selectively interpret and use them for their own purposes (e.g. Peñaloza and Mish, 2011; Peñaloza, 2001; Firat and Venkatesh, 1995).

Drawing on CCT research tradition and Venkatesh, Peñaloza and Firat (2006), I suggest that for consumers the primary source value in the value propositions is their meanings: from their own subjective viewpoint the consumers experience and evaluate the value propositions in terms of their meanings which they may use (or may not use) for their own value-creation purposes. The potential array of meanings of the value propositions makes them dynamic consumer resources. The consumers mould the meanings of the value propositions to fit to their value creation. For example, consumers can enjoy the beautiful taste of a chocolate bar as such, or follow Granma’s tradition and use it as an ingredient in a traditional chocolate cake. Thus, the consumers co-create the meanings of the value propositions with firms. Notice that not every meaning in the accepted value proposition is experienced as valuable, that is, desirable and acceptable, by consumers. For example, impurity and lack of freshness are not valuable meanings in the ready-made food value propositions for Finnish households (Holttinen, 2010b). However, when feeling tired or busy, certain households purchase the ready-made food for another valuable meaning: convenience. In any case, consumers’ meaning-producing activities, such as purchasing an offering and integrating it with other resources, become the visible manifestations of the meanings the value propositions render for the consumers in specific contexts.

It is worth emphasizing that the consumers are not loyal to value propositions but to the meanings that the consumers co-produce with firms while integrating offerings with their other resources (according to the firms' proposal or their own plan). "It is not to brands that consumers will be loyal, but to images and symbols, especially to images and symbols that they produce while they consume" (Firat and Venkatesh 1995, p. 251). To summarize, for consumers meanings are the primary source of value of the proposed resource integration.

2.3 Firms' skills and knowledge as the enablers for putting the meanings into use

According to Vargo and Lusch (2008) applied specialized knowledge and skills are the fundamental bases for exchange where offerings are the distributors of firms' operant resources for customers' use. At the same time, they stress that the firms can only offer value propositions; value is always co-created. The theorizing of Vargo and Lusch implies that if the firms are skilled enough to enhance their customers' value creation, the customers are likely to accept their value propositions.

I argue that it is the meanings of the value propositions which determine whether the consumers want to benefit from the firms' skills and knowledge, and how they want to benefit from them. At the same time, the consumers are dependent on the firms' skills and knowledge because they lack required resources for their desired meanings to materialize. By applying their specialized skills and knowledge, the firms are able to address and materialize the consumers' valuable meanings. The previous reference to Nike shoes as a value proposition represents a good example of this.

3 ON WHAT BASIS DO CONSUMERS EXPERIENCE AND EVALUATE VALUE PROPOSITIONS?

What makes value propositions more acceptable (unacceptable) and desirable (undesirable) than others? Adapting a post-structuralist perspective to consumption, certain CCT studies have illuminated how macro (culture) and mezzo (sub-culture or field) level cultural discourses and ideologies, which are used as synonyms, inform consumption: for example, how the cultural discourse of biological parenthood influences the persistent goal-striving of parenthood (Fischer *et al.*, 2007); how Protestant ethics influences credit card practices (Bernthal *et al.*, 2005); how American masculinity ideologies and ideals influence males' masculine identity construction and thereby consumption (Holt and Thompson, 2004); how a natural health market value system, that is mezzo-cultural meanings, informs consumers' natural values, consumption goals and practices (Thompson and Troester, 2002); and how people use fashion discourses to

construct their identities in relation to their social spheres and consumer culture in general (Thompson and Haytko, 1997). In addition, they have evidenced how firms drawing on cultural discourses intentionally spread them via offerings and norms and standards in order to reach their ideological and competitive goals (e.g. Peñaloza and Mish, 2011, Thompson and Tian, 2008; Thompson 2004; Peñaloza, 2000; McCracken, 1986). Consequently, this CCT research stream suggests that cultural discourses and ideologies inform consumers what kind of meanings they seek from the value propositions. However, CCT studies neglect the influence of a micro-level context: a situation, and material and spatial surroundings.

Now a practice, which ties value creation to a specific socio-cultural and spatio-temporal context, provides with a helping hand (Holttinen 2010a). Reckwitz (2002, p. 249) defines a practice as “a routinized type of behavior which consists of several elements, interconnected to one other: forms of bodily activities, forms of mental activities, 'things' and their use, a background knowledge in the form of understanding, know-how, states of emotion and motivational knowledge”. According to PT-informed marketing researchers (e.g. Schau *et al.*, 2009b; Warde, 2005), practices guide the use of offerings and not vice versa. Korkman, Storbacka and Harald (2010) suggest that the resource fit of different types of practice resources, such as places, tools, images, physical spaces and actors, is central for value creation in practices.

Drawing on Wittgenstein (1958), Schatzki (1996) takes another perspective. He prioritizes rules and teleoaffective structure over other practice elements; they orchestrate consumer activities in practices. The rules are explicit formulations of what to do (such as acts of law, precepts and instructions) whereas the teleoaffective structures guide activities “by shaping what is signified to an actor to do” (Schatzki, 1996, p. 123). The teleological dimension relates to the goal-oriented reasons for ‘doing’, whereas the affective dimension refers to how different things matter at an emotional level (Schatzki, 1996, 2001). The teleoaffective structure is not a property of a consumer but rather a property of a practice which consumers carry (Schatzki, 2003). Therefore a specific practice guides consumer activities into a certain direction. However, at the same time, individual consumers, having different resources, possess their own versions that organize their activities in a practice (Holttinen, 2010a; Schatzki, 2003). As rules and teleoaffective structures are tied to practices and thereby influenced by a specific socio-cultural, spatio-temporal and material context, it is logical to conclude that rules and teleoaffective structures include meanings that arise from specific situations (micro-level meanings), in addition to cultural discourses and ideologies (macro- and mezzo-level meanings).

Integrating CCT studies on cultural discourses and Schatzki's theorizing on rules and teleoaffective structures, I argue that it is the practice-tied meanings which guide how consumers experience and evaluate value propositions in their activities and practices: which meanings in the value propositions are experienced as valuable (not valuable) by consumers in specific practices and why (where valuable refers to desirable and acceptable). I define practice-tied meanings as themes and ideas which, as value creation guides, inform consumers about what is meaningful, that is, desirable (undesirable), acceptable (unacceptable) and realistic (unrealistic), for them to do at a specific moment in a given practice context and with given consumer resources (Holttinen, 2010b). They include cultural discourses and values, and situational meanings that relate to a specific spatiotemporal and material context where the value propositions are experienced and evaluated. Because the meanings are influenced by the practice context, that is, a socio-cultural and spatio-temporal context, and consumer resources, their existence in a practice is not arbitrary. On the contrary, a specific set of meanings provides consumer activities with meaning, direction, and an impending outcome (Bourdieu, 1990).

I illustrate the impact of the practice-tied meanings on consumers' value-creating activities and the evaluation of value propositions with an example. Holttinen (2010b) examined how meanings guide value co-creation in a weekday dinner practice among Finnish households. She evidenced how a valuable practice-tied meaning of 'A Finnish food ideal' guided cooking practices. For the households the Finnish food ideal (as a practice-tied meaning) represented home-made, authentic (unprocessed), fresh and pure food that provides both taste sensations and health. At the same time, the households experienced a ready-made food value proposition as almost the opposite to a Finnish food ideal: not as tasty as home-made food, processed, not fresh, impure and unhealthy. Consequently, even though the households experienced limited energy levels (a practice tied meaning) and limited time (a practice-tied meaning), they ended up preparing large portions of home-made food for the sequential days, in order to achieve and materialize the Finnish food ideal rather than accepting ready-made food value propositions too often.

Experiencing and evaluating value propositions is not always a conscious reflection. On the contrary, the majority of consumer activities is spontaneous or routine behavior without any explicit consideration (Schatzki, 1996). To a certain extent, consumers take practice-tied meanings for granted and act on them (Bourdieu, 1990). Having a "feel for the game" (Bourdieu, 1990, p. 66), consumers accomplish many daily activities on the basis of what feels right and natural in the given specific conditions. This implies that the value propositions need

to address the valuable practice-tied meanings better than the current consumer resources do so that consumers will acknowledge them in the first place.

4 IMPLICATIONS FOR THE CONCEPT OF VALUE PROPOSITION

Next, based on my theoretical examinations, I derive implications on the concept of value propositions from two perspectives: beneficiaries' and value co-creation design ones.

4.1 Implication from beneficiaries' perspective: Value propositions as the integrators of practice-tied sign value, use value, exchange value and resources

Drawing on my theoretical investigations, I suggest that from the beneficiaries the value propositions are firms' resource integration proposals which integrate practice-tied sign value, use value and exchange value, and resources. Figure 1 illustrates my conceptualization. In Figure 1, a square represents a practice; a diamond stands for a value proposition; and the apexes of the diamond depict the elements that the value proposition integrates: sign value, use value, resources, and exchange value.

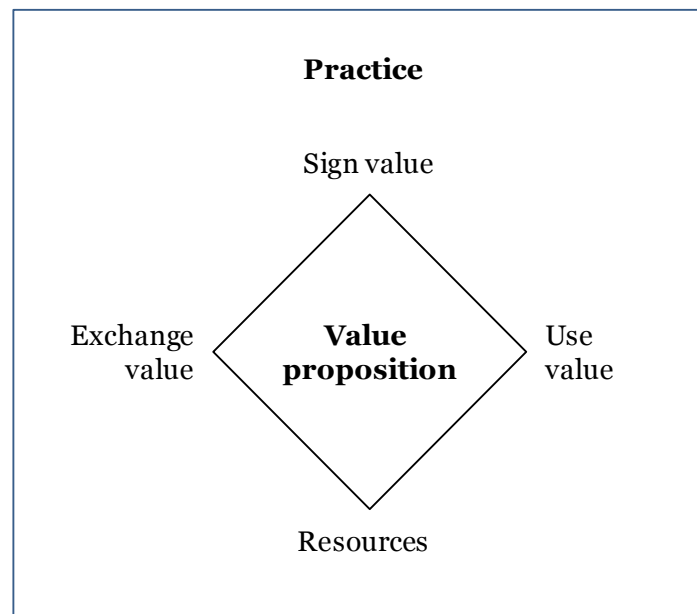


Figure 1. Value propositions as firms' resource integration proposals integrating practice-tied sign value, use value and exchange value, and resources.

Practice. A practice contextualizes beneficiaries' resource integration and value propositions. It makes the value propositions signs that are experienced and evaluated by beneficiaries in a specific socio-cultural context and situation: a certain spatio-temporal and material context.

Influenced by the practice context and the resources of the beneficiaries, practice-tied meanings guide resource integration. Hence the beneficiaries experience and evaluate value propositions relative to their practices. Practice-tied meanings inform the beneficiaries which meanings of the value propositions are valuable (unworthy) for them: desirable (undesirable) and acceptable (unacceptable). Therefore, the practice-tied meanings guide the acceptance and use of value propositions.

Sign value. The primary source of value for value propositions are their meanings. The sign value is about the ability of the value propositions to address valuable practice-tied meanings and make them realistic for the beneficiaries to achieve. The value propositions can obviously include meanings that are not experienced as valuable by beneficiaries. If the beneficiaries evaluate that the value propositions cannot provide improved sign value for them compared to their current state, they do not accept them. In the worst case, these value propositions are unable to raise the attention of the beneficiaries. The examination of the Finnish weekday dinner practice (Holtinen, 2010b) showed how the ready-made food value proposition succeeded to address practice-tied constraints (as meanings) ‘limited energy levels’ and ‘limited time’ but failed to address a valuable practice-tied meaning of the Finnish food ideal. Consequently, the households prepared large portions of home-made food rather than ate unsatisfactory ready-made food too often. This example shows that the value propositions need to address all the meanings which enable the valuable meanings to materialize into use, not only specific valuable meanings in isolation. Having different resources and experiences, each beneficiary interprets the sign value from their own viewpoint and therefore co-creates the meanings of the value propositions. The co-creation of meanings starts before the purchase of the value proposition, for example, through advertising (e.g. Mick and Buhl, 1992) or learning from others’ experiences.

Use value. According to S-D logic, offerings possess no value per se but instead they “derive their value through use” (Vargo and Lusch 2008, p. 7). Venkatesh, Peñaloza and Firat (2006) perceive use value and exchange value as derivations of sign value. Drawing on Venkatesh, Peñaloza and Firat (2006), I argue that beneficiaries experience the use value of the value propositions in relation to their practice-tied sign value. The use value depends on the ability of the value propositions to materialize valuable practice-tied meanings into use. Hence use value is about materialized sign value. Since the use of the value proposition-related offerings can include pre-purchase, during-purchase, and post-purchase activities (Peñaloza and Venkatesh, 2006), the beneficiaries can experience the use value (the lack of the use value) before purchasing an offering, that is, before accepting the value proposition. The beneficiaries can

anticipate the use value via cues, such as via advertising and recommendations. If the beneficiaries have prior knowledge or experience on the skills and knowledge of the suppliers, they use this knowledge as an indication for the use value. Finally, the beneficiaries can actively search for information, in order to become convinced that the proposed sign value will materialize into use. This is well evidenced by countless online forums where peers share their use experiences.

Resources. In order to derive sign value and use value from the value propositions, the beneficiaries integrate the offerings with their other resources according to the firms' proposal or their own plan. In addition, the beneficiaries are dependent on the suppliers' operant resources which make the value propositions available for them. In most cases, the beneficiaries are not skilled enough or lack other relevant resources such as time so that they could materialize their desired value into use by themselves. Therefore, the beneficiaries are willing to accept the value propositions proposed by firms.

Exchange value. Exchange value refers to the price of an offering which is related to a specific value proposition. The purchase of an offering indicates that the beneficiaries accept the value proposition. The exchange value is always subordinate to the sign value and use value; it is not worth the beneficiaries accepting the value proposition when the exchange value exceeds the sign value and the use value. Furthermore, the exchange value manifests how much the sign value and the use value are worth for the beneficiaries. Thereby the exchange value reveals the importance of the value proposition in improving the beneficiaries' value creation via resource integration in their practices. Finally, the exchange value manifests and signifies the sign value. For example, a high price signifies and manifests the prestigious image of a luxury restaurant.

4.2. Implication from the value co-creation design perspective: Value propositions as design architecture for reciprocal sign value, use value, exchange value, and resource integration

Certain S-D logic informed researchers (e.g. Ballantyne *et al.*, 2011; Cova and Salle, 2008; Payne *et al.*, 2005) emphasize that value propositions need to contribute to reciprocal value creation. Therefore, the value propositions have been conceptualized as an interactive process and dialog of crafting reciprocal value promises (Ballantyne *et al.*, 2011; Payne *et al.*, 2005). In this way the value propositions facilitate value co-creation among different stakeholders in the value network (Payne *et al.*, 2005). Co-crafting reciprocal value propositions contribute to achieving mutual benefits from the resource integration.

I argue that the customers' perspective is a starting point for designing value propositions that will eventually be capable for materializing reciprocal value. Unless the customers' experienced sign value and use value exceed the exchange value, the customers will not accept the value proposition and thus there will be no value co-creation. However, at the same time, value propositions need to address and materialize the valuable practice-tied meanings of the other stakeholders beyond customers, such as firms and their suppliers. Otherwise these stakeholders are not willing to invest their knowledge and skills in designing and creating value propositions for their beneficiaries. Consequently, from the value co-creation design perspective, I introduce the value propositions as design architecture for reciprocal sign value, use value, exchange value, and resource integration.

Designing reciprocal value propositions means understanding what type of sign value (which meanings) customers and other involved beneficiaries expect to experience when carrying out their practices. The design of the use value is linked with the sign value. It translates to planning which kind of resources need to be integrated and how so that the value proposition can materialize the valuable practice-tied meanings into use for all stakeholders. It is a process which involves resource integration planning in the spheres of the practices of all involved stakeholders. Finally, two perspectives guide the design of the exchange value. Firstly, the exchange value must not exceed the sign value and use value because is not worth paying more for more than what the sign and the use value are worth for customers as beneficiaries. Secondly, the exchange value needs to be high enough so that it makes sense for the firms and other potential beneficiaries to enter into value co-creation.

5 CONCLUSIONS

By contextualizing the concept of a value proposition in beneficiaries' practices, this paper contributes to marketing research via two ways. Firstly, the paper links the generic benefits and sacrifices of the value propositions to the beneficiaries' practices. Thereby it illuminates what their essence in the beneficiaries' real-life contexts: the correspondence of the meanings of the value propositions with the materialization of valuable practice-tied meanings. Hence, from the beneficiaries' perspective, the paper constructs the value propositions as firms' proposals which integrate practice-tied sign value (valuable meanings), use value (valuable meanings materialized in use), and exchange value (price).

Secondly, the paper highlights the primacy of practice-tied meanings in resource integration and exchange. They firstly inform the beneficiaries which meanings of the value propositions are

valuable (not valuable). Thus they guide the beneficiaries' purchasing decisions: are the meanings of the value propositions worthy enough for acceptance for resource integration acknowledging the exchange value of the value propositions. In addition, the practice-tied meanings guide resource integration in the firms' sphere. They inform firms which skills and knowledge are needed for designing and materializing value propositions which their beneficiaries will value and accept and which will eventually benefit firms themselves. Hence, the paper suggests that the practice-tied meanings inform firms where to specialize in terms of skills and knowledge. Consequently, from the value co-creation design perspective, the paper constructs the value propositions as design architecture for reciprocal sign value, use value, exchange value, and resource integration. Thereby this paper offers firms a conceptual tool for designing more effective value propositions where the effectiveness refers to the ability of the value propositions to address and materialize context-tied meanings desired by all the beneficiaries.

This paper has various limitations which offer scope for future research. First, even though this paper uses the empirical evidence of prior research, it is a conceptual examination. Therefore, a logical continuation would be to examine empirically how consumers experience and evaluate value propositions in their practices. Second, the paper investigates how consumers experience and evaluate value propositions in their practices. It would be valuable to extend the examination from consumers as customers to other beneficiaries, such as suppliers and employees. Third, this paper suggests that practice-tied meanings guide reciprocal value proposition creation but it does not investigate this theme more thoroughly. It would be a logical continuation to examine how different stakeholders, directed by their own set of practice-tied meanings, co-design value propositions over time. Finally, this paper acknowledges the existence of brands and value propositions as concepts but does not investigate their relationship. Studying theoretically and empirically how these concepts are related to one another would contribute to marketing theory.

REFERENCES

- Aaker, D.A. (1995), *Building Strong Brands*, New York: The Free Press.
- Arnould, E.J., Price, L.L. and Malshe, A. (2006), "Toward a Cultural Resource -Based Theory of the Customer", in *The Service Dominant Logic of Marketing: Dialog, debate, and directions*, ed. Robert F. Lusch, Robert F. and Steven L. Vargo, New York: M.S. Sharpe, pp. 91-104.
- Ballantyne, D. and Varey, R.J. (2006), "Creating value-in-use through marketing interaction: The exchange logic of relating, communicating and knowing", *Marketing Theory*, vol. 6 no. 3, pp. 335-348.
- Ballantyne, D., Frow P., Varey, R. and Payne, A. (2011), "Value propositions as communication practice: Taking a wider view", *Industrial Marketing Management* vol. 40, no. 2, pp. 202-210.
- Belk, R.W. (1988), "Possessions and the Extended Self", *Journal of Consumer Research*, vol. 15, September, pp. 139-68.
- Belk, R.W. and Costa, J. (1998), "The Mountain Man Myth: A Contemporary Consuming Fantasy", *Journal of Consumer Research*, vol. 25, December, pp. 218-40.
- Bernthal, M.J., Crockett, D. and Rose, R.L. (2005), "Creditcards as Lifestyle Facilitators", *Journal of Consumer Research*, vol. 32, June, pp. 130-45.
- Bourdieu, P.(1990), *The logic of practice*, translated by Richard Nice, Cambridge, UK: Polity Press.
- Cova, B. and Salle, R. (2008), "Marketing solutions in accordance with the S-D logic: Co-creating value with customer network actors", *Industrial Marketing Management*, vol. 37, pp. 270-77.
- Day, G. (2006).Achieving Advantage with a Service-dominant Logic, in "*The Service Dominant Logic of Marketing: Dialog, Debate and Directions*", Robert F. Lusch and Steven L. Vargo (ed.), Armonk, New York: M.E. Sharpe, pp. 68-85.
- Drucker, P.F. (1977), *Management: Tasks, responsibilities, practices*, London: Pan.
- Firat, F.A. and Venkatesh, A. (1995), "Liberatory Postmodernism and the Reenchantment of Consumption", *Journal of Consumer Research*, vol. 22, December, pp. 239-267.
- Fischer, E., Otnes, C.C., and Tuncay, L. (2007), "Pursuing Parenthood: Integrating Cultural and Cognitive Perspectives on Persistent Goal Striving", *Journal of Consumer Research*, vol. 34, December, pp. 425-40.
- Flint, D.J. and Mentzer, J.T. (2006), "Striving for integrated value chain management". in *The Service Dominant Logic of Marketing: Dialog, Debate and Directions*, Robert F. Lusch and Steven L. Vargo (ed.), Armonk, New York: M.E. Sharpe, pp. 139-149.
- Grönroos, C. (2009), "Marketing as promise management: regaining customer management for marketing", *Journal of Business & Industrial Marketing*, vol. 24, no. 5/6, pp. 351-359.
- (2008), "Service logic revisited: who creates value? And who co-creates?", *European Business Review*, vol. 20, no. 4, pp. 298-314.
- (2007), "*In Search of a New Logic for Marketing. Foundations of Contemporary Theory*", London: John Wiley & Sons, Ltd.

- Holt, D. B. and Thompson, C.J. (2004), "Man-of-Action Heroes: The Pursuit of Heroic Masculinity in Everyday Consumption", *Journal of Consumer Research*, vol. 31, September, pp. 425-40.
- Holbrook, M. (1999), "Introduction to Consumer Value", in *Consumer Value: A Framework for Analysis and Research*, Morris Holbrook (ed.), London: Routledge, pp. 1-28.
- Holttinen, H. (2010a), "Social Practices as Units of Value Creation: Theoretical Underpinnings and Implications", *International Journal of Quality and Service Sciences*, vol. 2, no. 1, pp. 95-112.
- (2010b), "Meanings guiding value co-creation in practices: A critical discourse analysis informed approach to a weekday dinner practice", *Forum on Markets and Marketing*, September 2010, University of Cambridge, Cambridge, England.
- Kaplan R S., and Norton, D.P. (2004), "Measuring the Strategic Readiness of Intangible Assets", *Harvard Business Review*, February, pp. 52-63.
- Kates, S.M. (2004), "The Dynamics of Brand Legitimacy: An Interpretive Study in the Gay Men's Community", *Journal of Consumer Research*, vol. 31, September, pp. 455-64.
- Keeney, R.L. (1999), "The Value of Internet Commerce to the Customer", *Management Science*, vol. 45, no. 4, pp. 533-542.
- Korkman, O., Storbacka, K. and Harald B. (2010), "Practices as markets: value co-creation in e-invoicing", *Australasian Marketing Journal*, vol. 18, no. 4, pp. 236-247.
- Lanning, M.J. (1998). *Delivering Profitable Value: A Revolutionary Framework to Accelerate Growth, Generate Wealth and Rediscover the Heart of Business*. New York, NY: Perseus.
- Levy, S.J. (1959), "Symbols for Sale", *Harvard Business Review*, vol. 37, July-August, pp. 117-124.
- Lusch, R.F., Vargo, S.L. and O'Brien, M. (2007), "Competing through service: Insights from service-dominant logic", *Journal of Retailing*, vol. 83, no. 1, pp. 5-18.
- Martin, D.M., Schouten J. W. and McAlexander, J.H. (2006), "Claiming the Throttle: Multiple Femininities in a Hyper-Masculine Subculture", *Consumption, Markets and Culture*, vol. 9 no. 3, pp. 171-205.
- McCracken, G. (1986), "Culture and Consumption: A Theoretical Account of the Structure and Movement of the Cultural Meaning of Consumer Goods", *Journal of Consumer Research*, vol. 13, June, pp. 71-84.
- Mick, D.G. (1986), "Consumer Research and Semiotics: Exploring the Morphology of Signs, Symbols, and Significance", *Journal of Consumer Research*, vol. 2, September, pp. 196-213.
- Mick, D.G. and Buhl, C. (1992), "A Meaning-based Model of Advertising Experiences", *Journal of Consumer Research*, vol. 19, December, pp. 317-38.
- Payne, A., Ballantyne, D. and Christopher, M. (2005). "A stakeholder approach to relationship marketing strategy: The development and use of the 'six markets model'", *European Journal of Marketing*, vol. 39, no. 7/8, pp. 855-71.
- Peñaloza, L. (2000), "The Commodification of the American West: Marketers' Production of Cultural Meanings at the Trade Show", *Journal of Marketing*, vol. 64, October, pp. 82-109.

- (2001), "Consuming the American West: Animating Cultural Meaning and Memory at a Stock Show and Rodeo", *Journal of Consumer Research*, vol. 28, December, pp. 369-98.
- Peñaloza, L. and Venkatesh, A. (2006), "Further evolving the new dominant logic of marketing: from services to the social construction of markets", *Marketing Theory*, vol. 6, no. 3, pp. 299-316.
- Peñaloza, L. and Mish, M. (2011), "The Nature and Processes of Market Co-Creation in Triple Bottom Line Firms: Levering Insights from Consumer Culture Theory and Service Dominant Logic", *Marketing Theory*, vol. 11, no. 1, pp. 9-34.
- Reckwitz, A. (2002), "Toward A Theory of Social Practices: A Development in Cultural Theorizing", *European Journal of Social Theory*, vol. 5, no. 2, pp. 243-63.
- Rintamäki, T., Kuusela, H. and Mitronen, L.(2007), "Identifying competitive customer value propositions in retailing", *Managing Service Quality*, vol. 17, no. 6, pp. 621-34.
- Schatzki, T.R. (1996), *Social Practices: A Wittgensteinian Approach to Human Activity and the Social*, Cambridge: Cambridge University Press.
- (2001), "Practice minded orders" in *The Practice Turn in Contemporary Theory*, ed. Theodore R. Schatzki, Karin Knorr Cetina, and Eike von Savigny, London and New York: Routledge, pp. 42-55.
- (2003), "A New Societist Social Ontology", *Philosophy of Social Sciences*, vol. 33, no. 2, pp. 174-202.
- Schau, H.J., Gilly, M.C. and Wolfinbarger, M.F. (2009a), "Consumer Identity Renaissance: The Resurgence of Identity-Inspired Consumption in Retirement", *Journal of Consumer Research*, vol. 36, August, pp. 255-76.
- Schau, H.J., Muñiz Jr., A.M. and Arnould, E.J. (2009b), "How Brand Community Practices Create Value", *Journal of Marketing*, vol. 73, no. 5, pp. 31-51.
- Schouten, J.W. and McAlexander, J.H. (1995), "Subcultures of Consumption: An Ethnography of the New Bikers", *Journal of Consumer Research*, vol. 22, June, pp. 43-61.
- Thompson, C.J. (2004), "Marketplace Mythology and Discourses of Power", *Journal of Consumer Research*, vol. 31, June, pp. 162-80.
- Thompson, C.J. and Haytko, D.L. (1997), "Speaking of Fashion: Consumers' Uses of Fashion Discourses and the Appropriation of Countervailing Cultural Meanings", *Journal of Consumer Research*, vol. 22, September, pp. 139-53.
- Thompson, C.J. and Troester, M. (2002), "Consumer Value Systems in the Age of Postmodern Fragmentation: The Case of the Natural Health Microculture", *Journal of Consumer Research*, vol. 28, March, 550-71.
- Thompson, G.J. and Tian, K. (2008), "Reconstructing the South: How Commercial Myths Compete for Identity Value through the Ideological Shaping of Popular Memories and Counter-memories", *Journal of Consumer Research*, vol. 34, February, pp. 595-613.
- Vargo, S.L. and Lusch, R.F. (2004), "Evolving to a New Dominant Logic for Marketing", *Journal of Marketing*, vol. 68, no. 1, pp. 1-17.
- (2008), "Service-dominant logic: continuing the evolution", *Journal of the Academy of Marketing Science*, vol. 36, no. 1, pp. 1-10.

- Venkatesh, A., Peñaloza, L. and Firat, F.A. (2006), The Market as a Sign System and the Logic of the Market. in “*The Service Dominant Logic of Marketing: Dialog, Debate and Directions*”, Robert F. Lusch and Steven L. Vargo (ed.), Armonk, New York: M.E. Sharpe, pp. 251-265.
- Warde, A. (2005), “Consumption and Theories of Practice”, *Journal of Consumer Culture*, vol. 5, no. 2, pp. 131-53.
- Wittgenstein, L. (1958). “*Philosophical Investigations*”, 2nd ed., translated by Anscombe, G.E.M, Oxford and Massachusetts: Blackwell Publishers.