

# **Practices as units of value creation: theoretical underpinnings and implications**

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## **Abstract**

### **Purpose**

This paper examines the influence of a context on value creation among consumers.

### **Approach**

Drawing from Service-dominant logic (S-D), practice theory (PT) and Consumer Culture Theory (CCT), this paper investigates how value is created in practices, what roles different practice elements have in value creation, and what implications can be drawn to marketing theory and practice.

### **Findings**

Value is tied to practices. Therefore, a key research unit for examining value creation is a practice which integrates a specific socio-cultural context, time and place; teleoaffective structures; mental states and bodily activities of consumers; operant and operand resources; and their use. Value creation is socially constructed as practice specific teleoaffective structures configure consumers' participation in practices. Due to varying constellations of practice elements, practices are heterogeneous, and thereby constitute fragmented consumers. Acknowledging this, segmentation of value-creating practices offers a valid description of value creation among heterogeneous and fragmented consumers.

### **Originality/value**

The paper introduces socially constructed consumers and practice tied value creation. Therefore, firms cannot overlook the context as they develop value propositions. Segmentation of value-creating practices helps firms to examine how value is created among consumers. Thereby it guides them to identify value improvement opportunities which can be transferred to new value propositions. From an S-D's stance, this paper extends the examination of value creation from use to socially constructed practices. Moreover, the paper applies S-D's foundational premises in segmentation which the S-D paradigm has not yet examined even though it has recognized its relevance.

### **Key words**

Context, fragmented consumer, practice, segmentation, Service-dominant logic, value creation

## Introduction

*“I should not like my writing to spare other people the trouble of thinking. But if possible, to stimulate someone to thoughts of his own.”*

In 1945 Ludwig Wittgenstein stated these wise words in the preface to his *Philosophical Investigations*. At present, Service-dominant logic (S-D) seems to share Wittgenstein’s ideology as it inspires, invites and synthesizes ideas from fragmented research streams of marketing in order to provide market and marketing insights (and eventually a theory) that fit with the present and the future (Vargo and Lusch 2007; Bolton 2006, in foreword pp. 5; Gummesson 2004; Vargo and Lusch 2004).

Do Ludwig Wittgenstein and S-D have more in common? I dare to propose so. One of the fundamental ideas of S-D is that value is not embedded in offerings but it is created in use (e.g. Vargo & Lusch 2004, Vargo & Lusch 2007). Equally importantly, S-D ties value creation to a specific context in which consumers and firms integrate resources (e.g. Vargo 2008, Korkman et al. 2008). However, even though S-D research recognizes that value is not created in a vacuum, it has not so far focused on examining thoroughly the value creation context and its influence on value creation among consumers. Now Wittgenstein, one of the key influencers of concurrent practice theory (PT), offers his helping hand (e.g. Schatzki 1996). PT provides a context-laden arena for investigating value creation: a practice (e.g. Araujo et al. 2008; Korkman 2005, 47; Shove and Pantzar 2005; Ingram et al. 2007; Warde 2005; Korkman et al. 2008). Guided by teleoaffective structures (Schatzki 1996, 102), socially constructed consumers create value, by integrating and using resources according to what makes most sense in the specific practice and the moment. Finally, the examination of value creation in practices benefits from the findings on Consumer Culture Theory (CCT) which addresses sociocultural, experiential, emotional and symbolic aspects of consumption (e.g. Hirschman and Holbrook 1982, Holbrook and Hirschman 1982, Holt 1998, Arnould and Thompson 2005).

Drawing from S-D, PT and CCT, this paper investigates how value is created in practices, what roles different practice elements have in value creation, and what implications can be drawn for marketing theory and practice. This paper aims to contribute to the S-D paradigm by extending the examination of value creation from use to socially constructed practices. For firms, this paper attempts to provide a valid

description of value-creation among consumers participating in different practices in order to guide them in developing superior value propositions.

The paper progresses as follows: First, I synthesize the standpoint of S-D, CCT and PT to value creation in six assumptions which illuminate value creation in practices. Second, based on these assumptions, I introduce a value-creating practice and its elements. I present how different practice elements influence value creation and introduce their interdependencies. Third, I discuss the implications of value-creating practices for marketing practice and theory: the emergence of fragmented consumers as a result of heterogeneous practices. Fragmented consumers, in their turn, logically lead to the idea of the segmentation of value-creating practices. In discussion, in addition to summarizing key findings, I show how practices, firms and consumers connect to one another and elaborate the concept of value from the practice's standpoint. Finally, I discuss the limitations and suggest further research.

### **On value creation in practices**

**Assumption 1: Value is created in use.** I adapt the assumption that value is created in use rather than being embedded in an offering per se: “there is no value until an offering is used” (Vargo and Lusch 2006, 44). It is an input to a value creation process (Normann 2001, 99) in which consumers participate by using the offering at a minimum (Vargo and Lusch 2007). Hence, an unused Roquefort provides no value unless a consumer experiences the value of just keeping it in the fridge. Customer participation can extend to co-operation where a supplier and a customer develop customized and co-produced offerings (Payne et al. 2008). Consumers, dissatisfied with available choices, are increasingly seeking to exercise a stronger influence on what they consume and hence they want to interact with firms to co-create value. Allowing customers to co-construct the offering to suit their needs has proved to be a successful approach, eBay and Expedia being good examples. (Prahalad and Ramaswamy 2004.)

Value co-creation can cover consumption from pre-purchase to post-purchase activities (Arnould and Thompson 2005, Penaloza and Venkatesh 2006). For example, dinner practice may include a search for a suitable recipe before the purchase of ingredients and it continues after having the dinner by cleaning and doing the dishes. Payne et al. (2008) conceptualize value co-creation as a relational process, including customer, supplier and encounter processes.

Irrespective of the level, length or type of value co-creation, participation is an explicit result of customer preferences (Etgar 2007). Consumers engage in co-creating value when their personal needs are better served and satisfaction enhanced (Prahalad and Ramaswamy 2000). The value-in-use assumption views both parties as active participants in value creation. The assumption of resource integration reinforces this view.

**Assumption 2: Consumers and firms are resource integrators.** This assumption is aligned with S-D's premise, "all social and economic actors are resource integrators" (Vargo and Lusch 2007, 7), meaning that in value creation both firms and consumers acquire and integrate resources. S-D divides resources into operant and operand resources where the operant resources are knowledge and skills and the operand resources are the appliances in the value creation process (Vargo & Lusch 2004).

In the same manner Arnould et al. (2006) split consumer resources into these two groups. Operand resources are those over which consumers have an allocative power, including financial resources, property, products and services acquired from the exchange of firms and other similar resources. Operant resources are regarded as consumers' core competences that can be applied in various contexts or extended to new ones. They include cultural resources, social resources, and mental and physical capabilities. (Arnould et al. 2006.) Cultural resources include language competence, cultural knowledge, skills, experiences and modes of thought that a consumer acquires via socialization in one's cultural context, such as in a family, social class, neighborhood or sub-culture (Allen 1994). Empirical research has evidenced the influence of cultural resources on consumer choice (e.g. Holt 1998). Think of your weekday dinner practices, for example. Globalization has most likely increased the selection of non-native cuisines in the local grocers' since your childhood, which has probably contributed to your weekday dinners becoming more international. In addition to cultural resources, consumers use social resources which refer to social networks and relationships affecting a brand choice and arousing new consumption (e.g. Arnould et al 2006, Warde 2005). Again, tips and recipes from friends influence what we eat for dinner and where. Finally, physical and mental capabilities affect which offerings consumers prefer to use. For example, fewer elderly people with physical constraints take part in mountain-conquering trips compared to younger, physically fit consumers.

In general, the type, quantity and quality of the consumer resources influence the value which consumers seek. The assumption of resource integration introduces firms and consumers as active, dynamic and co-operative. If the value creation improvement requires, resources are combined in a new way with other market participants. Consumers are willing to use new offerings if they are able to improve value creation. Similarly, firms can expand their offerings beyond their current business scope by acquiring new operant and operand resources from outside of their organizations. Finally, social and cultural resources tie value creation to a specific context.

**Assumption 3: Value creation is tied to a practice.** S-D, CCT and PT agree on the contextual nature of value creation. S-D's phenomenologically created value (Vargo and Lusch 2007, 7) links value to consumption contexts whereas CCT research illuminates how consumption varies with sociocultural settings and time (e.g. Arnould and Price 2006, Warde 2005, Coulter et al. 2003, Holt 1998, Schouten and McAlexander 1995, Hirschman and Holbrook 1982, Holbrook and Hirschman 1982). Finally, PT offers a context-laden research unit for analyzing value creation: a practice. It ties value creation to a specific social, cultural and spacial setting at a certain time in history and in the consumer's life. Since PT has impulses from various disciplines, such as philosophy and sociology, it is not a unified theory (Schatzki 2001, 1). Most practice theorists, however, agree that practice is a meeting point for mind, activity and society (Schatzki (2001, 3). This notion emphasizes the dependence of human thinking and acting on their cultural, social and historical contexts, related to times, places, traditions, and events: they are constituted in practices (Schatzki 2005). This view opposes the individualist ontology where a phenomenon is purely viewed as a product of individual actions, and also the societist ontology which presumes that no social phenomenon is decomposable into features of individuals (Schatzki 2005).

Practices differ from intimate and personal to collective, public or institutional (Thevenot 2001, 56), from dispersed practices (customs), such as questioning, following rules, imagining (Schatzki 1996, 91), to complex integrative practices, such as cooking and research (Schatzki 1996, 98). Dispersed practices, also referred to as basic actions, occur as a part of integrative practices across different sectors of social life (Schatzki, 2000b, Schatzki 1996, 91). The key differences between dispersed and integrative practices is that unlike the former practices, the latter practices house contexts and situations where consumers act (Schatzki 1996, 117) and, in addition, they

are directed by rules and norms, and by teleoaffective structures, consisting of ends, purposes, beliefs and emotions. (Schatzki 1996, 91).

Since the focus of this paper is to examine value-creating practices, the interest lies only in those integrative practices in which consumers voluntarily participate. A voluntary participation is assumed to be an explicit sign of value creation in the practice. Henceforth the concept of a practice refers systematically to integrative, voluntary practices.

Reckwitz (2002, 249) defines a practice as “a routinized type of behaviour 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. Mental activities refer to mental states, such as feelings, desiring, believing, hoping, seeing and being in pain, and it is expressed in behavior which manifests and signifies mental states (Schatzki 2001, 49). For example, joy is manifested in crying and vegetarianism is signified by following a non-meat diet. Behavior makes mental states visible: how things stand in a persons' life (Schatzki 1996, 42). Mental states are not assumed to be causal determinants of behavior but instead they provide reasons why certain activities are performed (Schatzki 1996, 119). Behavior is seen as a process, consisting of chains of actions and interaction between consumers (Schatzki 2000a). Things refer to tangible or intangible entities that individuals use. Things are not important for their own sake but for carrying out the practice (Ingram et al. 2007). Things correspond to earlier introduced operand resources, including offerings. Understanding and know-how refer to meanings and shared cultural and social understandings that individuals use when they engage in practices (Schatzki 1996, 18), being analogous to earlier discussed cultural resources. Emotions and motivational knowledge refer to a teleoaffective structure which explains behavior in the practice (Schatzki 2001, 53; Schatzki 1996, 100).

Assuming that value creation is tied to a context-laden practice instead of being embedded in an offering re-emphasizes the first assumption “value is created in use” and extends it to a specific value-creation context. Furthermore, it implies that the consumer can create value without using any offerings. Similarly, in creating value, the consumer may use multiple offerings in the practice. The number and scope of offerings used in the practice depends on the practice boundaries. Drawing these boundaries is always a managerial decision: what is reasonable for the firm in a specific

situation. For example, should the firm examine weekday dinner practices or rather weekday cooking practices only?

**Assumption 4: Practice specific teleoaffective structures direct consumers' participation in practices.** The teleoaffective structure is normative for participants in a practice: what is correct and acceptable behavior in a practice (Schatzki 1996, 101). Directed by rules and a teleoaffective structure, consumers do what makes best sense for them to do in the specific practice (Schatzki 2001, 50). The teleological dimension relates to the goal oriented reasons for doing (project, task, purpose), whereas the affective dimension refers to moods, emotions, feelings and passions: how things matter (Schatzki 1996, 123). Notice that the teleoaffective structure is not a property of a consumer but it is a property of a practice which consumers carry (Schatzki, 2003). Individual consumers, having different histories, different knowledge of the circumstances and different mental states, possess their own versions that organize their activities in a practice (Schatzki, 2003). These versions can be partly the same but also divergent and conflicting (Schatzki, 2003). Depending on the practice, either dimension of the teleoaffective structure can dominate (Schatzki 1996, 101).

In addition to the teleoaffective structure of the engaged practice, teleoaffective structures of other practices in which consumers participate guide behavior in the practice (Schatzki 1996, 113). For example, in the case of weekday dinner practice, a mother having her identity project of being a good mother does not want to provide ready-made food for her children. On the other hand, she would like to prepare something very quick and easy, in order to have time for an aerobics class which is a part of her fitness practice. Then it is her practical intelligibility (also referred as action intelligibility) which organizes her decisions and activities, revealing the hierarchy of rules, teleoaffective structures of the engaged practice and other practices (Schatzki 1996, 124). It is important to emphasize that the practical intelligibility, that is, consumers who do what makes the best sense to do, does not mean that consumers necessarily act rationally (Schatzki 1996, 118). For example, dieting consumers may stuff themselves with five chocolate bars at once for an instant pleasure even though this action does not support their dieting goals. In addition, the existence of a practical intelligibility does not mean that all consumer activities result from an explicit reflection of what to do. On the contrary, the lion's share of consumer activities is spontaneous or routine behavior without any explicit consideration (Schatzki 1996, 58). However, they are not random because they are guided by teleoaffective structures

(Schatzki 1996, 58). Therefore, one can conclude that teleoaffective structures prefigure consumer activities in a practice (Schatzki 2002, 226).

**Assumption 5: Consumers experience value creation as functional benefits, emotional benefits and meanings, all tied to contexts.** Consumers are assumed to experience value creation, where experience is defined as follows: “Experience is the arena in which reality shows itself as what in itself it is” (Schatzki 1996, 28). It is about what is going on and how things are in the consumer’s life (Schatzki 1996, 40). When experiencing value creation, consumers are capable of making an evaluative interpretation of value creation where one is preferred to another on some relevant criteria (Holbrook 1996). However, it does not mean that consumers always consciously reflect value creation. This is aligned with the earlier discussed assumption of consumers not systematically reflecting their activities in the practice. Therefore, this paper’s assumption of the consumer being capable of the interpretive evaluation of value creation is to a large extent aligned with the information-processing consumer research which assumes a consumer who is willing and capable of assessing the material and immaterial benefits and sacrifices of an offering (e.g. Zeithaml 1988, Grönroos 1997). Finally, consumers are assumed to express value creation in bodily doings and sayings (Schatzki 1996, 41).

As to different types of value creation, Vargo, Lusch and Schatzki recognize the functional benefits as well as the symbolic and emotional value of the use of offerings (Vargo and Lusch 2007, Schatzki 1996, 40). Functional benefits relate to how offerings are working for the benefit of the user and may include physical and technical enablers that even serve as a prerequisite for other types of value creation (Sandström et al, 2008). For example, the enjoyment of chatting with one’s grandmother living 500 kilometres away requires a functioning phone. As examined by CCT, the offering usage experience can create hedonistic multisensory and emotional benefits, referred to in this paper as emotional benefits. The multisensory benefits include both physical sensory experiences, such as tastes, scents and visual impressions, and internal images relating to the past episode or fantasy. (Hirschman and Holbrook 1982.) Finally, Levy first noted the importance of meanings in consumption: “people buy products not only for what they can do, but also what they mean” (Levy 1959, 118). CCT addresses this symbolic value of offerings: consumers choose to use offerings whose meanings support their identity projects. In other words, offerings are personal manifestos of one’s identity and goals in life.

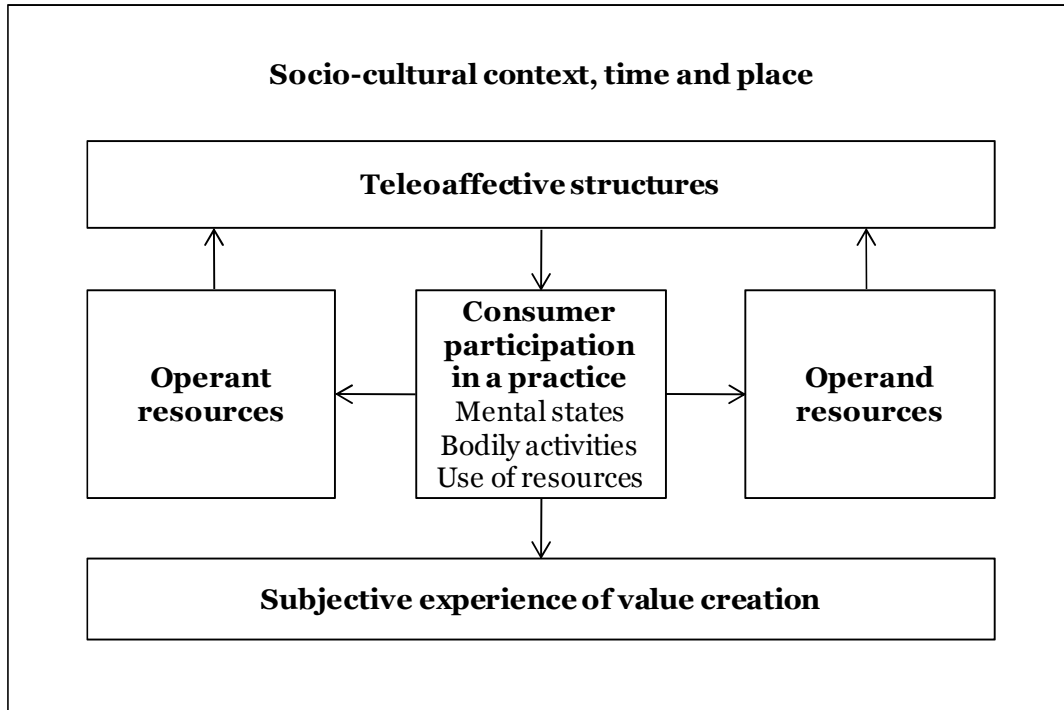


It is important to emphasize that value creation is a matter that varies across contexts and individuals (Schatzki 2002, 228). As consumers are preconfigured by the teleoaffective structures of practices (including their own versions), the ends that consumers pursue, value creation which they expect and costs that they tolerate, all depend on specific practices and moments in their life. Therefore, there is no universal value creation formula, including benefits sought and resources used.

**Assumption 6: Practices and consumers are prone to change.** By directing and channeling consumer activities in practices, shared teleoaffective structures provide stability and social order (Schatzki 1996, 16, Schatzki 2002, 226). However, practices are still prone to change. Practices may change, for example, by the introduction of new practice elements, such as new offerings, by changes in the way practice elements fit together (Shove and Pantzar 2005) or by the teleoaffective structures of the newly-engaged practice. Firms, as resource integrators, can and do change practices by providing new value propositions and offerings that enable consumers to improve their value creation. However, consumers are central agents for the change (Schatzki 2002, preface pp. 16); their learning leads to reinvention of their participation in the practice (Cetina 2001, 175). The assumption of consumers being prone to change is aligned with the poststructuralist view of individuals in which subjectivity is not fixed nor unified (Burr 2006, 21). In addition to bringing change, firms can also constitute stability in value-creation by developing offerings the use of which provides consumers with unique and superior value. These offerings can extend beyond firms' current business scope since firms are resource integrators.

### **A value-creating practice and its elements**

I define a value-creating practice as a context-laden arena for value creation, integrating a specific socio-cultural context, time and place; mental states and bodily activities of consumers; teleoaffective structures; operant and operand resources and their use. Figure 1 introduces the constellation of a practice, introducing its elements as boxes and their interdependencies as arrows. The direction of the arrows tells the direction of the influence between different elements; arrows explain how different practice elements relate to and influence one another but they intend to present no causal relationship.



**Figure 1. Elements of a value-creating practice.**

**Socio-cultural context, time and place.** Context-ladenness means that a practice is tied to a specific sociocultural setting, time and place. It offers an arena where practices are carried by consumers. Furthermore, it imposes formal and informal rules and norms for consumers on how to participate in the practice. For example, national nutritional recommendations are informal cultural norms for eating properly. The socio-cultural context is assumed to influence the consumers' participation in the practice through operant resources (e.g. our upbringing's influence on our knowledge on different meal options and what dishes we perceive as desirable), operand resources (e.g. available time and space for cooking in the specific place) and teleoaffective structures (e.g. informal norms which we perceive as desirable).

**Operant and operand resources.** Operant resources refer to cultural and social resources, and mental and physical capabilities. Which operant resources are valuable and used depends on the engaged practice. For example, adventure sports require more physical and mental endurance than having a weekday dinner. Equally, consumers use different operand resources within the same practice. For example, the weekday dinner practice requires different cooking skills, depending on whether consumers warm up a ready-made food or prepares everything themselves.

Operand resources are those over which consumers exercise an allocative power and which they use in practices, including time, financial resources, property, offerings and other similar resources. Again, which particular operand resources consumers use and integrate as resources depends on the practice.

It is important to identify the type, quantity and quality of both operand and operand resources because they influence which practices (including other interrelated practices beyond the practice under examination) consumers participate in, how they take part in them, and what types of value they seek and experience in them. For example, a high-income family can afford to eat out in restaurants more often compared to a low-income family. Being resource integrators, consumers are willing to change the constellation of resources if it is valuable and possible for them. Operand and operand resources are assumed to influence consumers' participation in practices through teleoaffective structures.

**Teleoaffective structures.** Practice specific teleoaffective structures explain why consumers participate in certain practices and why they behave in practices in the specific way. They reflect what consumers perceive as desirable, correct, acceptable and realistic behavior in practices. The teleological dimension relates to the goal oriented reasons for doing: what kind of value, functional benefits, meanings and/or emotional rewards, to seek after. The affective dimension refers to how different things matter at the emotional level. Due to differences in operand and operand resources, consumers have their own version of the teleoaffective structures that direct their participation in the practice: what makes best sense to do in the practice. It is important to emphasize that consumers, guided by teleoaffective structures, do not necessarily act rationally. For example, imagine a situation where a single woman buys an expensive pair of jeans in addition to her twenty older pairs even though she is in short of money and knows that her salary will not come for three weeks. She does not behave rationally but she acts according to what makes best sense for her, having her 'looking good' and 'following the latest trends' projects.

**Consumer participation in a practice.** A consumer's voluntary participation in the practice is an explicit sign of its value creation. The participation includes mental states; bodily activities, such as sayings, doings, facial expressions and interaction between consumers; as well as the use of operand and operand resources. Bodily activities and the use of resources manifest and signify the consumer's mental states. This is the reason I have tied them together to one practice element which needs to be

examined. Consumer participation forms a chain of bodily activities and use of resources which involve at least one consumer. Since value is tied to a practice, a consumer and a firm can co-create value before the purchase of the offering as well as during and after the consumption. For example, the consumer may choose a recipe from a firm's web site before purchasing the ingredients for the weekday dinner. Value co-creation between the consumer and the firm requires, at a minimum, that the consumer uses the offering but it can extend to deeper forms of value co-creation activities. Notice that value creation in the practice can occur without using any offerings at all or by using multiple offerings. Practice boundaries steer the number of offerings used in the practice. As consumers use their practical intelligibility and as practice constellations change, they are prone to change in their participation in practices.

**Subjective experience of value creation.** Consumers look for functional benefits, meanings and emotional rewards from the participation in the practice. The value of an offering is linked to its ability to enhance value creation in the practice. Consumers experience value creation and express it in bodily activities, such as in doings, sayings and facial expressions during the practice. They are capable of making an evaluative interpretation of value creation. However, it does not mean that they always consciously reflect experienced value. It is worth emphasizing that since value experience is tied to a specific practice, there are no universal value experience and thus no universal value creation formula for an offering.

### **Implications of value-creating practices**

**Fragmented consumers as a result of the heterogeneity of practices.** In assumption four, this paper develops consumers who, guided by teleoffective structures, act and use offerings, according to what makes most sense in practices. These practices are heterogeneous because different practice elements presented in Figure 1, such as participants, teleoffective structures, place and resources in use, are unfixed. As consumers interpret the value-creation context and act according to what makes most sense for them, fragmented consumers emerge. They do not commit to one way of participating in practices: seeking to feel good, fragmented consumers act according to what is most desirable or what makes best sense in each situation and moment. Look back to your weekday dinner practices during the past two weeks. They may have varied, for example, by participants, time available for dinner, cooking skills of the participants or other relevant practices connected with the weekday dinner

practice, such as hobbies and working. You have engaged differently in the weekday dinner practices because it has just made sense for you in the specific weekday dinner situation and moment. Therefore, your use of dinner-related goods and services has not been consistent.

I want to emphasize that a fragmented consumer, built in this paper, is socially constructed as myriad teleoaffective structures of interdependent practices guide consumers in value creation. This is aligned with the poststructuralist view of the social world where many narratives, instead of one metanarrative, constitute individuals (Burr 2006, 21). Therefore, the fragmented consumer of this paper is not equal to a postmodern view of a fragmented consumer: an independent subject who actively communicates the social reality which (s)he prefers to live and create through consumption (e.g. Arnould and Thompson 2005, Firat 1997, Firat and Schulz 1997, Firat and Venkatesh 1995).

**Proposal: segmentation of value-creating practices.** In the presence of fragmented consumers, consumer market segmentation does not provide with a valid description of value creation because it assumes consumers to be consistent in consumption behavior and thus proposes that they belong to one consumer market segment only (Day and Montgomery 1999; Firat and Schultz 1997; Wedel and Kamakura 2000, 6). However, segmentation is still a relevant concept, due to the heterogeneity of the consumer market. In this paper, the heterogeneity emerges as different consumers, having their own versions of teleoaffective structures and different resources, participate in the same practices in their own ways. The rationale behind market segmentation is that customers “are looking for more precise satisfaction of their varying wants”, according to Wendell R. Smith, the introducer of the concept of market segmentation (Smith 1956, 6). Therefore, adjusting the marketing mix for targeted consumer segments leads to a better use of marketing resources and higher return on investment (Kotler 1997, 249). What type of segmentation approach would help firms to develop superior value propositions for heterogeneous and fragmented consumers?

I suggest segmentation of value-creating practices in which heterogeneous and fragmented consumers act, use resources and create value. In the segmentation of value-creating practices, different practice elements, presented in Figure 1, form segmentation bases, that is, variables which are used to assign heterogeneous practices into homogeneous practice segments (Wedel and Kamakura 2000, 7). Segmentation of

value-creating practices provides a valid description of value-creation among heterogeneous and fragmented consumers. By identifying different practice segments and describing how value is created in them, it guides firms in developing superior value propositions for consumers participating in different practice segments.

## **Discussion**

Drawing from S-D, PT and CCT, this paper investigates value creation in a specific context, namely, in practices, and identifies implications for marketing science and practice. A key research unit of value creation of this paper is a value-creating practice in which consumers voluntarily participate, use offerings and create value. These practices are heterogeneous due to varying constellations of different practice elements. The heterogeneity of practices results in fragmented consumers who are not consistent in their use of offerings. Instead, they use different offerings, according to what makes best sense for them in each specific situation.

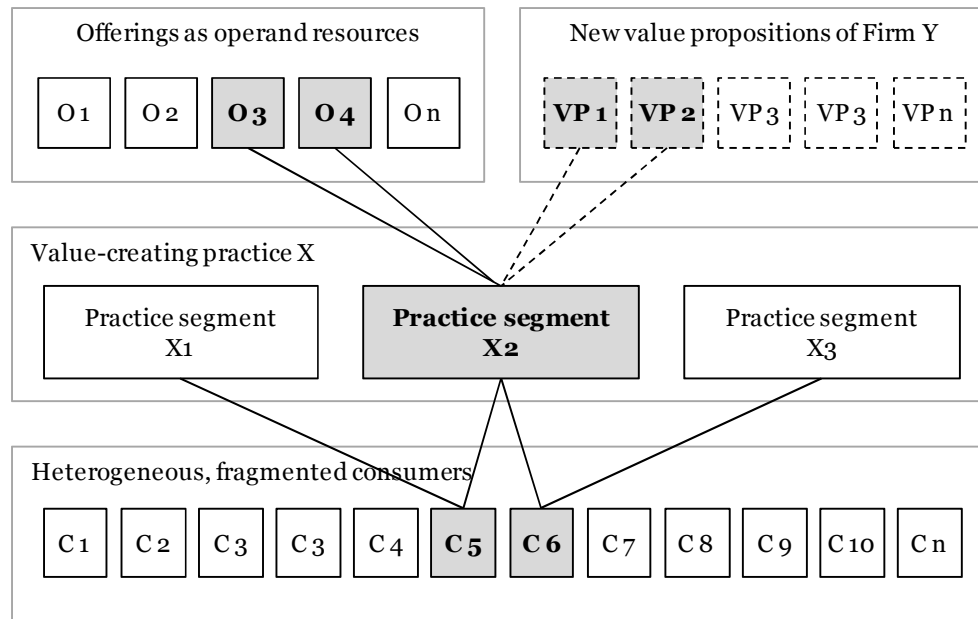
Recognizing fragmented consumers and the contextual nature of value creation, the paper suggests segmentation of value-creating practices. The fragmented consumers do not belong to one practice segment only, but they switch between practice segments, according to what is desirable and feasible for them. Segmentation of value-creating practices attempts to provide firms with a valid description of value creation among consumers and helps firms to identify value-creation improvement opportunities which firms can transfer to improved offerings and/or new value propositions. In addition, it provides firms with a conceptual tool for taking a wider perspective on value creation beyond their current scope of offerings since value creation is examined in the context of practices, including both their current offering(s) but also other resources. Thereby it helps firms to identify new business opportunities which they can capture as resources integrators.

Even though a key unit for research of this paper is a practice, consumers are still perceived as vital for practices and for firms who still need to please and co-operate with them in value creation, in order to achieve their business targets. After all, consumers are carriers of practices through doings, sayings and use of resources. Hence, without consumers there are no practices, no resource integration and no use of offerings. Secondly, consumers experience and interpret value which is created in practices and during the use of offerings. Therefore, it is essential for firms to identify consumers who use their offerings, in order to initiate value co-creation with them. But

since consumers use and integrate offerings as they participate in value-creating practices, it is crucial for firms to understand in which particular practices and practice segments their offerings are (or could be) used, why they are used and how.

The connection between consumers, a value-creating practice and firms is presented in Figure 2. An unbroken line shows how consumers and offerings are integrated to different practice segments whereas broken lines show how new value propositions could be integrated to them in the future. The grey boxes highlight the case under examination: practice segment X2 and its connected consumers C5 and C6, offerings O3 and O4, and value propositions VP1 and VP2. I want to emphasize that this figure does not illustrate a fragmented consumer on purpose since it aims to draw a connection between consumers, a value-creating practice and firms in as a simple manner as possible. In addition, even though Figure 2 does not include other practice elements beyond offerings, I refer to them as I explain Figure 2 in writing.

Practice X takes place in a specific socio-cultural context, time and place. An example of practice X could be a weekday dinner practice in urban households in Finland in April 2009. Practice X includes three homogeneous practice segments, X1, X2 and X3, in which heterogeneous and fragmented consumers participate. In Figure 2, Consumers 5 and 6 participate in practice segment X2. (Notice that only for the sake of simplicity do I assume practice segment X2 to include only two consumers.) Since Consumers 5 and 6 have their own versions of teleoaffective structures and since they face different constellations of practice elements, their participation in different practice segments is heterogeneous; Consumer 5 participates in practice segment X1 whereas Consumer 6 takes part in practice segment X3. In the different practice segments, consumers use different operand and operand resources, including offerings, according to how well they can contribute to value creation in the practice. In Figure 2, Consumers 5 and 6 use offerings O3 and O4 as operand resources as they participate in practice segment X2, experiencing practice-segment tied functional and emotional benefits, and/or meanings. (Notice that an offering can also be used in more than one practice segments but for the sake of simplicity Picture 2 does not present this case.) As firms examine value-creation in the practice and its different segments, they are able to identify value improvement opportunities which they can translate to new value propositions for participating consumers. In Figure 2, Firm Y has identified two new value propositions VP1 and VP2 for practice segment X2. It can bring them to the market as offerings to be used by Consumers C5 and C6, participating in practice segment X2.



**Figure 2. The connection between consumers, a practice and firms.**

In this paper, I have examined value creation in practices but I have not yet touched upon the concept of value on purpose. Based on this paper's examination on value creation in practices, I summarize findings on the concept of value. First, value presupposes a value-creating practice; without it there is no value creation, value experience and thus no value. Secondly, no offering has value: it is tied to a practice. Therefore, the value of an offering is dependent on how well it, as an operand resource, is capable of improving value-creation in a practice. Third, consumers look for three types of value from practices: functional and emotional benefits and meanings. Fourth, consumers experience value where experience is defined as an arena in which reality shows itself. Consumers experience value by consciously interpreting it or without reflection. Fifth, consumers manifest and signify the experienced value in bodily activities, such as in sayings and doings. Sixth, value is dynamic since consumers, using their practical intelligibility and being capable of learning, are willing to change their participation in the practice according to what makes best sense for them. It is worth emphasizing here that practical intelligibility does not mean that consumers always act rationally. In many circumstances, irrational behavior makes best sense for the consumers, as shown earlier in this paper. Finally and importantly, value is socially constructed as it is tied a practice. Directing consumers' participation in practices, practice specific teleoaffective structures play a central role in the social construction of value. As they are normative for consumers: what is correct, acceptable, desirable and realistic behavior in the practice, they configure both value creation and the outcome of



value creation: experienced value. Since the elements of socially constructed practices vary by context, there is no universal value. Therefore, in order to provide superior value propositions for socially constructed consumers, the examining of the value creation context becomes vital, and the segmentation of value-creating practices appears to be relevant.

### **Limitations and suggestions for further research**

This paper suggests the segmentation of value-creating practices and introduces practice elements as segmentation bases. Therefore, it offers theoretical underpinnings for the segmentation of value-creating practices. However, this paper includes no segmentation methodology choices which are needed to develop and operationalize segmentation. Hence, future research could examine and prioritize alternative methodologies. Finally, it could operationalize the segmentation of value-creating practices, in order to test it and develop it further.

This paper concentrates on examining value creation in consumer practices. However, the business-to-business market is as important as the consumer market. Therefore, future research could apply this theoretical approach to investigating value creation in the business-to-business context.

This paper introduces teleoaffective structures as a fundamental element directing value creation in a practice: they configure consumers' participation and thus value creation. Therefore, understanding the teleoaffective structures of practices and their influence on value creation in more detail would help firms to improve offerings and develop superior value propositions. Hence, examining teleoaffective structures could be a motivating and valuable research area.

Finally, this paper introduces an offering as a resource in a larger, socially constructed, value creation constellation, a practice. Therefore, a practice provides a new theoretical standpoint for investigating the concept of value proposition. Examining value proposition from the standpoint of value-creating practice would be a valuable research theme; in many firms, value propositions are currently vaguely-defined and generic, and thus provide firms with very little help in steering marketing and service development.

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