

# OPPORTUNITY RECOGNITION IN PRACTICE: CUSTOMER PRACTICES AS DETERMINANTS OF DISRUPTIVE MARKET INNOVATIONS

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## **Abstract**

*This paper discusses potential in customer practices through a practice-theoretical perspective. The purpose of the article is twofold: i) Develop a practice-theoretical conceptualization of consumption ii) Identify opportunities for disruptive innovation in customer practices. Consumption is portrayed as a continuous goal attainment process consisting of 'reproductive circuits' (meaning, tools and know-how). The paper contributes by providing a conceptual framework that illuminates potential in different practice conditions. It is suggested that mapping practices along dimensions of practice goal importance and goal attainment allows us to identify potential for innovation. Examples from health care and education are provided to portray opportunities for facilitating innovation that enhance value in the everyday life of consumers. For managers, the paper elucidates opportunities for developing new value propositions that might improve practice or potentially create new practices.*

## INTRODUCTION

The emergence of new markets has increasingly being ascribed to the introduction of new technologies and contemporary business models. With new technologies advancing in unprecedented pace and facilitating new forms of value creation they have the potential to transform entire markets. However, the potential adoption of technologies is far from predictable even if the proposed technology embody the most promising features. Drawing on numerous cases studies across many industries Christensen and Raynor (2003) apply the theory of disruptive innovation to depict how innovation can be a predictable process that delivers sustainable and profitable growth. Christensen describes how different trajectories of technological innovation affect products and services in ways that the market does not expect, typically by lowering price or designing solutions for a new set of customers (Bower & Christensen, 1995).

Nevertheless, in order to actually develop potentially disruptive value propositions managers are in need of practical tools and insight in how they could facilitate new forms of value creation and where to focus their efforts. Applying traditional market research approaches to develop new products or services is often considered as controversial. Some researchers assert that strong customer orientation does not lead to radical innovation (Gatingnon and Xuereb, 1997). Especially in the high-tech sector there is evidence of how staying too close to customers have resulted in that many firms have lost their market positions (Christensen, 2003). Hence, the innovation literature offers a vast array of explanations in an attempt to elucidate the almost unpredictable and puzzling link between developing a solution and using it. In recent years some scholars (Christensen 1997; Kim and Mauborgne 2005) have focused on the link between innovation and consumption by utilizing 'value' as the unit of analysis. The value of a product or service is ascribed to a task or a 'job' a consumer wants to achieve in his everyday life. However, there have been few attempts of elaborating a unit of analysis which is theoretically anchored to facilitate such a discussion.

Accordingly, the present paper attempts to apply customer practices to study the potential and effect of integrating value propositions. In doing so, it is asserted that social practices may explicate why and how new value propositions (and new markets) emerge. Theoretically, the paper conceptualizes customer practices and discusses how potential for value creation within practices could be analyzed and theorized. In managerial terms such a discussion may benefit developers in constructing attractive value propositions towards relevant units of adoption. Hence, it is in this paper argued that an examination of consumers' everyday practices provides a potentially promising understanding of the dynamics of consumption and adoption activities in emerging markets.

Drawing from practice theory as interpreted by Schatzki (2001) and Reckwitz (2002), the article explicates how value is created in practices, what roles different practice elements have in generating customer value and what implications can be drawn for opportunity recognition. Regarding value as improved practice (Korkman 2004), the view integrates the subject and context, and the mind and body into a total system of consciousness. Value is therefore not created by a subject's unified mind, as depicted in the cognitivistic approach in service management; but rather created in a contextual system, following practice-theoretical axiology. Furthermore, the paper discusses how goals and meanings structures are integrated as part of a practice and introduces a conceptual model for how to analyze value creation

opportunities through a practice theoretical lens. Guided by meaning structures (Schatzki 1996), socially constructed consumers create value, by integrating and using resources according to what makes most sense in the specific practice and the moment (Holttinen 2010). The paper has a theoretical orientation and aims to contribute to the understanding of how identified practice goals may serve as service development opportunities. Hence, the overall purpose of this article is to develop a conceptual framework for understanding and identifying potential in practices.

The article is organized as follows: First, a brief review of the user-oriented new service development literature is conducted. Second, a generic conceptualization of consumption is presented and operationalized with practice theory and serve as a point of departure. Finally, a framework and its application is discussed in relation to identifying potential in customer practices. In doing so, the theory of disruptive innovation is applied to illuminate how new practices emerge, sustain themselves, get disrupted and finally diminish. The framework is applied as basis for exploring innovation potential within health care and educational practices.

## THE USE OF MARKET RESEARCH IN THE DEVELOPMENT OF NEW SERVICES: A REVIEW OF RECENT THINKING

Delivering increased customer value has often been described as a fundamental issue for enterprises seeking to gain competitive advantages in a market (Huber, Herrmann, and Morgan 2001). However, defining customer value is often viewed upon as a complex undertaking with few clear cut definitions, and thus lacks consensus both in innovation and marketing literature (Zeithaml 1988; Ravald and Grönroos 1996; Woodruff and Gardial 1996; Woodruff 1997; Graf and Maas 2008). Without a clear definition of the concept; the commission of actually enhancing customer value from the provider perspective could be considered as a perplexing task. Consequently, the literature of new service development and innovation stresses the importance of understanding customer needs and customer value drivers in order to develop successful services (Alam 2002; Trott 2001; Magnusson 2009; Slater 1997).

In order to remain competitive within a landscape of increasing rivalry and new technologies service organizations must innovate. It might be argued that effective service innovation requires the integration of firm capabilities with customer's needs (Dougherty 2004). Such ambition involves understanding how the complex social processes of introducing new services interacts with the complex social processes of actually using the service from a customer perspective (Dougherty 1992; Leonard-Barton and Leonard 1998). However, the knowledge of designing and using (or intended value versus perceived value in use) could be quite ambiguous since engineers often cannot know how solutions will work out without trying them out, whilst customers often cannot predict what they need without trying out the solution either (Dougherty 2004).

The challenge is therefore to comprehend how to involve customers and users as drivers and resources in the innovation process in order to develop value propositions that enhance value. According to some authors, the user-driven innovation approach has potential to meet these challenges and has gained a lot of attention in recent years (Kaasinen et al., 2010). Moreover, many companies are starting to realize that innovation can prevail not only from the research and development department but also from the interaction with partners, suppliers and end-

users. Consequently, numerous firms in varying industries are now engaging users to play an active part in the development of new or improved products or services. Empirical knowledge about how users might contribute to service innovation processes and results is also prominent in recent studies (Alam, 2002; Kuusisto & Päälllysaho, 2008; Magnusson, 2003; Matthing, Kristensson, Gustafsson, & Parasuraman, 2006).

Gaining customer insight and exploring customer and user roles have therefore become important subjects within the literature of service innovation and new service development (Kristensson, Matthing, and Johansson 2008; Sandén, Matthing, and Edvardsson 2006; Von Hippel 1986). This is especially warrant when considering that most new product- and service developments are commercial failures (Balachandra and Friar 1997), thus forcing many businesses to search for alternative ways to organize innovation initiatives. Consequently, user-orientation has become a major trend across many industries, where three key approaches to customers' and users' roles in new service development are referred to in the literature (Kuusisto & Kuusisto, 2010).

These are: (1) Involving customers as participants in new service development activities; (2) Making use of user-generated content and innovations; and (3) Building deep customer understanding through observation. First, involving customers as participants one seeks to reveal the 'voice of the customer' through focus groups and market research (varying from surveys to idea generation workshops), which helps to fine-tune concepts; but often does not function well as an instrument for innovation (Atuahene-Gima, 1996; Prahalad & Hamel, 1994). It is argued that in some cases the voice of the customer can actually hinder innovation, due to the conservative nature of the customer (Trott, 2001; E. Von Hippel, Thomke, & Sonnack, 1999). Second, user generated innovations assumes that there are highly competent users whom may innovate services or products themselves (E Von Hippel, 1986). However, this approach may also be considered as dubious, since one assumes that certain users are supposed to innovate new products and services, which are later diffused to a larger mass. Third, practitioners might observe customer practices as a source of insight of naturalistic behaviour (Gustafsson, Ekdahl, & Edvardsson, 1999; S. F. Slater, 2001). The last perspective is claimed to bring sufficient support for innovation in the service development process on a long-term basis, which cannot be accomplished by other forms of customer insight (Korkman 2004).

This perspective echoes well with the shift within marketing which is transcending from a company-centric to a customer-centric viewpoint. When the customer is the source of innovation, value is no longer determined by the producer, rather it is "perceived and determined by the consumer on the basis of value-in-use" during interaction with a product or service (S. L. Vargo & Lusch, 2004). However, this view does not automatically indicate that one should listen to the customer in all instances. As Christensen (1997) argues in his book 'The Innovator's Dilemma': "there are times at which it is right not to listen to customers, right to invest in developing lower-performance products that promise lower margins, and right to aggressively pursue small, rather than substantial markets". This is a perspective somewhat at odds with the marketing mantra that declares "an organization's purpose is to discover needs and wants in its target market and to satisfy those needs more effectively and efficiently than its competitors" (Slater & Narver, 1998).

Recognizing the challenges within the cognitivistic approach where needs and wants belong to the mind of end-customers the next section contemplates on how a shift in ontology may be beneficial when considering opportunities for innovation.

## A PRACTICE-THEORETICAL APPROACH TO INNOVATION: APPLYING CUSTOMER PRACTICE AS UNIT OF ANALYSIS

Practice theory, a concept emerging from the social sciences, takes daily practices, such as bathing, cooking and doing laundry as the basic unit of analysis (Reckwitz 2002). Essential to practices are not products, but ‘doings’; actions taken to accomplish the practice (Ingram, Shove, and Watson 2007). These actions are shaped and formed by the interconnected elements of practice that can be summarized as “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” (Reckwitz 2002). According to (Reckwitz 2002) and (Schatzki 2001; Schatzki 1996) practice cannot be reduced to any one of these elements alone.

Consequently, practice theory shifts the unit of analysis away from a micro level (individuals) or a macro one (organizations or groups and their norms) to an indeterminate level (Kimbell and Street 2009) which intertwines minds, bodies, objects, discourses, knowledge, structures/processes and agency that together comprise practices which are carried by individuals (Reckwitz 2002). Aspects related to doing, understanding, knowing and desiring are therefore attributes of practices in which individuals participate, and not properties of human or non-human actors (Ingram, Shove, and Watson 2007).

Furthermore, practice theory focuses on the practical construction consisting of a perception where both humans and non-humans have an ontological status of their own (both entities exist as separate elements). The practice is comprised of both the customer and his context, which is embedded with meanings in practical terms (Holt 1995). The practice per se is the unit of analysis and the human being becomes decentred in the analysis of reality, which consists of different elements: material, competence, and images (Shove and Pantzar 2007; Pantzar and Shove 2010). This ontology is regarded as a rather recent ontology challenging more accepted approaches (Schatzki 2001).

There are numerous examples of the application of this perspective within organization studies that include studying technology use (Orlikowski 2008; Barley and Kunda 2001); strategizing (Whittington 1996, 2006; Jarzabkowski, Balogun, and Seidl 2007); organizational knowledge (Brown and Duguid 2001; Ewenstein and Whyte 2007); product development (Carlile 2002) and service innovation (Dougherty 2004) for instance. Incidentally, since there is a large variety of approaches within this theoretical stance meaning that practice perspectives are not necessarily consistent with another (Østerlund and Carlile 2005; Reckwitz 2002). Moreover, practice theory has in recent years gained a foothold within the service marketing discipline where it is recognized that repeated activities of practitioners create social structures in what has increasingly been referred to as ‘market practices’ (Araujo, Kjellberg, and Spencer 2008; Kjellberg and Helgesson 2006). The approach in this paper follows this thinking and contemplates on how an understanding of practices may explain the way in which new technologies and their corresponding value propositions induce opportunities to enhance value in existing or new practices.

Understanding services as customer practices

It might be argued that the theoretical domain of innovation management has not thoroughly applied a perspective which would regard the customer or user in practice, there are however some exceptions within the service development literature (Swan and Bowers 1998; Harris and Baron 2004; Korkman 2006). As mentioned earlier, much of the present research methods are primarily based on the opinions (voice) of the customer (Griffin and Hauser 1993), which are characterized as needs, wants, perceived quality and perceived value etc. This is naturally criticised by scholars (e.g. Atuahene-Gima, 1996; Gustafsson et al, 1999; Slater, 2001), as at least 80% of the launches of new products and services fail, although customer inquiries have been conducted in many cases (Zaltman, Dotlich, and Cairo 2003).

According to Fourier, Dobscha and Mick (1998) there is a need to further extend and elaborate on how customer insight should be attained and further utilized in the development process. It does not seem like that there is a shortage of instruments for obtaining knowledge about the customer in a practical manner, as other research traditions have already both in theory and practice examined the customer in practical terms. For example Holtzblatt and Beyer (1998) have defined in detail a method labelled contextual design, which focus on practical issues. However, much of the research done is somewhat centred on technological design (Suchman et al. 1999; Dourish 2004), whereas the service literature lacks an thorough elaboration on the theme. The challenge seems to be that the necessary ontological underpinnings to 'practice-oriented' methods are missing from the literature of service innovation and management.

Also, it is argued that the practice literature is incomplete (Kimbell and Street 2009), since it is based on a somewhat narrow view of practice which does not connect it to managerial issues of innovation and competitive advantage. So, if practice theory shall address how to organize practice for strategic ends; more theory building is needed which might also enrich the domain of service innovation.

In this paper it is argued that it makes sense to understand practices in a service context, as it appears that many service innovations today are more or less adaptations, or minor modifications (Gallouj and Savona 2009), to already existing everyday practices which are, due to their embeddedness in our life, difficult to question and reinvent (Korkman 2006). For instance internet telephony (voice over IP) services are not new from a customer-practice point of view, but rather an extension and advancement of ways to practice communication. Some authors even claim that the embeddedness of new products and services in current customer practices may be a prerequisite for successful product or service launches (Holtzblatt and Beyer 1998). The first proposition is defined as:

*Initial proposition 1: Service is regarded as practice which is carried by individuals*

#### Meaning Structures and Practice Goals embedded in Customer Practice

Based on the ontological underpinnings discussed previously the following section considers how meaning structures within customer practices may function as service development opportunities. The ambition is to further develop this theoretical stance to inform more managerial issues of innovation within service contexts.

In order to carry out a practice; image or meaning structures are essential corner stones in terms of how practices are guided and directed. In the following this term will be referred to

as meanings structures in line with Schatzki (1996). Schatzki asserts that consumers are directed by rules and teleoaffective structures<sup>1</sup>: “teleoaffinity governs action by shaping what is signified to an actor to do”. The rules refer to formulations of what to do, such as acts of law, precepts, and instructions (Schatzki 2001). Moreover, the teleological dimension relates to the goal-oriented reasons for doing (i.e. task, project and purpose), whereas the affective dimension addresses moods, emotions and feelings (Schatzki 1996). In the spirit of practice theory it is important to notice that meaning structures are not properties of customers, but are embedded in practice carried by the customers. Schatzki (1996) asserts that even though a large portion of consumer activities are routine behaviour without conscious reflection they are not random; because they are guided by meaning rules and teleoaffective structures. Thus, it is argued that meaning structures, consisting of rules and teleoaffective structure, prefigure consumer activities in a practice (Schatzki 2002).

Based on Schatzki’s interpretation of practice theory, Shove and Pantzar (2010) suggest that practice rests on three constituent elements: *material* (things), *skill* (bodily knowledge or competence), and *image* (symbolic meaning). Those author’s discussion of Nordic walking conceptualized how material, skill, and image interconnect and the processes involved in making a new practice. In the pre-formation stage before a new practice (such as Nordic walking) is established, the three elements are not connected. Through the formation stage and subsequent reformation stages, the three elements become linked and sustained by “a circuit of reproduction” (ibid., p. 450). These practices are then translated into performances, or what people actually do, with what, with whom, when, and how. These assertions coincide with the arguments of Warde (2005) He argues that it is practices that create wants, rather than individual desires in line with practice-theoretical underpinnings. Thus, wants are emerging as the consequence of engagement in a practice of a particular activity: ‘it is the fact of engagement in the practices, rather than any personal decision about a course of conduct, that explains the nature and process of consumption’ (Warde 2005).

According to Ozaki and Frenzel (2007) institutional configurations, such as routines, traditions, customs and conventions within current practices influence whether consumers adopt and use an innovation or not. These authors thereby suggest that an examination of consumers’ everyday practices provides a better understanding of the dynamics of consumption and adoption activities, than the analysis of the way objects are acquired and used. Being ‘the principal steering device of consumption’ (Warde, 2005, p.145), practices with embedded meaning structures might therefore offer explanations for innovation consumption behaviours (Ozaki and Frenzel 2007). Consequently, in this paper it is argued that meaning structures within existing practices are essential in order to determine new value opportunities, since they provide insight in *why* certain practices are carried out in the way they are. One important underlying assumption here is that understanding meaning structures might help firms to identify value improvement opportunities, which can be transferred to improved or new value propositions (Holtinen 2010). Also, meaning structures and goals emerge as the customer engage in practice in a given context, and are not given before the activity is enacted by the customer. It is proposed that the customer engages in a continuous

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<sup>1</sup> In Wikipedia teleology is defined as: “A teleology is any philosophical account which holds that final causes exist in nature, meaning that design and purpose analogous to that found in human actions are inherent also in the rest of nature. The word comes from the Greek τέλος, telos, root: τελε-, "end, purpose." The adjective "teleological" has a broader usage, for example in discussions where particular ethical theories or types of computer programs (such as "teleo-reactive" programs) are sometimes described as teleological because they involve aiming at goals. (...)A thing, process or action is teleological when it is for the sake of an end, i.e., a telos or final cause.”

goal attainment process – consciously or unconsciously to accomplish emerging practice goals. Therefore:

*Initial proposition 2:* Practice goals are embedded in practices and directs customer participation

Since the meaning structures or goals are enacted as part of a practice, they are contextual in nature, socially constructed and often shared within a community (Peñaloza and Venkatesh 2006). By understanding the purpose and meanings of why customers engage in practice marketers and innovators are here compelled to consider the whole customer value creation process within a practice; instead of merely considering the product or service as the imperative solution for the customer. If it is presumed that the customer engages in continuous goal attainment within a practice, we also need to understand how value actually emerges in such a process. The next section considers how value is formed within a practice as part of customer goal attainment.

#### Addressing customer value through a practice theoretical lens

In the following, the concept of customer value will be considered as something which must be observed as elements are integrated in practices and value and meaning emerge from this process (Korkman, Storbacka, and Harald 2010). This is in line with the customer-oriented orientation advocated by Normann (2001), Storbacka and Lehtinen (2001) and lately by Vargo and Lusch (2004). However, when considering this customer orientation perspective through a practice theoretical lens; customer actions are not regarded as workflows of the customer – as he or she is only carrier of these “doings”. Also, the image of the customer as a human being is considered as more enriched and elaborated in practice theory where perspectives discussed by psychologists, sociologists, anthropologists and consumption researchers are taken into consideration. Hence, customers and human beings do not construct meanings according to pre-defined processes (Korkman 2006), but as part of socio-cultural systems. These systems can be characterized as non-linear, not always goal-directed, and sometimes chaotic.

Following the line of arguments above suggest that the concept of customer value appears for the customer as a part of everyday life; not as value assessment or judgements as much of the current tradition in service marketing and management literature depicts. Customer value is traditionally often referred to as tradeoffs between benefits and sacrifices of a certain product attributes, service or relationships (Zeithaml 1988; Grönroos 2000; Huber, Herrmann, and Morgan 2001). This perspective is actually proposed to be “the most popular conceptualization in marketing” (Patterson and Spreng 1997) and continues to be used (Hume and Mort 2008; Moliner 2009; Sirdeshmukh, Singh, and Sabol 2002). However, value as a benefit/sacrifice ratio has received criticism (Gummerus 2011), since it regards value as a result of consumers’ cognitive information processing (Payne, Storbacka, and Frow 2008; Hirschman and Holbrook 1982). The criticism is based on the notion that customers do not necessarily rationally calculate costs and benefits continuously, but that consumption emotions also play an important role in consumer experiences. According to Normann, the value concept should be extended so that the naturalistic view on the customer is included, thus enabling us to understand customer value as perceived in the life of customers (Normann 2001; Normann and Ramirez 1993). Following such logic necessitates a practice-oriented view, where value is neither created by the provider nor in the interactions between provider and customer. Rather, value emerges in the practices of consumption (Firat and Venkatesh 1995; Firat 1999; Korkman 2006; Korkman 2004). Furthermore, Holt (1997) argues that

meanings are constructed by the ways consumers act in particular contexts and therefore do not exist separately from these contexts.

Several authors have suggested a shift towards a consumption oriented view on customer value which encompasses a more holistic perspective of the customer (Ravald and Grönroos 1996; Storbacka and Lehtinen 2001; Normann 2001). The shift implies that value generation has to be considered within a given context so that practice as it appears in real life can be understood. Such an understanding contradicts traditional marketing perspectives where the mind is mostly put in a superior position, and actions are implemented as the result of the mind. Practice theory rejects such distinction between action and thinking, since personal judgement is put as subordinate to practice<sup>2</sup>, which is socially constructed in a given context and thus determined by several elements. How our practices are shaped, why that is, and how that influences our choices, are questions that we do not normally reflect upon, though perhaps we should (Schön 1983). Hence, this paper follows the practice definition given by Korkman (2006) who defines a practice as ‘more or less routinized actions, which are orchestrated by tools, know-how, images, physical space, and a subject who is carrying out the practice’.

Such customer value creating processes may emerge as dynamic, interactive, non-linear, and often unconscious processes. According to Payne, Storbacka and Frow (2008) the supplier’s motivation should be to improve these customer practices in order to build value for the customer and a more valuable role for itself in the customer’s activities.

### Customer Value Formation in Service Contexts

Incidentally, the notion that the value of service arises within the customer’s domain is not new. The early studies by Levitt (1984) and Drucker (1993) include a customer centric perspective on value. Levitt (1984) suggested that customers are not buying movies or drills but entertainment or the ability to make a whole. Such a perspective could have important implications in how innovation opportunities are identified, assessed and segmented. Also, through service-dominant logic (SDL) advocated by Vargo and Lusch (2004; 2008) value is considered to be principally created by customers. However, it has been claimed that there is few empirical evidence of what customers actually do and that SDL lacks the tools to systematize such knowledge (Schau, Muñoz Jr., and Arnould 2009). In addition, there is little understanding of how practitioners come to understand value within marketing relationships (Grönroos 2007). Therefore, I consider the attempt to explore customer value creation processes as a social process to be a promising path, albeit still requiring more theoretical elaboration so that managerial issues can be sufficiently addressed.

Interestingly, another iteration of service logic – ‘Customer-Dominant Logic’ – has been proposed recently by Heinonen et al (2010). The authors argue that the center of attention should be how a company’s service is and will become embedded in the customer’s context, rather than focusing on exchange and service itself. Hence, Heinonen et al (2010) propose that there are “unexploited opportunities to apply customer-dominant marketing logic rather than a service-dominant logic” (p. 5), a view that situates the customer, rather than the

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<sup>2</sup> Schatzki (Schatzki 2001) asserts that ‘According to practice theory mind is at least to a significant extent “constituted” within practices. ... Practices, in sum, displace mind as the central phenomenon in human life. This prioritization of practices over mind brings with it a transformed conception of knowledge. As indicated, knowledge (and truth) are no longer automatically self-transparent possessions of minds. Rather, knowledge and truth, including the scientific versions, are mediated both by interactions between people and by arrangements in the world.’

service, in the center<sup>3</sup>. Furthermore, the authors argue that companies should attempt to unravel the potential or unrealized value of a service by learning what value creating processes customers are involved in their respective contexts. Consequently, practitioners should understand customer practices and support these, rather than focus on products or services.

By focusing on what customers are doing to accomplish their own goals, customer-dominant logic could to a certain degree support the theoretical underpinnings within practice theory and customer goal attainment which have been discussed previously. Following the arguments of customer-dominant logic, Voima, Heinonen and Strandvik (2010) assert that the term “value creation” does not sufficiently reflect how value emerge. Instead they use the term “value formation” since customers are not necessarily active in their own value process. Similarly, as argued through the practice-theoretical lens; value is therefore not considered as ‘delivered’, ‘perceived’, ‘experienced’, ‘co-created’ or ‘created’ but is *formed* in a dynamic way in the practices of the customer (Korkman 2006). Acknowledging that a practice is not a process of creation, but a systemic context of doing then value is formed in the interaction of customers, tools, know-how, meanings and context, which is often out of reach for the supplier (Wikner 2010).

In addition, according to Voima, Heinonen and Strandvik (2010) customer value formation also presupposes that value is embedded in the accumulated and continuously restructured reality. By focusing on customers instead of the provider, the scope of value is changed: For example the value of a car wash activity emerges before, during and after the service<sup>4</sup>. Therefore, it is argued that the concept of “value in use” (Vargo and Lusch 2004) should be extended to “value-in-life” to better encompass the temporal, situational and cumulative aspects of the customer’s life (Heinonen et al. 2010; Voima, Heinonen, and Strandvik 2010). The fourth proposition is defined as:

*Initial proposition 3: Value is formed continuously as a result of conducted practice within a context*

Innovation considered as the facilitation of improved goal attainment

Value formation is in this paper considered as a complex process which reflects the multidimensional nature of practices and consumer behaviour within given contexts. Also, it illustrates the complexity of how value is embedded in daily activities amongst consumers. Some of these value-generating processes take place in a stepwise manner, others are less explicit and less determined and are therefore formed as part of the practice (Grönroos 2007). The dynamic interplay between emerging meaning structures and value formation is here proposed to be regarded as a continuous *goal attainment process* which the customer engages in as part of a practice. Customer value, hence customer practice is improved through increased attainment of identified practice goals which emerge in a given context. Hence:

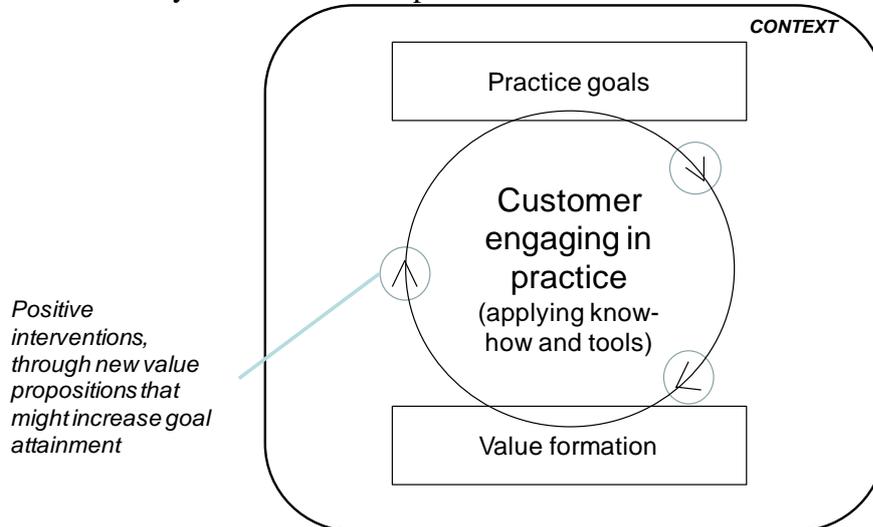
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<sup>3</sup> Heinonen et al (2010) posit that “(...) It is thus not a subset of a SD logic but rather a different perspective. This approach differs from traditional notions of customer orientation by shifting the viewpoint: instead of focusing on what companies are doing to create services that customers will prefer, we suggest that the focus should be on what customers are doing with services and service to accomplish their own goals”.

<sup>4</sup> This is particularly evident since value is not only regarded as behavioral activity but also as a mental activity (Heinonen et al. 2010)

*Initial proposition 4:* Customers engage in goal attainment to increase value formation, consciously or unconsciously as part of practice engagement

The graphical representation in Figure 1 conceptualizes the four propositions presented in the paper. Emerging goals, value formation, know-how and tools are all embedded in the practice and enacted by a customer in a specific context:



**Figure 1: Propositions of various practice elements and relations**

In addition, it is here argued that positive interventions from the provider may increase goal attainment as long as meaning structures are properly understood. Applying this kind of practice-oriented perspective aims at enhancing customer value formation where the provider is focusing on customers skills, competences and supporting them with resources rather than focusing on the delivery of products and services (Ots 2010).

Service innovation is therefore considered as the *facilitation* of improved or new customer practice. Consequently, service innovation is regarded as the facilitation of improved practice for the customer where goal attainment is enhanced and the practice is still reproduced (Shove and Pantzar 2007). Furthermore, as depicted previously; understanding meaning structures helps firms to identify value improvement opportunities, which can be transferred to improved or new value propositions (Holtinen 2010). Figure 1 illustrates how managers may initially analyze meaning structures within existing practices to investigate value opportunities and achieved goal attainment. Thereby, it is suggested, that new or improved value propositions are introduced based on the initial analysis of goals/meaning structures and the degree of goal attainment. An increased goal attainment which is gradually reproduced over time is therefore regarded as a successful service innovation.

If the new or improved value proposition from the provider deviates substantially from existing meaning structures and institutional configurations inherent in the existing practice; adoption of new value propositions may be restrained due to routines, traditions, customs and conventions within current practices. Such a view emphasizes that practices survive and are stabilized through their repeated performance by practitioners, reinforcing the links between practice elements (Pantzar and Shove 2010). By regarding the decision to adopt an innovation as a consumption act (Ozaki and Frenzel 2007) through a practice-theoretical lens, it is in this paper argued that an examination of consumers' everyday practices provides a potentially promising understanding of the dynamics of consumption and adoption activities.

As discussed throughout the paper, the customer becomes rather decentred in a systemic whole of other people, material and space (Korkman 2006) when applying a practice-theoretical lens. Value formation and goal attainment is therefore embedded in a larger context of a practice which is carried and enacted by the customer. Being only a part of the unit of analysis, it is argued that the customer can not determine customer value as he or she do not have knowledge about the whole system of practice. Heinonen et al (2010) therefore assert that we must go beyond what the customer says or does in order to comprehend what value is in a given context. Hence, ethnographical studies are suggested as a promising method (Ots 2010; Korkman 2006; Heinonen et al. 2010) for practitioners who wish to recognise how their value propositions may enhance and support value formation and goal attainment within existing customer practices.

### A PRACTICE-THEORETICAL FRAMEWORK: UNDERSTANDING POTENTIAL IN PRACTICE

Having established a basis for interpreting consumption, the following section contemplates on various instances of practice goals and degrees of goal attainment in order to discuss opportunities for innovation in practice. It is asserted that the practice goals or images are relatively stable. However, they may change slowly as practices evolve, are affected by other practices or structurally altered by new value propositions. Sometimes entirely new practices emerge when new technologies are introduced, inducing novel combinations of image, skills and tools. The social network site of Facebook has for instance facilitated a new type of communication amongst millions of practitioners and thereby developed a new practice.

As activities are repeated and practices reproduce themselves they recruit new practitioners in various locations (Pantzar and Shove 2010). If we consider this reproduction ability of a practice as a process of continuous goal attainment then value is formed depending on how well practitioners are able to attain numerous goals within a practice. Hence, certain tools and skills are needed to obtain all the numerous goals that would typically emerge when engaging in practice. As discussed earlier, the value that is potentially formed is contextually dependent and social in nature. Consequently, certain tools and technologies could possibly be more or less valuable (facilitating enhanced value) depending on the context and other practitioners who are engaging in the practice.

By contemplating on the various elements which together compose a practice and mapping out practice goals the researcher could methodologically apply methods such as ethnographic research (Hammersley and Atkinson 2007), emphatic design (Leonard and Rayport 1997) and contextual inquiry (Holtzblatt and Beyer 1993). Building deep understanding of customer and user needs is typically the focus in the early stages of new service development, also, such insight is applied to inform strategy (Kuusisto and Kuusisto 2010) and might be relevant in order to identify customer value opportunities.

In order to classify potential various practices need to be analyzed within a contextual setting. Schatzki (2003) has emphasized this context dependency, maintaining that social phenomena can only be analyzed by examining the sites at which human coexistence occurs. Given that the bundles of practices are not solely the products of the individuals in groups, social sites have been introduced as locations where practices occur in social contexts. To analyze practices within any social site the definition of Reckwitz (2002) is useful: “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”. Following practice-theoretical underpinning the researcher should analyze these components in ‘real-time’ through observation, interviews and even participation to know how it ‘feels like’ to engage in the practice.

The framework shown in Figure 2 portrays avenues for locating potential in various practice conditions. Practices are formed with the interconnection of practice goals, tools and know-how. If the customer practice or practices are studied through systematic ethnographic research then practice goal importance and degree of goal attainment expose potential in various consumption contexts. The following section describes opportunities for innovation in each quadrant.

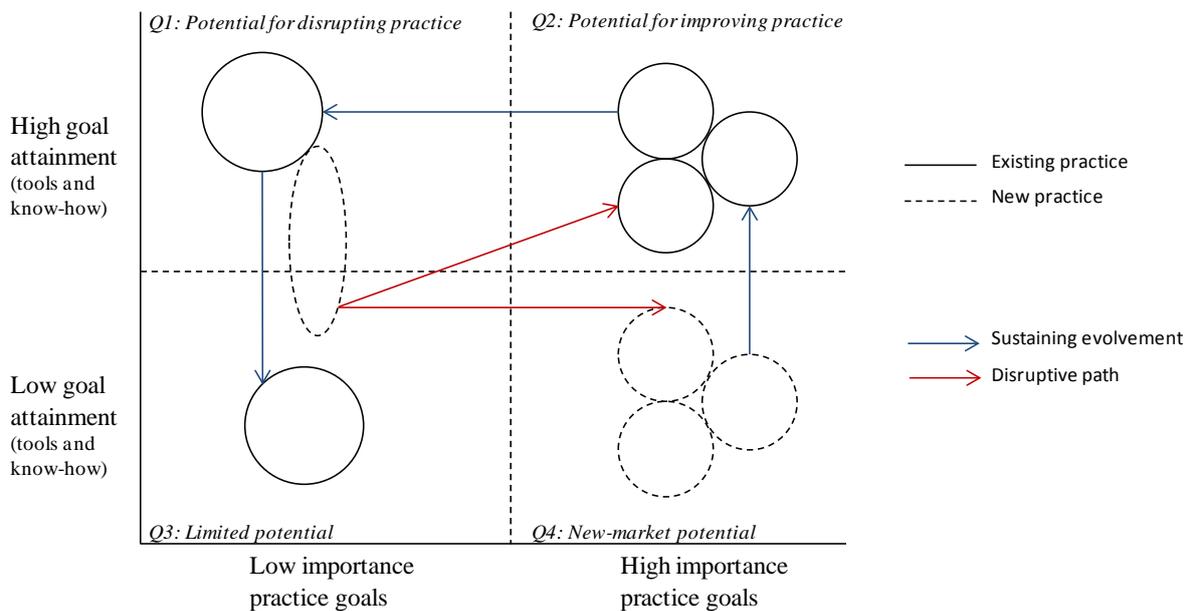


Figure 2: Identifying potential in various practices depending on goal attainment and practice goal importance

### Quadrant 1: Potential for developing low-end disruptive practice

Under these conditions, goal attainment through certain tools and accumulated know-how in the practice is considered as being high. Even though the practice is performed well, the images related to the practice may not be perceived as being critical or very important within certain consumption contexts in the practice. In such circumstances simpler and more low-cost value propositions might be introduced that fulfils the practice goals to an extent where the core activities are accomplished and the performance is considered as being ‘good enough’. According to the theory of disruptive innovation many customers may not appreciate the added value that is provided in high-tech products or services and thus feel like being ‘over served’ with unnecessarily elevated performance. In accordance with the theoretical underpinnings discussed in this paper the impact of such functionality must be evaluated relative to the practice which is addressed. Thus, it is contended that identifying potential for disruptive innovation is a relative phenomenon (Christensen 2006, p. 48), where one technology may occur as being disruptive in one practice but sustaining in other circumstances.

For instance, elderly consumers may not be able to participate in high performance practices which require the handling of complex tools or certain skill sets due to cognitive impairments. Hence, the added value which might be provided in practices utilizing complex technologies may not be as appreciated by elderly consumers (Czaja and Schulz 2006). Also, the level of know-how and skills needed to perform in such activities may induce challenges for many elderly practitioners. If we consider the practice of communication – the myriad of smart phones introduced offer numerous ways of communicating and do often increase the threshold of actually using the product or service. Indeed, elderly consumers may not welcome all the added functionality which often necessitates certain background knowledge and technical know-how. These arguments coincides with Robinson (1995, p. 55) who asserts that products with simple low-tech features have been the most successful ones for elderly consumers needing assistive technology. So, even though the goal attainment is considered as high in the first quadrant in Figure 2, the practice goals are not considered as being critical for certain practitioners (e.g. elderly consumers). Such assertions are not entirely indicative of the age of the practitioner but may rather ascribe to specific circumstances of the individual (Mathur 1999) – thus emphasizing the contextual dependency and various compounding factors that affect the willingness to adopt new technology.

It is argued that there is potential for developing value proposition that may lead to disrupting practices in this quadrant. A disrupting practice would typically underperform in comparison to established practices when introduced, thus targeting practitioners who wish to engage in the practice without succumbing to complex tools or the obtainment of certain skills. Since a disruptive practice initially targets situations where a low goal attainment is sufficient they attract and recruit practitioners (in niche markets) who find the value proposition and its lower performance attributes as good enough (Adner 2002). As the tools improve and the know-how increases the performance of the practice itself improves over time and attracts practitioners from more established ‘high-end’ practices. Consequently, the disruptive practice ‘disrupts’ the established practice and potentially creates a new dominant design for competing in the market (Yu and Hang 2010).

An example of a potentially disruptive practice is given by Christensen, Grossman and Hwang (2009) who point to drop-in health care services (‘minute clinics’) provided at shopping centers. The clinics allocate nurse practitioners and treat a limited number of routine conditions such as ear infections and strep throats. The emerging practice is more convenient and affordable than going to a general practitioner in situations which does not require highly competent doctors or specialists. Practice goals that are addressed in such circumstances may relate to accessing care services in a simple way (drop-in), pay less for the service, save time during the consultation and locating a clinic in a convenient place. These performance attributes could potentially disrupt existing alternatives that are more expensive, time consuming and less accessible.

In that way a disruptive practice is redefining how the practice is performed through the integration of new technology, know-how and existing practice goals. Such interpretation provides an alternative explanation of disruptive forces and where to target potential developments that follows certain characteristics. The disruptive innovation theory depicts that value propositions that are cheaper, simpler and more convenient to use (Christensen and Raynor 2003) have the potential to create growth and triumph over powerful competitors. As visualized in Figure 2, disruptive practices move up-market through sustaining innovation as they recruit increasingly more practitioners and sustain themselves through new innovations.

## Quadrant 2: Potential for improving existing practices

In the second quadrant both goal attainment and importance of practice goals are considered as being high. Additional practices are developed and are interconnected in a system of practices (Pantzar and Shove 2010). The high performance of the practices indicates that important practice goals are attained. Nevertheless, there is potential to make incremental improvements to the performance of the underlying practice with new products or services as new practice goals emerge in various consumption settings. In that way new value propositions might facilitate more pleasant or more convenient to engage in the activities of a practice.

For example, if we consider the practices of education and regard how universities and colleges attempt to remain competitive they focus on improving their performance within several areas. Concerted efforts in terms of recruiting the brightest students, running prestigious research projects, obtain high rankings and recruit researchers that publish in high-status journals. By contemplating on how learning institutions add value these sustaining advancements may improve the performance of the underlying practice to which they relate – in this case learning. However, they do not substantially change the underlying practice of learning from a student perspective. Even though these improvements are vital to sustain certain practice goals they do not transform or alter core activities within learning practices. In other words, sustaining innovations do not redefine or change the way a practice is performed. They are nonetheless important endeavors in order to stay competitive and bring better performance to highly demanding customers (Christensen and Anthony 2004) in existing practices.

From a company perspective these kind of incremental changes help firms to sustain their growth and remain competitive in their markets. Quality improvement programs or best practice processes (e.g. “Six Sigma”) are often implemented to ensure quality by minimizing errors and optimize service output. Although important, these kind of incremental changes do not change the underlying practice and consequently does not yield in substantial competitive benefits.

## Quadrant 3: Limited potential

Under these conditions goal attainment is low and practice goals are not considered as being important. The quadrant is the ‘graveyard’ of diminishing practices where they eventually ‘deform’ as tools and know-how no longer interconnect with the practice goals. Practices that have become disrupted or obsolete no longer recruit practitioners and are thus not being reproduced. Again, these assertions are relative; a diminishing practice in one location could still be a sustaining one or even a new practice in other locations.

For instance, if we consider the practice of relieving angina (chest pain often caused by coronary artery disease) there have been different ways of doing this in medical history. Being the leading cause of death worldwide this disease has been previously been relieved through the complex procedure of coronary artery bypass surgery. However, the practice of performing coronary artery bypass surgery has to a large extent been disrupted by a technique called angioplasty (Christensen, Grossman, and Hwang 2009). The technique of mechanically widening a narrowed or obstructed blood vessel is much simpler to perform,

more cost efficient, more time efficient and involves reduced risk for patients. Consequently, the opportunity for enhancing value through surgical bypass procedures in the practice of relieving angina is limited as practitioners are being appropriately served through alternative methods.

Even if the potential for enhancing value in the latter practice is considered as being limited market actors could benefit from regarding the market as composed of various practices that relieve angina which would then induce a much larger window of opportunity in terms of offering new value propositions. For example, the drug ‘Lipitor’ and other cholesterol-reducing drugs are averting the need for angioplasty for future generations of patients. Such value propositions target different practice goals which in this case concern the removing of certain “doings” for the practitioner (Normann and Ramirez 1993).

#### Quadrant 4: Potential for facilitating new practices

The last quadrant the goals in a practice are considered as important but are not sufficiently addressed by solutions (tools and know-how) in the market. Consequently, the conditions in this quadrant are the most promising for identifying potential and enhancing value formation. In such circumstances tools and know-how are connected to previously unknown or unaddressed practice goals thus creating new activities and practices. In contrast to developing disruptive practice towards existing customers (first quadrant) new-market disruptions target non-consumers (Christensen and Raynor 2003) and non-consuming contexts. These are practitioners who previously have not had the opportunity to engage in certain practices due to affordability, time or competence. By addressing new meaning and practice goals in new consumption contexts producers have the opportunity to facilitate new practices and new markets.

For instance, when Nintendo Wii was launched in 2006 it successfully disrupted the market of game consoles by introducing motion defectiveness in their game controllers. Being a typical low-end disruptive offering it had poor graphics, lower speed and resolution compared to its main competitors (Sony Playstation and Microsoft X-Box). Nevertheless, Nintendo managed to not only draw existing customers who already owned a gaming console but also recruited non-consumers who previously did not engage in gaming practice. Nintendo enabled simple game play and facilitated ways for the whole family to play together independent of age, experience or gender. In this way, their value proposition facilitated attracted both existing and new practitioners. If we regard potential for this value proposition in the first quadrant (figure 2), potential is determined due to a high goal attainment towards goals that no longer are being considered as essential in changing the practice; such as improved graphics or processor speed. The potential might therefore be found in game playing situations where ‘good enough’ performance along traditional attributes is sufficient for both existing and new customers.

Whilst in quadrant 4, the same disruption might evoke potential for new practices and markets as new meanings and practice goals are addressed. Considering the motion defectiveness introduced by Nintendo allows for new types of integration between meaning, skill and technology resulting in new types of activities performed in new locations. For instance, playing the game ‘Wii Tennis’ imitates real-life tennis and requires certain movements (skills), certain controllers and a TV (tools) and relate to certain images of fun, exercise and competition (practice goals). Since these are new combinations of integrative

elements that are enacted by practitioners and repeated over time they facilitate the creation of a new practice – which in case would be the practice of playing virtual tennis. Indeed, by facilitating new practices and markets, Nintendo's competitors have in recent years also developed their own versions of improved motion detective technologies. Hence, the former newly established market of virtual gaming practices has moved upwards towards the second quadrant (in figure 2) by improving the performance through sustaining innovations.

## CONCLUSION

“The future is already here – it's just not evenly distributed.”

- William Gibson, quoted in 'The Economist', 2003

The above quotation from the American-Canadian speculative fiction novelist captures the peculiar distribution of new innovations and their potential for travelling in space and time. As practices recruit new practitioners they expand their reach (Pantzar and Shove 2010) and reproduce themselves. Such assertions emphasize that new value propositions must be 'reinvented' (Rogers 1995) in local consumption contexts before they enhance value within specific social sites. Hence, Gibson's words force us to reflect on how innovation is relative term which fluctuates depending from where you assess it. Since practice is considered as unit of value creation in this paper then both consumers and producers are recognized as engaging in the innovation of practice as they participate in various activities which are repeated and organized in social structures.

Discussing innovation within the context of customer practices permits us to comprehend the relative impact of a value proposition. As meanings and practice goals change at various locations and times opportunities for developing new services or technologies should be assessed in terms of how they potentially affect the practice which they are targeted at. Consequently, the attractiveness of a new service or product can only be evaluated through its impact on an underlying practice. Hence, technology itself cannot be disruptive, but new performances that are facilitated and enabled by the technology or solution might have disruptive potential. Determining potential for innovation must therefore begin with a careful analysis of various activities, tasks, tools, skills and meanings that are attached as value is formed in the practice.

The conceptual framework outlined in this paper should help managers to consider when and under what circumstances various consumption contexts may entail opportunities for developing new value propositions. By mapping various customer practices through ethnographic methods it has been argued that the identification of various practice goals and assessment of goal attainment inherent in the practice provide useful dimensions for analyzing avenues of disruptive or sustaining innovation. As argued previously it is the practice goals that direct consumption and consumption behavior. Identifying latent, unknown or new practice goals (as Nintendo managed to do with 'Nintendo Wii') and recognizing how certain tools and know-how prevents consumption offers new opportunities for innovation. Consequently, such endeavors could advance our understanding of how customer insight might serve as service development opportunities which eventually improves the underlying practice.

Also, the framework portrays the cycle of construction and deconstruction of practices as new practices emerge, sustain themselves, get disrupted and finally diminish. Hence, the

framework introduced provides an alternative explanation of the mechanisms of disruptive innovation. By arguing that it is certain practices with corresponding performances which disrupts or get disrupted – the ontological presumptions of practice theory elucidates new insight of how disruptive innovation take place in various consumption contexts. As practitioners adapt, improvise, and experiment with new tools in the socio-cultural setting of everyday life, much remains to be learned about the seeds of constant change that are inherent in dynamic customer practices (Warde 2005). Investigating such changes could create possibilities for further theoretical developments and for managers seeking to exploit opportunities for value creation in the everyday lives of consumers.

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