

*Master Thesis*

# CO-CREATION SELLING – CREATING VALUE WITH YOUR CUSTOMERS.

## A CASE STUDY ON ARURA

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# 1 Abstract

This master thesis is concerned with co-creation sales in relation to a small company called Arura, which produces visual solutions utilizing AR<sup>1</sup> and VR<sup>2</sup> technology. The aim of the thesis is to explore the process of co-creation sales and how Arura can utilize this in their organization and in relation how the concept “*value*” is connected to this. Furthermore, the thesis will investigate the composed problem statement.

For the time being Arura is trying to develop their business and establish themselves in the industry. They are a small and emerging business, which creates challenges for them in terms of cash flow and business relations. At the moment they are doing what they can to secure customers and create revenue, but the approach they are using is unstructured and based on trial and error.

Based on the problem statement, the analysis is split up into the concepts of value and the framework of co-creation. The two segments reveal how value can be perceived and how Arura should encompass this towards their customers and partners. The framework reveals how different aspects of co-creation sales is present inside Arura, and how they can utilize the remaining aspects within the framework. Through the analysis it has been discovered that Arura are utilizing co-creation elements in some instances and to some extent. The thesis is therefore proposing guidelines for how to structure the co-creation aspects, together with how this can support Arura in creating relationships with relevant entities within the industry. This can hopefully assist Arura in growing their business.

The thesis finds that Arura could have benefit from utilizing the proposed models and framework, as it can structure and organize their approach to sales. That being said, there are risks involved in a co-creation process as a shift in responsibility from inside a company, to outside can induce a different outcome than originally wanted by Arura. Although there are risks involved, they are deemed manageable as long as the organization is aware and take the necessary steps to observe and potentially correct the co-creation process while it is happening.

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<sup>1</sup> Augmented Reality

<sup>2</sup> Virtual Reality



The terminology of value in regard to Arura and their customers is also a focus point throughout the thesis, as this relates closely to notion of co-creation. As investigated through interviews Arura is becoming increasingly attentive to the term “value”, and they have increased their knowledge and focus on how they can provide value for their customers, and how value as a concept can be incorporated into their business operations. Furthermore, it has been revealed that Arura is beginning to experience a snowballing effect, as they are in contact with an increased number of stakeholders. In the first interview it was stated that Arura needed to reach out to many potential customers, whereas the second and fourth interview revealed that Arura is getting noticed and now receives inquiries by potential customers.

This is due to their own focus upon reaching out to potential customers, which imprints Arura’s name and their potential offering and the industry’s mindset upon solutions like what Arura is offering.

By perceiving value in combination with co-creation Arura can receive a heightened understanding of how their internal skills can add value to their customers, and thereby having an increased chance of being able to create business relations with a customer.



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Finally, we want to thank our friends and family for being actively involved and supportive in our work with this thesis, even though it has been time consuming and sometimes stressful. Also, a big thank you to Simon and Laura, our partners, for cooking, cleaning, cheering and being patient with us at all times.



### 3 Abstract

This master thesis is concerned with co-creation sales in relation to a small company called Arura, which produces visual solutions utilizing AR<sup>3</sup> and VR<sup>4</sup> technology. The aim of the thesis is to explore the process of co-creation sales and how Arura can utilize this in their organization and in relation how the concept “*value*” is connected to this. Furthermore, the thesis will investigate the composed problem statement.

For the time being Arura is trying to develop their business and establish themselves in the industry. They are a small and emerging business, which creates challenges for them in terms of cash flow and business relations. At the moment they are doing what they can to secure customers and create revenue, but the approach they are using is unstructured and based on trial and error.

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The thesis finds that Arura could have benefit from utilizing the proposed models and framework, as it can structure and organize their approach to sales. That being said, there are risks involved in a co-creation process as a shift in responsibility from inside a company, to outside can induce a different outcome than originally wanted by Arura. Although there are risks involved, they are deemed manageable as long as the organization is aware and take the necessary steps to observe and potentially correct the co-creation process while it is happening.

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## 4 Introduction

In a world which is changing rapidly, so are customers and businesses. Being unique, special or innovative has become “the new normal”. Power has shifted to the customers, and this manifests in the interactions between these actors (Gouillart & Quancard, 2016). Customers of today are no longer content with being detached spectators, they wish to engage in what they consume and to influence the products and services they use. Therefore, a company’s good idea is no longer enough on the overcrowded markets; sales people of today need much more than before to create value with and for the customer (Gouillart & Quancard, 2016).

In sales, there has been a tendency to look at best practice examples instead of finding new ways, as it is typical done within e.g. marketing. Sales is seen as an addition to the marketing activities and is not seen as a stand-alone activity in the business model, that requires attention and ongoing focus (Paesbrugghe, Rangarajan, Sharma, Syam, & Jha, 2017). When John Patterson wrote the book “*How to sell national cash registers*” in 1887, he instantly became famous for his work. Even today his work is considered as one of the most influential books ever written about sales – and many sales people are still applying the methods of the book today (Burgdorff, 2017). However, what distinguishes companies with a clear sales philosophy matching the world of today is, that they target the sales method to the individual customer instead of seeing customers as one homogenous entity. They work with differentiated sales methods instead of standard methods, and, chooses the one that creates the greatest value for each customer (Prahalad & Ramaswamy, 2004).

Arura, the case chosen for this thesis, is too realizing that they are facing challenges in regard to selling, meanwhile trying to figure out what to do to differentiate from competitors – not only in relation to product development but even more important; how to sell their products. Arura is a start-up company working with augmented reality and gamification, alongside other types of interactive media, and they are only present at the B2B market today (Arura, 2018). They have currently communicated and co-operated with Løvbjerg Supermarked, Aalborg Storcenter and Hals Skanse Museum, and they have initiated contact with Lidl. Their main product is an AR solution which is built on a combination of a physical object on the ground, an application, a camera which is either stationary or on a smartphone/tablet/TV and a monitor which also is either stationary or



on a smartphone/tablet/TV (Arura, 2018). At the moment, they are only pursuing Danish customers, but Arura has stated that they have a great desire to move beyond the Danish border, which is also why they are trying to secure a deal with Lidl. This is partly because they wish to grow in size but also because they think their potential customer list is relatively short in Denmark, and a saturation will be faced at some point (C. Gade & M. Pilgaard, 12 February, personal interview 34:02-34:58). This is also one of the main reasons why Lidl could possibly become a partner of importance when thinking about internationalization, as Arura is already doing, as Lidl is represented in both USA and 27 European countries (Lidl, 2018)

At the Business to Business (B2B) market where Arura is present, the tendency of involving customers at an earlier stage is also very present, as the B2B consumers are also changing their ways of buying products, and Arura has also become aware of this. The customers have changed from being one undifferentiated mass into a group of consumers demanding unique, and value creating solutions for every person involved in the process (Baumann & Le Meunier-Fitzhugh, 2015). This change is a U-turn in regard to the Model T that Ford Automobiles made, and which was seen as the beginning of the industrial revolution: consumers had all the same demands and wishes, and from this the sentence *"You can have it in any colour, as long as it is black"* originated (Prahalad & Ramaswamy, 2004). Many business models today derive from the Model T, but it is clear that this will not continue working when discussing value creation and co-creation sales in the future (Prahalad & Ramaswamy, 2004).

Meeting Arura A/S, we saw a potential in their business model, as they are producing high complexity products in the AR and VR business. One of their main challenges as we see it is to connect and create relations to customers for sales to succeed and secondly to express how the value they can offer can be of relevance for their customers. Co-creation sales can be seen as a new type of sales force, which can be used especially by companies that sell complex products and services B2B. Sales are a dynamic size that encompasses many different, and in many cases opposing schools, each of which has their own idea of what *"the good sale"* is. However, co-creation sales differ in recognizing that the entire understanding of the seller's task, of sales management, segmentation of the market and the sales strategy is reconsidered with one fundamental focus;



creating value for the customer and this value can be proposed through either the product, the solution or in the results the customer achieves (Vargo & Lusch, 2004a).

The tendency towards shifting to a more customer-centric model of value-creation and rethinking customer value and to find out what it is and how it should be created. Instead of focusing on value as what companies **do to** their brand, instead there should be focus on what consumers **do with** brands (Bhalla, 2016). But how can the complexity of the trends in the market be concretized, and be adapted into businesses selling complex products such as Arura?

For us as researchers we have seen the potential in trying to find out how sales can be adapted into a new model for the future. With our case, Arura, we have found that new ways of selling complex products are needed, and we wish to explore how the change in perception of products/services/solutions and the value these need to offer customers, can potentially be accommodated by looking into co-creation selling and value creation. The sale of tomorrow needs to be consisting of not only the transaction but even more the relation and the process of creating something together (Degnegaard, 2016b).

Instead of focusing on how sales successfully have been done up until now, we choose to focus on how we and others see that sales can be successful in the future. We want to explore how this concept can find use in a society where there are overwhelmingly many possibilities for businesses and customers and how co-creation processes can lead businesses to foster the discovery of customer interest and value, which they can turn into innovation and competitive advantage.



## 5 Research Question

On the basis of the introduction and our collaboration with Arura, we have created the following problem statement:

***“How can Arura create a co-creation sales strategy by integrating the principles of co-creation selling, and can this add value to both Arura and their customers?”***



## 6 Methodology

### 6.1 Introduction

The following section is used to present our methodological considerations and positioning while doing research for this master thesis. Here we will present our considerations in regard to the field of philosophy of science. We do this to explain how the chosen approach and the combination of different methodological, theoretical and analytical techniques together form a basis that enables a reflected and substantiated answer to our proposed research question.

The frame on this study is the one of social constructivism, where we as researchers strive to clarify the features of our case, Arura. Constructionism is presented as an ontological position relating to social objects and categories - that is, one that views them as socially constructed (Bryman, 2012). From this ontological position, our purpose is to achieve understanding of different correlations without trying to explain them. From our epistemological view, the study cannot be objective, as we as researchers play an active role in defining the knowledge achieved from the chosen case study and of the area of study in general (Bryman, 2012). However, objectivity is not of concern when working within the paradigm of social constructionism as we do not strive to find an absolute truth, but rather understand a certain concept and phenomenon.

The relationship of the research to the theory is the one of the inductive structure as it is the observations that will be controlling the theories, and not theories controlling our observations. The inductive method is reflected by investigations of concrete theoretical and empirical sources, but without prior hypotheses to be rejected or confirmed, as this is not in agreement with our social constructivist perspective (Bryman, 2012).

### 6.2 Perspective in social science

In social science there are two general ways of gaining knowledge: the *positivist* and *constructivist* approach (Bryman, 2012). Whereas positivism is a science-based way of viewing the world, for instance when working with tangible numbers and evidence-based research, interpretivism is related to the humanistic tradition, where we as researchers seek to understand, not explain, the examined problem area (Bryman, 2012). As we want to understand what co-creation sales is and how it can provide value, we believe that there are multiple realities in which we live in and thereby



conduct our research from, hence there is not one truth to the research question proposed. Furthermore, how we prepare our thesis, interviews and understand the data collected during the research process depends on our epistemological position as well as theoretical framework. As we wish to “*grasp the subjective meaning of social action*” (Bryman, 2012), we conduct our research from an interpretivist approach.

Therefore, the goal of our interpretivist research is to understand and interpret the meanings of human behaviour rather than to generalize and predict causes and effects (Neuman, 2011). For us as interpretivist researchers, it is important to understand motives, meanings, reasons and other subjective practises, which are time and context bound (Ozanne & Hudson, 1989).

We remain attentive that we are not reaching a final, generalizable truth, as the object of analysis is considered a changeable and indefinite phenomenon, which is further shaped and influenced in the meeting with us as researchers and the way research is being done. In this argument, there is also a basic acceptance that the researcher has an effect on the data produced, and therefore can be seen as a co-creator on how data is produced and thereby perceived. By interpreting spoken statements from our interviewees, we will not only be interpreting what is communicated from them to us, we will also, as Bryman (2012) indicates “.....*be interpreting the responses according to our chosen social scientific frame, our conceptual and theoretical understanding as well as to the literature we have read prior to starting the collection of our data*”(Bryman, 2012). This multileveled interpretation of the data collected is the researchers’ subjective understandings of our research and therefore it is important for others to know our ontological and epistemological positions to understand how the research was conducted and how our subsequent conclusions have been reached. Hence our aim with this project is not to be able to offer a finite answer to our problem area, but to unveil new knowledge about the research area.

Working from a positivist stance involvement in the research is a key for concern, however, theorists are claiming that the researcher cannot completely separate oneself from one’s findings and research (Järvinen & Mik-Meyer, 2005; Tanggaard Pedersen, Brinkmann, Ole Thornye, & Tom Havemann, 2010). This is both because researchers are subjective human beings, but also because all researchers will design the setup of research to suit the needs of their research area best possible (Bryman, 2012). However, we as social constructionists do not try to step aside to be invisible when



conducting research. We choose to see it as natural to be involved in the collection of data (Kozinets, 2002). Therefore, we do not see it as a problem as positivists do but as an accepted approach when collecting data. However, we remain aware of this when collecting our data as it should not affect our material to such an extent that our findings and statements will become understated.

### 6.3 Methods

These methodological and analytical considerations together constitute the research design and method of this project. The purpose of this project is to examine the phenomenon *co-creation sales and value creation* from an explorative point of view where a specific case, Arura, is used as an example of the application of co-creation sales.

We aim to reach an understanding and an answer to our research question with use of the various theoretical, methodical, analytical techniques and by using interviews as our primary data collecting form. These components are what we see as the route to our goal; an answer to the research question and a deeper understanding of the concepts correlating to our stance as social constructivists.

We understand that in the selection of the case, we will always be biased, as to how we select the case and then how we consider it. As we have identified specific characteristics in the case that we wanted to examine in the project, we see that we are already biased due to our pre-understanding of the problem area (Flyvbjerg, 2006). However, when being aware of this throughout the process, we have aimed at becoming less influenced and biased by the case chosen.

### 6.4 Case Study Design

There are several ways to conduct research and one of them is through a case study. The word *case* stems from the Latin words *casus* and *cadere*, which means an event, a case or what happens (Yin, 2003). In the research context, the case study itself is about creating new knowledge about a particular event, phenomenon or situation, and the case study becomes the concrete way to answer our research question.

We have chosen the case study as research design, as it allows for the combination of many different sources that interact with the study, thus enabling an understanding of a complex problem or



situation (Yin, 2003). Yin (2003) defines a case study as follows:

*"A case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident."* (Yin, 2003).

In the preparation of a case study, research can be based on both single and multiple cases (Yin, 2003; Zaidah & Zainal, 2007). If the study includes one unit e.g. one person, one company or one country, one is talking about a single case study, which is also what we are conducting in this thesis. Furthermore, two additional dimensions that are included in the research design must be considered; the holistic and analytical approach. Where the holistic approach tries to provide an understanding of the case as a whole, the analytical approach attempts to investigate the interrelationship between multiple variables or entities within the single or multiple case-frame frameworks (Yin, 2003). In this thesis, we use multiple interviews to research the area of co-creation selling and the value it can provide. This adds depth to the data collection, which will make the research more nuanced (Yin, 2003). The research of a single case like this thesis is concerned with aims to highlight a picture of Arura's reality and the world in which they exist, making it a holistic case study.

The theme of reliability is always present when conducting a case study, because as a researcher, one must strive to conduct a study with high reliability (Bryman, 2012; Flyvbjerg, 2006). Reliability is generally perceived as a weakness when preparing a single case study, as it is seen as being weak in regard to generalization (Barzelay, 1993; Zaidah & Zainal, 2007). Social scientist Bent Flyvbjerg (2006) describes this as one of the five misunderstandings about case studies. When you have a single case from where the analysis is conducted it is always a challenge to argue that the findings of the research would be easily generalizable, since there is only one individual case (Flyvbjerg, 2006).

However, Flyvbjerg (2006) too argues that this is a misunderstanding, and in social science the strategic choice of case may greatly add to the generalizability of a case study. Flyvbjerg (2006) states, that it is incorrect to conclude that one cannot generalize from a single case study (Flyvbjerg, 2006). The reasoning is, that it depends on the chosen case and how this case has been chosen and





researched. There is reason to believe, that the case study of Arura in relation to co-creation sales and value creation, can be partially generalizable. This assumption is based on the research findings from a broader perspective, which easily could be somewhat the same or look much alike, if conducting a case study on another company within the industry in the future.

## 6.5 Research Design

This paragraph aims to highlight the thoughts and choices behind the research. Moreover, the chapter explains the process throughout the research for the reader to understand how the empirical data in the thesis has been collected.

## 6.6 Elements of data collection

Qualitative research is useful, when wishing to interpret words and interactions, and it comprises of several techniques of collecting information such as ethnography, qualitative interviews, focus groups and netnography (Bryman, 2012; Kozinets, 2002). For this thesis, we have mainly been using interviews to gather information for interpreting and analysing. The choice of conducting interviews for the research is to thoroughly understand the mechanisms and processes within the research question and the reality of which Arura is existing in. By using interviews, it has been possible to achieve a bigger insight about Arura and the world surrounding them. One of the benefits of the interview, which we have found valuable, is that one can continuously check the informants' understanding of the questions (Baker & Edwards, 2012; Newton, 2010). Furthermore, there is the possibility of a direct follow-up to or elaboration of the informants' answers and understandings of the questions (Kvale & Brinkmann, 2015). The interview can, to a much greater extent than e.g. a questionnaire provide elaborate advanced questions and ensure that the informants have the opportunity to formulate answers in their own words. Hence, interviews are a flexible approach to collect data by enabling deeper answers (Bryman, 2012; Kvale & Brinkmann, 2015). Due to our ontological and epistemological position as social constructivists interviews are used to understand Arura and the surroundings they are operating within.

Both desk and field research were used to gather the needed data for this study. The data was collected through already naturally occurring data that: *“exists independently of the researcher's intervention”* (Silverman, 2006). Academic books, academic literature reviews, online articles concerning co-creation selling, value and value creation/co-creation, as well as articles from the



courses at Culture, Communication and Globalization and The Creative Genius semester at AAU, were examined and used in the collection of secondary data. This document analysis is seen as an addition to the primary data collection and has been primarily used as a foundation for our understanding of the concepts. We choose to do this to reach a holistic understanding of the phenomenon and how it has originated. We are too aware that the desk research we choose to include has been collected with another purpose than ours, which is why we also remain critical towards the sources we choose to include in the thesis.

There can be problems occurring when only using qualitative data. However, as mentioned earlier, we as social constructivists too believe that this is a valuable way of obtaining the necessary knowledge to answer our research question, and in this specific case, we found the advantages bigger than the disadvantages. As we choose to work exploratory we remain aware that the data we collected and used, cannot be generalized or used to make systematic comparisons, but as this is not our main focus, we find it more relevant that our data collection provides depth and detail to our research area.

## 7 Interviews

Conducting interviews, as mentioned previously, plays a vital part of the research for this thesis. It was chosen to conduct several interviews with multiple angles of Arura and its surroundings to create the best possible foundation for us to understand their situation and reality. The different angles of research underline the different ways to see and understand the reality of the concepts.

Company	Person	Position	Interview type	Time	Approach	Interviewer	Date
Arura	Christopher Gade & Marc Pilgaard	CEO & Project Manager	Informal Interview	1 Hour	Informal interview	Kristina	04.01. 2018
ResponsStrategy	Karina Burgdorff	PhD Student and Sales	Informal Interview	1 Hour	Informal interview	Kristina & Peter	05.01. 2018



		Developer					
Arura: Interview 2 (Appendix 1)	Christopher Gade & Marc Pilgaard	CEO & Project Manager	Interview	2 Hours	Semi structured interview	Kristina & Peter	12.02. 2018
Initiatives (Appendix 3)	Rex Degnegaard	Co-Founder and CEO	Phone Interview	1,5 Hours	Semi-structured interview	Kristina & Peter	08.03. 2018
ResponsStrategy (Appendix 2)	Karina Burgdorff	PhD Student and Sales Developer	Interview	1 Hour	Semi-structured interview	Kristina & Peter	19.02. 2018
Arura: Interview 3 (Appendix 6)	Christopher Gade	CEO	Interview	55 min	Semi-structured interview	Kristina & Peter	05.04. 2018
TACK International (Appendix 4)	Jens Dalgaard	CEO	Phone Interview	1 Hour	Semi-structured interview	Kristina & Peter	26.03. 2018
Incentive (Samskabelses-Laboratoriet) (Appendix 5)	Stine Halmind	Consultant & Partner	Phone Interview	30 mins	Semi-structured interview	Kristina	13.04. 2018
Arura: Interview 4 (Appendix 7)	Christopher Gade	CEO	Interview	1 Hour	Semi-structured interview	Kristina & Peter	07.05. 2018

Table 1 - Overview of interviews. Own creation

We have made an interview guide (Appendix 8) for ourselves to remember the topics we needed to discuss with our interviewees (Appendix 8 – Interview guide). The topics we choose to include has



been chosen after researching the topics on the co-creation sales and value and the themes this evolves around. We found it necessary to do a wide search on the areas before performing interviews, as co-creation sales is a relatively new theme in the literature. We have performed both semi-structured and informal interviews. The informal interviews were made in the beginning of writing the thesis, as we found it necessary to explore the topics and the case chosen, before conducting actual interviews. These interviews with Arura and Karina Burgdorff has not been recorded, as we saw it as necessary to become informed about both our case and the themes we wished to work with, before beginning the actual research on the concepts.

As we are primarily performing semi-structured interviews we have not been following this guide slavishly, but it has been a help when talking to interviewees who would easily change directions during the interview, and where we could easily be distracted by their own stories, ideas, etc. However, it is important to emphasize that we have been willing to let our interviewees contribute with own perspectives on the subject, but we have been focused to keep the interviews relevant.

The interviews highlight the different views from each interviewee on how they perceive their situation differently or similar to other interviewees. The interviews were collected by using semi-structured interviews (Newton, 2010). The semi-structured interview is much like an everyday conversation (Kvale & Brinkmann, 2015), but is characterized by having a specific structure and purpose. The interview is planned, but is still flexible in regard to collecting nuanced descriptions of the interviewee's reality for the purpose of interpretation (Tinggaard Pedersen et al., 2010). We had prepared the interviews and structured questions and which themes and subjects we would like to touch upon. However, the process of interviews was flexible to get an open dialogue, and allowed our interviewees to speak spontaneously, which we evaluated as being very beneficial for us. We adjusted our questions in line with the conversation, and we had made an effort to gain a lot of knowledge on the subject prior to the interviews, which we felt became very useful in the dialogue. The interviewees could also reflect on their point of view during the interviews, and we were able to ask clarifying questions or ask for in-depth answers. This approach was mentioned in the beginning of every interview to guide interviewees and for them to understand that we were interested in creating a dialogue about the topics, which can also be seen in the interview guide (Appendix 8).



Two of our interviewees, Stine Halmind and Rex Degnegaard, were not interested in being recorded, while conducting the interviews. Therefore, we have chosen to include our handwritten notes for the interview with Degnegaard and the computer written notes for the interview with Halmind, similar to obtaining field notes (Appendix 3; Appendix 5). As we would have preferred to record all of our interviews, we were a bit sceptical towards this, due to reliability. However, we assessed that the knowledge they could provide us with would be important for writing this thesis, and therefore we agreed. As we are performing research within a narrow field of sales, it has been difficult finding interviewees that are already working actively with the concept or who possess intensive knowledge on the area. While working with the data collected, we found that they too play a smaller part in the thesis, and therefore we do not see it as something making the thesis less reliable.

We as researchers has also reflected on the interviews, especially the ones with Arura, for us to understand them and also to see if we could track development and changes and thereby understand the case even better. As Arura is a newly started company changes occur rapidly and therefore the company is changing quickly, which has had an impact on our research and the evolvment of our data and our analysis. Therefore, we also choose to refer to the different interviews for the reader to understand the development we see from interview to interview.

Another important part of the process was regarding the language used throughout interviews (Kvale & Brinkmann, 2015). The awareness towards performing interviews in Danish and then hereafter translating the collected information into English has been very high. The main reason for performing the interviews in Danish has been that interviewees and interviewers both have Danish as a native language. Therefore, we saw that there could be a potential threat of losing information and further elaboration on questions if the interviews were performed in English. As we only had Danish interviewees, we have performed it in Danish, but if we had interviewees with another mother tongue, we would have, if possible, tried to make it in the interviewees first language.

The debate of how many interviews to conduct in qualitative research is one of many voices. As Baker & Edwards (2012) note in their research on qualitative interviews: *"Thus while many experts agree that saturation is ideal, some give numerical guidance. For example, Adler and Adler advise graduate students to sample between 12 and 60, with 30 being the mean; and Ragin suggests that a glib answer is '20 for an M.A...'"*(Baker & Edwards, 2012). As we cannot hope for theoretical



saturation (Bryman, 2012) with the number of in-depth interviews conducted, we have chosen to view our research as exploratory and something that can be used as a base for further research. For us it has not been of first priority to achieve a representative sampling, as our main aim is not to generalize.

## 7.1 Managing interviews

Content condensing is a way to categorize interviews and the statements within the interviews, which later can be analysed. By utilizing content condensing the interview process is less time consuming, and the interviews is less cumbersome to analyse, as there are a number of fixed categories in which to investigate. The data is also easier to manage, and is simpler to survey (Kvale & Brinkmann, 2015, pp. 267–269). The data of each interview is investigated, and the themes is noted, and compared to each other in order to have a sense of there are similarities or opposing themes. As the analysis develops the condensing gets more focused upon the theoretical framework of the thesis, and specific themes is sought after in order to either confirm or deny the notions of the theories and/or statements from other interviewees (Kvale & Brinkmann, 2015, pp. 267–269). The coding can either be concept controlled or data controlled. The difference lies in how the data is surveyed, as concept-controlled coding revolves around the interviewer operating with established codes set by existing literature on the field of study. Alternatively the data controlled coding is more exploratory in its approach, as the codes is being generated while the interview is being conducted, and thus the interviewer is not using a predetermined list of codes, and checking them of as the interview is conducted (Kvale & Brinkmann, 2015, pp. 267–269). The coding used in this thesis is concept controlled, as the themes coding categories were pre-determined based upon the theoretical framework. The reason behind this is to be able to point out how and why the interviewees state as they do, and how these statements correlates with the theories(Kvale & Brinkmann, 2015, pp. 268–270). The reason for content condensing is to create homogeneous results within the gathered data, which then can be analysed (Kvale & Brinkmann, 2015, pp. 267–270).

## 7.2 Ethical considerations

According to Bryman and Bell (2011) and Diener and Crandall (1978) there are four things we as researchers should be particularly focused on, when conducting research in social science; if there



is harm done to interviewees, if there is lack of consent, if there is invasion of privacy or if deception is involved (Bryman & Bell, 2011; Diener & Crandall, 1978).

We are not working with data that could potentially harm the interviewees, but we were still considering the ethics, while conducting the research. First of all, all participants have been informed about the aim of the research, how we work, and how we wish to use the interviews as an integrated part of the research. We have been honest and transparent throughout the process, which is also why we have made the interview guide for the interviewees could be informed and give consent about the process and the structure of the interview and analyse whether or not they would like to participate be recorded.

Most of the interviews has been recorded in order to obtain as much information from them as possible, and to make it easier for the interviews to be conducted. This aims at creating a more fluid process, as interviewers does not need to take as many notes while the interview is being held. As some of the interviewees did not wish to be recorded, we acknowledged this wish and refrain from recording the specific interview. The information obtained through the interviews is solely information from the professional employment of the interviewees. This means that no personal information will be saved or used for other purposes than the thesis.

We have too, when analysing the data, been particularly focused on using the interviewee's statements correctly and in the form that the data was collected for. The same goes for the secondary data we have been using, where we have been concerned with referencing correctly. The data collected is not considered to be confidential, as the interview questions is focused on understanding the terminology from the interviewees point of view. During the interviews, if either the interviewers or interviewee realises confidential details have been expressed, or their privacy can be affected by the information stated, then these details will be treated appropriately (Gibbs, 2012b).



## 8 Limitation

In the following paragraph the choices leading up to the research will be explained. This paragraph refers to the choices that we as researchers have made while working on our thesis, and how we have approached the research question proposed. As this is a multidimensional field to conduct research within, it is of great importance to clarify the choices behind the research and how and why the research has been conducted in this particular way.

When discussing the co-creation selling process we have chosen only to focus on the relationship and the process in the B2B sales situation. Therefore, we do not take the users of the product into consideration. The reasoning behind this choice is that Arura is already focusing on user experience, but they lack knowledge on how to engage in co-creation sales processes with their customers and the customers are currently only B2B. To oblige to this limitation, we as researchers have chosen that the literature that solely focuses on the user/B2C perspective is used only as a foundation for understanding the concepts. We have included literature on how co-creation has been done in B2C for our own understanding of the topic and how it has been used. We have too found that most of the empirical studies on co-creation have also been carried out with a focus on B2C settings (Baumann & Le Meunier-Fitzhugh, 2015; Håkansson & Ford, 2002). Hereby, the scholarly contributions studied are as closely related to the research question as possible.

Furthermore, we have decided not to conduct the actual co-creation sales process, as we during the process of working with Arura has evaluated that they are not ready for this yet. We have talked to Arura about what we see needs to be at place in order for this process to be successful, and they have too agreed that it would not be as beneficial for them to access this process now. However, they would too feel it more beneficial for them to get an overview on how to, what not to, and what elements they have to be aware of when engaging in the process.

It has too been an important factor for us to help Arura in the sales process and to listen to their problems and difficulties regarding selling. The problem at the moment is that there is simply not enough cash flow because they are unable to introduce the value of their products to potential customers, which is another factor that has made us choose this direction. This is also the reason why we have deselected to talk to the customers buying from Arura. When we started working on





the thesis, Arura had not sold anything, so there were no customers to talk to. In interview four in the beginning of May, Arura has started to succeed with a few sales, but we have not seen it as valuable for this thesis to talk to these customers. Christopher Gade, CEO, explains that currently they are not working actively with the principles of co-creation sales, as they are in desperate need of cash-flow (C. Gade and M. Pilgaard, 12. February, personal interview, 14:50- 15:30)

## 9 Arura

Arura started in May 2017 as a merger of Flat Cap Entertainment, Not Even Entertainment and Stone Plant Studios. This merge ensured that there was a wide range of competencies in relation to software development and administrative roles. All three game companies started with a focus on game development but came together to use these skills in the form of gamification (adding game elements to tasks and entertainment) rather than focusing on ordinary game development. This has meant that Arura today create software and software solutions with a focus on game elements that can help maintain and motivate users (Arura, 2018). For doing so psychological tools and collection of important data such as consumer mobility patterns, number of visits, and other anonymous customer data is used.

Aruras organization is mainly consisting of programmers who has little knowledge about business operations. This is also one of the main struggles for them (C. Gade and M. Pilgaard, 12. February, personal interview, 09:10-09:40) as they have difficulties in finding out how to do sales, marketing, networking etc. Therefore, they explain that the internal resources in relation to this field is scarce, but at the same time they possess great knowledge in the field they operate within. As they are quite explorative in their ways of doing marketing, they are also interested in trying out new things, such as co-creation sales, which we believe is a great benefit for our work with them (C. Gade and M. Pilgaard, 12. February, personal interview, 15:30-15:50).

The vision of the company is to use this framework for the preparation of supermarket campaigns while at the same time exploiting it to make money on the development of lightweight custom solutions for other businesses, such as museums and amusement parks (Arura, 2018).



Arura's main product, as mentioned earlier, is a digital loyalty platform that gives customers incentives to go to specific stores to use Arura's product. The platform utilizes game design, gaming and shop experience and is scalable, so it can be customized to stores of all sizes. The platform can also be used in other contexts than retail but at the moment these customers are seen as secondary customers. The platform is adapted by Arura to give customers the secondary value that is important in their industry, such as customer data, customer guidance, etc. The primary value, according to Arura, provided by the platform is a good customer experience which is done through the use of game elements and experience design (C. Gade & M. Pilgaard. 2018, 12 Feb. Personal Interview, 21:05-21:50).

However, they experience difficulties communicating the value they can give to customers and thereby creating the sales they need for now. Arura has a presumption that they can deliver value on an international basis, but they are uncertain in relation to sales and delivering the expected value for their customers. (C. Gade & M. Pilgaard. 2018, 12 Feb. Personal Interview, 07:50-08:15, 31:30-32:13).

## 10 Literature review

The purpose of the literature review is to study and understand the themes which we are researching and as a tool for understanding former research on the area. The literature review is seen as researchers' preunderstanding of the area and is furthermore the essential points, findings, results and issues from already existing research. Also, the literature review leads to an identification of contradictions and gaps in former research, which enables us as researchers to further investigate.

The literature review for this thesis consists of four main themes; Co-creation, co-creation selling, value and value co-creation and therefore this review has been conducted as a thematic literature review. We as researchers have grouped the literature into themes, because of the importance of understanding the research topics in depth. A thematic literature review was chosen in order to determine the level of existing knowledge surrounding these themes, and to provide an understanding of how the topics have evolved. The elements are interdependent, but generates a



combined understanding of the overall terms, from which research is conducted. When the terminology is defined, they will be operationalized in the theory chapter for the purpose of investigating how Arura can utilize the concept of co-creation, and which challenges and/or opportunities co-creation selling entails.

### 10.1 Definition of co-creation

Even though co-creation has become one of many buzz words, which are used in diverse forms and areas such as IT, tourism and in municipalities co-creation and collaboration is not something new (Degnegaard, 2016a). Hunter-gather societies would not have survived if it was not for collaboration and co-creation, but the new idea is to incorporate into businesses (Benkler, 2011).

The term “co-creation/cocreation/co creation” has been through many developing stages, and the general understanding of the term today has changed significantly from the earliest mentions of the term (Degnegaard, 2014). The term was first seen in the field of religion in 1979, where the term was used to describe how Christians could use technology to co-create a better universe in the future. The following instances were centred around Christianity and religion, and not about business and social science as we see it today (Degnegaard, 2014). In 1993 the term appeared in connection to family therapy and psychoanalysis which provided a foundation for the conceptualization of co-creation as “co-creation of meaning”. In some cases the term co-creation has been used to investigate the organizational perspective, where the term is linked to how internal challenges can be integrated by people involved in the process (Degnegaard, 2014).

Some of the first occurrences where co-creation was used together with a business perspective, together with the notion of giving shared value to a service or product, was in 2000 where (Sheth, Sisodia, & Sharma, 2000), and later (Prahalad & Ramaswamy, 2004) described and analysed the shift in marketing and sales to a more customer centric approach (Degnegaard, 2014; Prahalad & Ramaswamy, 2004).

Prahalad & Ramaswamy (2004) discuss how the customer on both the B2C and B2B market actively seeks a new type of value creation opposed to earlier marketing strategies where a product was created on basis of what was *thought* of being in the customers interest. This meant that the customer was “outside” the company and had little to no influence upon the product development, other than the presumptions of the company, and the possibility to make complaints afterwards.



This could then eventually lead to a new product, which addressed said issues. In this era of marketing, Prahalad and Ramaswamy (2004) argues that the process from company to customer is split into three parts; the supplier, the market and the customer. First, the supplier creates a value, which is determined on analysis on the market and the customers. Secondly, the market is where the exchange of value takes place; meaning where the product or service is made available for the customer. Thirdly, the customer is then persuaded until a transaction is performed, or the customer refuses the persuasion (Prahalad & Ramaswamy, 2004). It is argued that the customer merely wants fulfilment, they do not want the product specifically – they want what the product can do for them (Vargo & Lusch, 2004a).

The co-creation process enables the customer to be a larger part of the creation process, whether it being a product or a service. This means that the customer has the opportunity to influence the company and the product/service creation process at an earlier stage. Therefore, the customers have the ability to influence the product to suit the individual customer's needs, and thereby making the value of a product or service greater for the customer, which often deems the value to be greater for the company too (Prahalad & Ramaswamy, 2004).

While focusing merely on the B2B market Lemmens *et al.* (2014) argues that: *“Both customer and suppliers are actively involved in establishing partnerships with other organizations in order to co-develop solutions”* (Régis Lemmens, Donaldson, & Marcos, 2014). This create a basis for not only the development of B2C, but also the development of B2B sales and marketing, where the value creation flows from supplier through customer and to the user/consumer, where all three parties are interconnected. Lemmens *et al.* (2014) further argues that this development is partly due to the way we communicate as individuals, where Social Media and earlier counterparts, can be seen as the cause of this development.

Prahalad & Ramaswamy (2004) state: *“Consumer-to-consumer communication and dialogue provides consumers an alternative source of information and perspective. They are not totally dependent on communication from the firm”* (Prahalad & Ramaswamy, 2004). This development has made the customers and users empowered with knowledge, and can thereby challenge the suppliers and producers to a greater extent (Régis Lemmens et al., 2014). This shift of paradigm



challenges producers to adapt, and if they do not manage to shift, they will at some point be pressured by their competitors and the customers' ability to interact with each other. Thereby the consumers on both B2C and B2B markets can more easily discover the best price for a given service, leaving the conservative producers with decreasing revenue (Régis Lemmens et al., 2014, pp. 30–31; Prahalad & Ramaswamy, 2004).

This paradigm change is not without challenges as the value creation is now a two-way process, and both companies and consumers are demanding more from each other (Verhoef, Beckers, & van Doorn, 2013). There is further expressed a generally precautionary tone in regard to co-creation, compared to Prahalad & Ramaswamy (2004) together with Lemmens *et al.* (2014). Here they express that the change of “power” which has moved from inside the company to outside, in the hands of the consumers, can be problematic depending on the specific business case. The opportunities gained by utilizing co-creation can develop into directions which are not planned, and can be unpredictable, which could lead to companies facing new issues (Verhoef et al., 2013).

## 10.2 Definition of co-creation selling

The paradigm shift from selling to co-creation selling creates many new challenges for both organizations, customers and users of the product/service in question. Lemmens *et al.* (2014) state that the paradigm shift needs to go from “*selling to customers*” to “*selling with customers*” (Régis Lemmens et al., 2014). This entails that the supplier assists the customer in identifying, defining and implementing crucial business possibilities. Suppliers and customers are thereby acting as partners on same “level”, opposed to the supplier being above the customer in relation to power (Régis Lemmens et al., 2014, pp. 36–39). The process of co-creation selling is defined as a process where the core capabilities of the supplier is not the product or service provided, but instead as abovementioned the capabilities to identify, define and implement business solutions. This requires that both supplier and customer is actively engaged in the process with each other. This new process of co-creation selling is also heavily linked to the ability to manage networks of customers, partners, stakeholders etc. These networks require that the level of interconnectedness is developing even further in the future when discussing co-creation selling. The sales people needs to establish partnerships between e.g. competitors and these people need to manage how to both consider



them as partners as well as competitors and thus manage how to share information, and when. This approach to sales changes the way a sales force should focus their activities and is also a turn-around in how sales and competition has been seen previously (Régis Lemmens et al., 2014).

The terminology of both “*selling*” and “*co-creation*” has previously been used as two separate terms, where “*selling*” has been connected to the older and more established way of approaching customers, whereas “*co-creation*” is gaining ground in the form of connection between supplier and customer. This notion is further elaborate on how the salesforce should change their presence. Instead of trying to persuade a customer to make a transaction, the customer is to be seen as an ambassador for the company, being the communicative link between supplier and customer and also translating the customers voice back to the company (Baumann & Le Meunier-Fitzhugh, 2015). Baumann and Le Meunier-Fitzhugh (2015) too state: “*As the salesperson acquires an in-depth understanding of the customers’ processes, he is able to help craft a market offering that has the potential to engender both value-in-use and value-in-exchange for the benefit of the buyer* “. Here traditional selling methods as cold calling can still be effective, but with a new goal in mind. The goal should now be to begin a relationship, and to survey the potential customers challenges and wishes. As the sales force play an increasingly larger role in the relationship between supplier and customer combined with the shift in the sales person’s role, the sales force can be a pivotal part of the customers experience with the supplier, and thereby play a crucial part in the engaging customers value fulfilment (Baumann & Le Meunier-Fitzhugh, 2015).

To further elaborate on this Lemmens *et al.* (2014) argues that to represent “co-creation selling” the sales force changes into a role as a coordinator of activities between the complex relationships of partners, competitors and customers. This means that the sales force must have a clear identification of the core capabilities which they currently possess, which they need to find outside the company and how to then obtain them (Régis Lemmens et al., 2014).

To further elaborate on how co-creation selling as a terminology can be developed, Terho *et al.* (2012) argues that there are six types of behaviours a sales person could have in order to facilitate the co-creation process in sales. Here they argue that this newer paradigm shifts the sales process to nearly eliminate “*selling*” as a standalone term. Instead of measuring the number of products



and revenue created from “selling”, companies should instead measure how successful their customers are on the basis on the suppliers co-creation sales approach, and on the value they add to the customer (Terho, Haas, Eggert, & Ulaga, 2012). They also state the following to underline the paradigm change that selling which evolves into co-creation selling: *“...goes beyond presenting the benefits of an offering to the customer. The central aspects of value-based selling behaviours are efforts to understand the customer's business and the related value creation opportunities, proactive crafting of value propositions that are substantive from customer's point of view and communicating the value potential to the customer”*. Terho et. al (2012) further argue that the process of co-creation selling is made of three salient dimensions; to understand the customers’ business model, to craft the value proposition, and to communicate the value. On basis of the three dimensions they define co-creation selling behaviour as; *“...the degree to which the salesperson works with the customer to craft a market offering in such a way that benefits are translated into monetary terms, based on an in-depth understanding of the customer's business model, thereby convincingly demonstrating their contribution to customers’ profitability”* (Terho et al., 2012).

### 10.3 Value and value co-creation

The differences between value and value co-creation has been examined by many researchers. (Gummerus & Grönroos, 2014; Prahalad & Ramaswamy, 2004; Vargo, Maglio, & Akaka, 2008). Traditionally, value creation processes were placed within the company, and therefore the company was seen as the creator of value. However according to Gummerus and Grönroos (2014) the value refers to the value outcome determination, aiming to understand what value is and how the value is perceived. The value creation process relates to how value is generated and therefore value is relative and differs among consumers as they have their own individual idea of what value is (Gummerus & Grönroos, 2014).

Value co-creation is a more recent phenomenon (Alves, Fernandes, & Raposo, 2016). It allows the customers to participate in the creation of value. The phenomenon of creating more user involvement has led to the customer becoming more and more involved in the process (Alves et al., 2016). Both value and value co creation will be discussed further in the following paragraphs.



### 10.3.1 Definition of value

The value concept is complex and has been undergoing research from a variety of researchers during time. This has led to various understandings and ideas about the concept and how to approach and understand it. Therefore, no clear definition of the concept is yet to be reached.

The Oxford Dictionary defines value as; *“The worth of something compared to the price paid or asked for it”*. A comprehension backed up by Marinova, Larimo, & Nummela (2017) who has described value as worth or benefit (Marinova, Larimo, & Nummela, 2017). Early definitions of value claims that it constitutes *“the consumer’s overall assessment of the utility of a product based on a perception of what is received and what is given”* (Zeithaml, 1988).

In recent years discussing customer value has been an issue for sales and marketing people, even though it has always been a foundation for different marketing disciplines (Holbrook, 1999). The discussion about value is ancient dating back to Aristotle, who distinguished between *“exchange value”* and *“use value”*. Aristotle recognized use value as a *“collection of substances or things and the qualities associated with these collections”*. These qualities are described to have different meanings to different people. The other definition of value, exchange value considered as the *“quantity of a substance that could be commensurable value of all things”* by Aristotle (Johnson, 2018; Vargo et al., 2008).

Woodall (2003) defines this customer value as *“any demand-side, personal perception of advantage arising out of a customer's association with an organization's offering and can occur as reduction in sacrifice: presence of benefit (perceived as either attributes or outcomes): the resultant of any weighted combination of sacrifice and benefit (determined and expressed either rationally or intuitively): or an aggregation, over time, of any or at all of these”* (Woodall, 2003). Woodall (2003) considers value as something personal and subjective in relation to either the costs or benefits which is in agreement with (Marinova et al., 2017; Zeithaml, 1988).

Another perception on the concept, similar to the above, is Grönroos (1997) who regards value as what the customer receives in regard to what the customer must offer, e.g.in the form of which costs it has to the customer to achieve the offered value (Grönroos, 1997). Again this is closely related to the understanding of both Marinova *et al.* (2017) and Woodall (2003).However, Grönroos





(1997) argues that the product itself *“can be seen as a transaction related concept, which is why it is not alone suitable for describing the experienced and perceived value”* (Grönroos, 1997). Instead it is discussed, that value should be seen from a relational perspective. This means that the additional service and value should be following the transaction and that the costs of the interaction with the company should be considered as well. The perception of both Woodall (2003) and Grönroos (1997) is that value is to be experienced over a period of time as the relationship is developing and emerging.

Grönroos (1997) too argues that the assessment of value should not only be based on the product but also on the additional services provided. A shift is then emerging as what is described as *“The Dominant Logic for Marketing”* (Vargo & Lusch, 2004a). The shift implies a greater importance of the services surrounding the products rather than just the product. This is described as a shift from a goods dominant (G-D) logic to a service dominant (S-D) logic. Vargo and Lusch (2014) believes that *“S-D logic is a more abstract, simpler (but broader), more general, and transcending framework for understanding human exchange and exchange systems in general”* (Vargo & Lusch, 2014). The S-D logic excels the G-D logic, which is often described as closely linked to neoclassical economics. According to G-D logic, *“the primary purpose of firms and economic exchange is to produce and distribute goods, mainly in the form of tangibles”* (Vargo & Lusch, 2014).

This focus on marketing as customer centric and market driven influences the value, which is regarded as something being perceived and defined by the customer itself as an alternative to the previous view of value as being fixed in the outputs from the company (Vargo & Lusch, 2004a). The effect of that change has led to customers becoming more important and influential and thereby becoming co- creators of the value. This can be observed in the concept of consumer empowerment, as the customers/consumers possess a greater amount of information and knowledge to influence one’s individual value creation and perception. This means that customers/consumers have greater opportunities for participating in value creation (Gibbs, 2012a; Normann & Ramírez, 1993). This shift will be further elaborated in the next coming paragraphs.

These aforementioned argumentations present different understandings on the concept and how to assess, understand and make use of it. The main similarity seems to be in regard to value being experienced as subjective. This is because the perception of what can be seen as valuable differs



from one individual to another. For this thesis, we therefore choose to look at value as a subjective perception of worth and benefit.

### 10.3.2 Definition of value co-creation

As mentioned earlier, a shift in the perception of value can be identified in the G-D logic and S-D logic (Vargo & Lusch, 2004b). The most remarkable difference between these two is the understanding of service, and how companies provide it.

Previously in the G-D logic, value exchange was seen in terms of resources in the company, but with the idea of the resources being static. After the shift towards S-D logic, it is seen as intangible resources such as knowledge, which can lead to competitive advantages and better value propositions within a company. This shift in value creation has led to value creation becoming a collaborative process between two contributors or more. By doing so companies have a better chance of adapting to the needs and preferences of their customers (Vargo & Lusch, 2004a).

Further research on the area has too shown that companies working actively within the paradigm of S-D logic provides a greater value to their customers and that the communication becomes more direct and clear from company to customer. Companies that are still following the G-D logic often offer the same generic offerings to their different customers and this leaves little to no possibility for having a say in the process of value creation (Vargo & Lusch, 2004b, 2014; Vargo et al., 2008; Wollenick, 2012). Furthermore, since value creation takes place internally, companies following the G-D logics tends to put more focus on developing internal capabilities. When working within the S-D logic the focus is on co-creating value with the company's customers and stakeholders and thereby using them as active partners. By contrast, companies employing a S-D logic offering highly value the input of their customers. Finally, it is concluded that the S-D logic value creation provides greater opportunities for the creation of new skills, resources and knowledge (Rittmeyer, 2014; Vargo & Lusch, 2014). The S-D logic value creation is therefore not primarily driven by the company itself, but instead the customer is seen as the primary driver of value, which is also what will form researchers' foundation of the understanding of S-D logic in this thesis.

The S-D approach has too been acknowledged and discussed by many other researchers and authors. Grönroos and Voima (2011) discusses the concept of S-D approach as a concept of service



logic (SL) which can be seen as an abbreviation of S-D logic (Grönroos & Voima, 2011). Gummerus and Grönroos (2014) furthermore explains SL as an individual concept which differs from the concept of S-D logic and are furthermore pointing out that the main difference between the two concepts is found in the drive of value creation (Gummerus & Grönroos, 2014). In the S-D logic by Vargo and Lusch (2004) the value creation is by still seen to be company driven (Vargo & Lusch, 2004b). The value is created within the company, whereas in the SL logic the value is created in the customer processes. Therefore, the value creation is customer driven instead of company centric.

However this interpretation of S-D logic can be seen as conflicting with the original idea by Vargo and Lusch (2004) as value creation in S-D logic described as *“value being co-created in interactions among beneficiaries and providers through the integration of resources and competences”*(Vargo et al., 2008). Therefore, it seems that according to the interpretation of Gummerus and Grönroos (2014) the S-D logic is still concerned with the value driven from inside the company, whereas Vargo et al. (2008) describes the value creation as being driven by collaboration with the customer and others and not the company itself (Gummerus & Grönroos, 2014; Vargo et al., 2008).

This understanding of Gummerus and Grönroos (2014) has also been discussed by other researchers, and it does not seem to align with other’s interpretations of the S-D logic. Saarijärvi, Kannan, & Kuusela (2013) argues that in the S-D logic, value can only be created through interactions, which aligns with Gyimóthy & Larson (2015) who defines the customer as an key co-creator of value in S-D logic (Gyimóthy & Larson, 2015; Saarijärvi, Kannan, & Kuusela, 2013). This is an indication of different views and aspects of the work on S-D logic. However there is a majority of researchers that agree that the S-D value creation is not about creating value inside the company, but instead the customer is in charge of creating the individual value together with the company, which seems to align with the original idea by (Vargo & Lusch, 2004a).

This change of value creation can also be rooted in the change of customers’ behaviour. (Baumann and Le Meunier-Fitzhugh (2015) and Prahalad & Ramaswamy (2004) describes this change in customer behaviour as a move from being uninformed to informed, from passive to active and from isolated to connected. This relates well with the shift in the roles of creation of value(Baumann & Le Meunier-Fitzhugh, 2015; Prahalad & Ramaswamy, 2004). This has too been discussed by Roser, Samson, Cruz-Valdivieso, and Humphreys (2009) stating that *“co-creation is transforming the*



*consumers into active partners of value creation, to shape their experience and their individual perception of value*" (Roser, Samson, Cruz-Valdivieso, & Humphreys, 2009). Prahalad and Ramaswamy (2004) too describes that the consumers are becoming interested and are eager to co-create, both on the B2C side and B2B side (Prahalad & Ramaswamy, 2004). Korhonen (2012) and Vargo and Lusch (2007) also states that the customer should always be seen as a co-creator of value, which too emphasizes that customers are no longer just passive receivers and that the individual customer wants to and should be able to create value in collaboration with the companies (Korhonen, 2012; Prahalad & Ramaswamy, 2004).

The concept of value-in-use has also been discussed in relation to value-in-exchange. The concepts of *value-in-use* and *value-in-exchange* are in alignment with the G-D logic and the S-D logic as discussed by Vargo and Lusch (2004b). According to Vargo *et al.* (2008) there are two general meanings of value existing; value-in-exchange and value-in-use. The G-D logic is based on the view of value-in-exchange, meaning that value is created by the company and then after the creation of value takes place, put onto to the market (Vargo et al., 2008). In contradiction to this, is the S-D logic, which was described earlier. The value-in-use is related to S-D logic where value is always to be co-created in collaboration by actively incorporating resources and competences through various interactions and partnerships. Vargo *et al.* (2008) describes value-in-use to be the central driver in S-D logic and that "*there is no value until an offering is used*" (Vargo et al., 2008). Similar to this, Grönroos and Voima (2011) describes the concept of value-in-use as created by the customer during usage and not while making a transaction and additionally explain that value creation within the S-D logic is a comprehensive, all-encompassing method, that takes place both in the company sphere and in the customer sphere (Grönroos & Voima, 2011). In addition to this, the authors argue that it is in the joint sphere that value co-creation happens through communication and interaction (Grönroos & Voima, 2011).

Morgan and Hunt (1994) too emphasizes that value is created in collaboration between supplier and recipient and that this collaboration between these is essential when discussing B2B value creation (Morgan & Hunt, 1994). The traditional aspects of value creation such as pricing, speed, quality and customization are not the main drivers anymore. Customers want to be part of the value creation process in order to maximize the value they perceive before they receive it, and therefore



becoming active co-creators before transaction is reached. Customers do not want products or services; more than ever the requirement are solutions to the problems the individual companies are facing. A solution creates customer value, not only within the products and services, but also as a whole system. The value is therefore co-created in interaction with customers and companies around varied customer goals (Järvi, Pynnönen, & Hallikas, 2014).

However, Järvi *et al.* (2014) also describes a need for identifying which partners who wants to co-create. A close collaboration can create a feeling of certainty to customers, as they feel that they are being heard and listened to (Järvi et al., 2014). Järvi *et al.* (2014) furthermore states; *“that especially in solution businesses this is important since customer’s goals are the heart of solution building”*. The group that feel that value co-creation is not of importance are potentially customers who know exactly what they want, and therefore feel there is no need for profound collaboration. For service providers, especially on the B2B market, it will be essential to discover to which group their customers belong to so that they can approach each particular customer in the most suitable way (Järvi et al., 2014). It can be seen that by offering the right services and interacting with customers in the way the customers prefer, there can be a potential increase in the customer perceived value (Järvi et al., 2014). Examples of engaging customer resources in value creation for companies could be co-production and co-designing, but value co-creation can be done in many different ways with as many different results (Saarijärvi et al., 2013).

Opposed to the term value co-creation is the term value co-destruction, which was discussed and popularized by Plé & Cáceres (2010). This terminology revolves around the fact that processes which were planned to be co-creational, can turn into co-destruction. This means that instead of providing common value, the process destroys value for either one or several involved in the process. (Plé & Cáceres, 2010) argues that co-creation as a term is too overly optimistic, and that by offsetting parts of the value creation process, can introduce threats to the process. The threats are not necessarily severe, but they are at the same time difficult to foretell. Thus warns Plé & Cáceres (2010) to remain cautious and not unassumingly begin any co-creation process without any analysis of the specific case, and the possible outcomes.



Terho *et al.* (2012) describes a need for more research on the area of value co-creation in sales. The literature contains several references to value-related behaviour and sales (Terho *et al.*, 2012). Theoreticians as well as practitioners have long recognized the importance of customer value, however, the marketing and sales literature still lack a thorough understanding of the concept of value-based selling. This in turn impedes a deeper understanding of how a company's customer value orientation translates into bottom line results. Rackham & DeVincentis (1999) state: *"The only single "truth" that seems to be holding for all sales forces is that they will have to create value for customers if they are to be successful."* (Rackham & DeVincentis, 1999) So, it is perhaps surprising that no studies have conceptualized a value-based sales approach. Rather than training the spotlight on customer value, sales research has ventured in other directions with customer-oriented selling and adaptive selling as the two most prominent behaviours under investigation.

As presented, customers have evolved from being passive to captivating an active role in value co-creation. In order for the value co-creation to be realized, there is multiple mechanism or activities for the company to initiate in order to fulfil the customer needs. Zhang & Chen (2008) too underline the importance of this, stating that: *"Companies relying on conventional company-centric practices find themselves troubled by decreased customer satisfaction and declined profits"* (Zhang & Chen, 2008). As a conclusion it can be seen that the value creation has evolved from G-D logic to S-D logic, the role of the customer has changed from being a passive observer to becoming an active contributor in the creation of value. The value co-creation occurs in a joint sphere and is dependent on direct interaction. This is also what can be identified as the clearest difference from value creation to value co-creation.

#### 10.4 Co-destruction

The literature revolving around co-creation and co-creation selling, focusses heavily on the potential benefits and leaves out the potential risks or challenges (Gassmann, Kausch, & Enkel, 2010; Heidenreich, Wittkowski, Handrich, & Falk, 2014; Plé & Cáceres, 2010). To understand value co-destruction, we seek inspiration and understanding from the beforementioned value co-creation literature.



Current research on the concept still focuses on customer actions leading to value co-destruction or on the customer's perspective on value co-destruction (M. Smith, 2013). The customer and the company can have different perceptions of what actions or behaviours result in positive or negative results. The current understanding of value co-destruction stems from studies conducted with private companies, which is why the research on the area can not be seen as a whole, comprehensive picture of the concept, which is also why researchers call for more research e.g. in the public industry (Järvi, Kähkönen, & Torvinen, 2018; Vafeas, Hughes, & Hilton, 2016).

When a co-creation process does not entail benefit, the term is changed to *"co-destruction"* where the value creation process is not present (Lefebvre & Plé, 2011; Plé & Cáceres, 2010). Here the process is merely costing resources and does not produce a value for either supplier or customer. They argue that the core principle of co-creation, entails a possibility for co-destruction, as the value process is co-produced. By having a co-produced process, a number of challenges can arise, with some being minor and others being major. Järvi *et al.* (2018) emphasizes that some of these challenges within value co-destruction can emerge when the actors involved do not possess certain resources such as competencies and information (Järvi *et al.*, 2018). Value co-destruction can also emerge if actors fail to integrate the resources they possess (M. Smith, 2013). Despite the growing interest in value co-destruction the understanding of what specifically initiates value co-destruction remains limited (Järvi *et al.*, 2018; M. Smith, 2013).

However Plé and Cáceres (2010) defines co-destruction *"as an interactional process between service systems that results in a decline in at least one of the systems' well-being (which, given the nature of a service system, can be individual or organizational)"* (Plé & Cáceres, 2010). They have tried to find what can initiate co-destruction, which is found to be various levels of value co-destruction, as well as a difference between intentional and accidental co-destruction.

Plé & Cáceres (2010) argue that when multiple stakeholders' resources are combined, there is a risk involved in the process, where the expectation of the outcome is unfulfilled (Plé & Cáceres, 2010). Examples of co-destruction is split up into accidental vs. intentional, where the accidental is the most common.



It is presumed that the intent of co-creation is to create value for all parties, but this process depends on congruent expectations of the involved, and their respective resource allocations and possible outcomes.

If a misalignment of expectations is happening and a co-creation process is started, there is a risk of at least one stakeholder having the impression of the process being less than expected (Plé & Cáceres, 2010). An example of misalignment can be seen in the process of “*co-innovation*” as a part of co-creation. It is argued that this process has a risk of allocating many resources, without having the promise of delivering as innovative solution/product as expected. The notion is hereafter, that the allocated resources could have been used elsewhere, and presumably created more value.

Intentional co-destruction might seem counterintuitive, as the process often start with a wish for common value creation. argues that intentional co-destruction can happen when one company tries to contact another company, and the employees who have responsibility of the communication lacks the necessary skills or resources to handle the communication. This instance can be relevant for multiple stages of a co-creation process, and co-destruction can happen whenever one stakeholder is met with less than sufficient personnel on the other side of the co-creation process. Here it is argued that it is not directly intentional to misuse a co-creation process, but the general guidelines of a company can create a situation where co-destruction is happening, and is thereby wasting resources on both short and long term (Plé & Cáceres, 2010).

Lefebvre & Plé (2011) further argues that co-destruction can happen when misuse and misalignment is present. Misuse is present when one entity has failed to integrate and apply the resources, which were expected by the other entity(s). Such misuse affects at least one of the entities involved in the co-destruction process. The misuse can have an effect of the specific process but can also have an influence upon the nature of the relationship between the entities (Lefebvre & Plé, 2011).

Misalignment refers to the fact that in an effort to create value between one or more entities, the processes needs to be coordinated and aligned. This misalignment can originate from many different sources, and occasionally is it factors outside the process, which creates the misalignment(Lefebvre & Plé, 2011)





However if co-destruction should occur, it is possible to change the outcome to value creation, although the result can still be different than originally expected (Heidenreich et al., 2014). The notion is that as stakeholders invest large amounts of resources into a co-creation process, and if this process fails to deliver the expected outcome stakeholders will feel more disappointed than if the process demands where smaller. This term is called *“Service recovery”* and is defined as *“the actions of a service provider to mitigate and/or repair the damage to a customer that results from the provider’s failure to deliver a service as it is designed”*(Heidenreich et al., 2014). It is argued that by utilizing this notion, customer satisfaction can be positively influenced. A paradox can occur as the level of satisfaction can be higher, than compared to customers which had no problems during the co-creation process.

Co-destruction can therefore be seen as the notion of a process between two or more entities, where the end result is a decline in wellbeing for one or more of said entities, which is also what will form researchers’ understanding of the concept.



## 11 Theoretical Framework

This chapter aims to uncover which components the phenomenon *co-creation sales and value creation* is consisting of, and how this can be put into scope with the research question proposed. Concurrently new theories, concepts and scientific articles will be involved as a supplement for the themes we are researching. These will be involved when and where we find it relevant, and therefore we choose not to go through all of them separately. This independent composition has been evaluated as necessary to maintain the academic weight, but also for researchers to try and capture the actuality of the phenomena and to gain knowledge that reaches beyond the theme of co-creation sales and value creation. The literature review has been made to form a basis for our understanding of the different concepts, meanwhile the theoretical framework will be consisting of the theory applied to answer our research question.

The social constructivist tradition claims that it is important to have a theoretical frame of reference for the research conducted. The reasoning for this is, that if the researcher has not adopted a certain theoretical perspective on the research, there is a potential risk that the results of the research becomes a repetition of researchers' own unconscious understandings (Järvinen & Mik-Meyer, 2005).

Bearing this in mind, we have established a certain perspective on part of the social reality we are researching by selecting some theoretical concepts and approaches of analysing.

### 11.1 Co-creation sales

In the following chapter, we will elaborate on the theoretical framework created by Régis Lemmens, Bill Donaldson and Javier Marcos (2014). The framework revolves around co-creation and how to utilize co-creation in a company, combined with how the different underlying activities can be performed and which possible implications or challenges co-creation can entail (Régis Lemmens et al., 2014).

They are all three working together on a research project titled *Sales 2020*, where the primary aim is to examine future trends in sales, marketing and sales management (Régis Lemmens, 2018). They view *Sales 2020* as being co-dependent with co-creation and believe that in order to be/remain successful with sales in 2020, one cannot exist without thinking about co-creation. The reasoning



for including the theory of Lemmens et al. (2014) as one of our primary elements of the analysis, is that the research sums up what has been examined by other researchers within the area of co-creation sales and value-creation (Burgdorff, 2017)

Lemmens et al. (2014) elucidates that co-creation is centred around value, and that value according to them is “...created by the customer and is based on their experience in using a product or service” this means that the product itself does not directly add value to the customer, but rather *with* the customer, and is based on the experience the customer has with said product or service (Régis Lemmens et al., 2014).

The theoretical framework is based on Principles and Drivers. Each aspect has a set of underlying processes which will be clarified, as the change from selling to co-creation selling has implications in an array of areas of the organization.

#### 11.1.1 Principles of co-creation

Principles of co-creation is the starting point which focuses on how the mindset of an organization should change, in order to incorporate a shift towards gaining mutual value, rather than persuasion.

The first principle is “*Focus on ends instead of means*”, which has the purpose of changing the scope of a “sale” from the product itself to the value the given product delivers to the customer or user. The original sales mentality was that the sale itself provided value to the user, and that it thereby happened inside the supplier’s organization, through the suppliers’ own actions. In co-creation the value is only present when the customer/user is experiencing the product/service provided with no regard to the transaction is self, as this is only a method of obtaining said experience. This means that the salesforce or the supplier needs to be present with the customer until and after the moment of experience. This is done in order to make sure that the experience is as positive as possible. To stay present with the customer is more demanding, as the sales force needs to engage actively with the customer for a longer period of time. The amount of knowledge needed is also greater, as the sales force do not only need to have product knowledge in order to persuade a customer, they need a deeper knowledge about the core business processes of the customer to be able to add as much value as possible. The approach of being present with the customer moves the



organization's focus to be increasingly customer focused rather than product focused, as the value comes from the customer(s) rather than the product itself (Regis Lemmens, 2014; Régis Lemmens et al., 2014, pp. 61–64).

Lemmens et al. (2014) specifies that customer experience and customer satisfaction is not always the same thing. This is because a product or service can meet with a customer's expectation thus satisfying the customer, while at the same time not fulfilling the specific need/desire the customer seeks from the product/service (Régis Lemmens et al., 2014). To be able to develop a good experience for the customer, there needs to be focus on serving and communicating with the customer through more stages of the process, thereby involving them, educating them which leads to a better perception of the outcome. This aims at creating another level of connection between supplier and customer, which can further develop the customer experience in a positive way (Régis Lemmens et al., 2014, pp. 62–63).

To move the sales force's focus from product knowledge to customer knowledge changes the sales approach from achieving a sale and a transaction towards delivering a value, and thus being given a reward – a transaction. This also means that the traditional sales approach left the customer when the transaction happened. At that point the customer has not had any experience with said product and has not had an experience with it. This means that the “sales funnel” of sales people, needs to be made longer in order to capture the response from the customer, and thus being able to respond with feedback, and develop the sales force. To move the sales force's focus from product knowledge to customer knowledge changes the sales approach from achieving a sale and a transaction towards delivering a value, and thus being given a reward – a transaction.

To move the sales force's focus from product knowledge to customer knowledge means that the sales approach needs to change from achieving a sale and a transaction, towards delivering a value, and thus being given a reward – a transaction (Régis Lemmens et al., 2014). This also means that the traditional sales approach often left the customer when the transaction was performed. At that point the customer has not had any experience with said product and has not had an experience with it. This means that the “sales funnel” of sales people, needs to be made longer in order to



capture the response from the customer, and thus being able to respond with feedback, and develop the sales force in the future.

This approach of having an increased focus upon the customer for a longer period of time, requires a certain amount of trust from the customer, which the sales people needs to address in order to generate mutual value for both customer and supplier. The sales process of conventional sales is often split into sales and after-sales. This entails that the customer journey changes responsibility thus risking a knowledge-gap, as information about the customer can be lost in the transition. To circumvent this gap, the sales people need to have a larger amount of focus upon the process itself, rather than knowledge about the product (Régis Lemmens et al., 2014). To be able to change the way the sales people approach the process of sales, the remaining organization needs to be aligned with it too. Close collaboration with other parts of the organization can help the customer in achieving the desired outcome, meanwhile focusing on the internal flow of communication too (Régis Lemmens et al., 2014, p. 64).

The second principle entails turning the customer into an active partner. Originally a customer is often seen as someone completely outside of the organization, which needed to be persuaded to buy a product or service. Co-creation selling enables the customer to be a part of the production of product or service and have the ability to influence each part of the process. This means that both supplier and customer will have to invest a larger amount of resources, but potentially can achieve a larger profit in the end (Régis Lemmens et al., 2014, pp. 64–65).

The third principle revolves around the notion to develop value propositions based on organizational capabilities. In a sales approach the sales force has been trained to investigate the customers' needs according to their context and then applying the product to sell. If there is a match between the two, then a sales approach can be initiated, and a persuasion of the customer to gain the same insight can commence. In the co-creation approach the knowledge about the customers is still valuable, but the product features are changed to the core capabilities of the entire organization, and thereby not limited to a single product or range of products and services. This can help the supplier in helping the customer do their job, and thereby giving them value (Régis



Lemmens et al., 2014, pp. 65–66). The sales approach to use co-creation means that the sales team needs to focus upon what the supplier and customer plus possible 3<sup>rd</sup> parties, can do together and what “product” they can create.

The fourth principle revolves around the learning focus, which should happen through dialogue and relationship building. Traditional sales approaches demanded frequent communication either in person or through email, phone calls or other. The rationale is that the frequency ensured that the customer was constantly aware of the supplier, and the sales person had as many possibilities to sell to said customer. These interactions educated the customer in the supplier’s services and products, and how these could be of benefit for the customer. The sales person then learned about the challenges and needs of the customer. This type of information was then used by both parties, to strategize their next interaction.

The change in co-creation is that the interaction between the parties are more unstructured and is not centred around a specific product, and the immediate solution to said problem. The dialogue revolves increasingly about trends in the industry, and is more casual, and not focused upon “closing the deal” (Régis Lemmens *et al.*, 2014, pp. 67–69). The more casual approach still provides insight to challenges in the customer’s organization, but reveals how there could be challenges towards *their* own customers, which the supplier might be able to solve, thus providing value in many areas of the customers organization (Régis Lemmens *et al.*, 2014, pp. 68–69). To be able to transition from the top-of-mind mindset to the co-creation mindset Lemmens *et al.* (2014) argues that there are three underlying focus points for the sales people, which consists of:

1. Identifying with whom to and when to co-create,
2. Developing trust-based relationships through transparency and
3. Organizing and managing dialogues.

The first focus-point revolves around the fact that a co-creation process is demanding for both the suppliers and the customers and demands a high level of commitment, in order for the process to provide value for the involved parties. This means that not every customer will have the interest of



entering a co-creation process, and the sales people of the supplier then needs to have knowledge about who could be potential partners, and have strategic importance (Régis Lemmens *et al.*, 2014, pp. 68–69; Järvi, 2014).

The second focus-point focusses on the development of trustful and transparent relationships. A co-creation process requires constant dialogue, with deep and close interaction where information is shared among the sales people, partners, customers and other stakeholders. The information to be shared can often be valuable and sensitive, which requires a high level of confidentiality and trust. This requires a mind-set which is changed from strictly transactional to collaborative. This will enable the affected parties to share the necessary information required to discover to possible challenges which then can be solved, and thus provide value (Régis Lemmens *et al.*, 2014, pp. 68–69)

The third focus-point revolves around the notion of organizing and managing dialogues and knowledge sharing on multiple levels. This requires both the supplier and customer organization to redirect resources to “handle” said interactions, dialogue and knowledge sharing. The reason behind this is that the information and discourse “transactions” are one of the key components for value creation. The process of facilitating the amount of information needed for valuable partnerships, demands resources being allocated to collect, structure and communicate the information (Régis Lemmens *et al.*, 2014, pp. 68–69).



Figure 1 – The constant development inside an organization. Adaptation after Lemmens *et al.* (2014)



### 11.1.2 Drivers of co-creation

Lemmens *et al.* (2014) proposes multiple drivers of which a company can increase the value of a customer through co-creation (Régis Lemmens et al., 2014). These will be examined in the next sections. These drivers is an extension of the principles of co-creation, and is meant to support the different aspects within co-creation. These will be scrutinized in the next sections.

### 11.1.3 Customer Lifetime Value (CLV)

Lemmens *et al.* (2014) argues that properly calculating the customer profitability is a key process in managing an organization's customers. This notion is based upon the common idea in customer relationship management, where it is stated that a loyal customer equals a profitable one. This notion is argued to be less evident, as companies in a B2B environment is not necessarily easier or cheaper to serve. Very large customers have a high level of intelligence about the suppliers they can utilize and about the services and product offerings on the market. This makes them powerful in terms of demands towards their current supplier (Régis Lemmens et al., 2014, pp. 112–114).

This leads to the understanding that long term relationships may in some cases not be as profitable as desired, and as the overall objective of a company is to make profit, a detailed view of the Customer Lifetime Value of a customer can help determine if and how a customer could be engaged in a partnership. It is too added that not only should a supplier focus on the current profitability, but should increasingly look at the future profitability, as this can reveal future net costs and revenues expected with serving a customer over the entire lifetime (Régis Lemmens et al., 2014, pp. 114–115).

The Customer Lifetime Value can be beneficial as this can enable the organization to rank their customers and partners according to their profitability. The approach further enables the supplier to define an acquisition strategy, and keeping the acquisitions spending at a level which the organization can control. These factors is beneficial when considering co-creation, as the possible outcome and revenue in most cases needs to exceed the costs needed to create the co-creation process (Régis Lemmens et al., 2014, pp. 113–115). Customer Lifetime Value can be very beneficial, but can also be cumbersome and complex, which in turn can be resource demanding.





The metrics inside Customer Lifetime Value is based upon revenue, costs to serve, risk, and time usage. To have control of these metrics enables a supplier to have an increase of value of their customers (Régis Lemmens et al., 2014, pp. 114–116).

#### 11.1.3.1 *Sell more*

Lemmens *et al.* (2014) suggests that in order to increase revenue, there are be at least two ways of doing so, while engaging in a co-creation process. The first method is simply to do more co-creation with the customers, as the increased engagement and involvement of both parties can become a key factor in securing higher revenues. The increased dialogue and transparency, can lead to better solutions, which creates better value thus creating the foundation for a higher revenue (Régis Lemmens et al., 2014, pp. 121–123).

Another method is to cross sell products as services. This approach entails selling products as a service instead of as a product. This enables the customer to obtain resources to do a certain task, and thus provide value, without having to buy the physical product. The customer simply pays for the service and fulfilment of their need. The customer is then paying a subscription in order to have the service operating. This way of doing business creates an environment between a supplier and their customers, in which the risks of investing, for the supplier, is lower than with a regular sale. This is due to the fact that a solution which is bought as a service, is easier to change or abandon if the solution is unsatisfactory. By selling the products/solutions as services the supplier can have constant dialogue with the customer and can continuously modify the solution to fit the customers' needs and expectations. This can create higher loyalty, and again a foundation for higher amounts of revenue. Here the sales force needs to foresee how existing products can be used in alternative ways (Régis Lemmens et al., 2014, p. 121).

#### 11.1.3.2 *Reduce costs*

To reduce costs, it is proposed that some of the internal processes of the supplier, can be transferred to the customer, and thereby letting the customer take responsibility for the costs. This idea of moving processes outside of the suppliers' organization can be undertaken in a co-creation process, as the overall goal here is to provide value for both supplier and customer. In this case there can be



an incentive from the customer's perspective to manage one or more of the value creation processes. This will also have the benefit of greater responsibility towards the project and possibly provide a higher degree of loyalty towards the supplier. This procedure of moving processes outside the organization, can be suited for many parts of the organization and is dependent on the type of product/service, the industry both supplier and customer is in and how the circumstances of the specific case is (Régis Lemmens et al., 2014, pp. 124–125).

#### *11.1.3.3 Accelerate cash flow*

In order to accelerate cash flow two solutions are proposed, both in which co-creation plays a vital role. The first solution is to offer a proof of concept to the customer, where the customer can test whether or not the suppliers value proposition fits their own perspective. To be able to offer a proof of concept, some doubt in the sales process is eliminated and it enables the supplier to deliver a starting point, where a co-creation process can emerge from. It is too argued that modern companies, and indeed B2B companies, are becoming increasingly critical and therefore needs more “proof” in order to make a large investment (Régis Lemmens et al., 2014, pp. 130–131).

Another solution to accelerate cash flows is to use the sales team to coach the customer organization, in order to provide information which can help the customer in making a decision. Both customer and supplier will be gathering information about one another, together with market knowledge, competitor and partner information. This information can be shared within the two parties, thus making the process more efficient. It is too argued that this approach will need a certain amount of trust from both parties but can enable a co-creation process and a sales process to be conducted with ease. The amount of information to be delivered to the customer or vice versa, can be regulated depending on the specific case, as is not necessary to disclose every detail in order to obtain results from the process (Régis Lemmens et al., 2014, p. 134).

#### *11.1.3.4 Reduce risk*

In order to reduce financial risk, it is proposed to create predictable and stable relationships throughout the organization and with the customers. This increases loyalty and makes it more difficult for competitors to steal a customer. Six stages of customer relationship are being proposed,



where each is associated with different levels of intimacy and closeness. The first three stages of relationships are categorized by having a selling approach between supplier and customer. Here the supplier and customer is connected to each other and exchange products/services (Régis Lemmens et al., 2014, pp. 136–139).

The fourth stage is in some ways incorporating co-creation at this stage, so the supplier is the preferred supplier of the customer, and the sales forces of the supplier and the customer exchange knowledge and intelligence in order to improve their relationship. This stage enables the supplier and customer to begin co-operating, and develop solutions together with each other, but their main value creation process still lies in the transaction (Régis Lemmens et al., 2014, pp. 136–139).

The fifth stage is categorized with the sales people of the supplier working in close collaboration with the customer developing long term plans for the relationship. This is done to create the foundation for co-creation and common value creation. To maintain this close relationship and collaboration it can enable them both to have lower costs, and create better solutions for both themselves , but also for the customer's customers (Régis Lemmens et al., 2014, p. 138).

The sixth stage is defined by having both supplier and customer in complete integration with each other, where they develop each business strategy and market research, with focus on creating benefits for both. Here the relationship between the two companies is tangent to having two different departments within the same company. This amount of collaboration enables a high level of co-creation and value being created between them (Régis Lemmens et al., 2014, pp. 138–139).

#### 11.1.4 Summary of The Different Aspects of Co-Creation

In summary is there an array of possibilities in regards to how a co-creation strategy can be produced, as co-creation is not a finite framework. The first section revolves around how the framework could be produced and which activities can be performed in order to utilize co-creation. Here the main focus points are the ability to change the sales funnel in order to focus upon a solution on a given challenge, instead of investigating how a specific product can fit into same challenge. Another focus point is to move away from product knowledge and focus upon customer knowledge to a higher degree, which relates to the first focus point.



The third focus point is the ability to create and nurture relationships with business partners, 3<sup>rd</sup> parties and other stakeholders which could have an influence on Arura's business environment.

To support the abovementioned focus points, Lemmens *et al.* (2014) proposes different drivers, which act as tools for a business in order to gain better control over the business environment. This can help to be able to perform the principles of co-creation.

These drivers are each connected to different aspects of challenges which can arise in the wake of a co-creation process. This enables an organisation to target the specific challenge and spend their resources efficiently.

TRADITIONAL PRODUCT BUSINESS APPROACH	CO-CREATION APPROACH
<ul style="list-style-type: none"> <li>• Customers are passive audience; value is created within the company</li> <li>• Systematic, often quantitative ways are used to obtain knowledge about customers.</li> <li>• Relationships are transaction-based</li> <li>• Interaction stops at the "exchange" of transaction and product</li> <li>• "Developing, making and selling" mentality</li> <li>• Delivering value means selling to the customers; value is embedded in the product (value-in-exchange)</li> <li>• Customers are seen as customers</li> </ul>	<ul style="list-style-type: none"> <li>• Company-customer relationship is a set of co-creation experiences</li> <li>• Active interaction before and after transactions</li> <li>• Building relationships drives financial value</li> <li>• Business strategy is formed in the basis of understanding customers' needs and understanding of value</li> <li>• Customers/stakeholders being involved in the process from the beginning.</li> <li>• "Listening, learning, collaboration" mentality</li> <li>• Value is defined by the customer; customer experiences and value perception is essential. Value is created in the consumption/usage (Value-in use)</li> <li>• Customers are seen as partners and assets</li> </ul>

Figure 1; Co-creation & Product Business approach (Own adaptation from Terho *et al.*, 2012)



In the figure 1 above the main differences in the product business approach and the co-creation approach is highlighted, to provide an overview of the main differences on how to work with sales from a co-creation perspective and a traditional (Terho et al., 2012).

## 11.2 Kraljic Purchasing Model

We choose to include Kraljic's Purchasing Model as we remain aware that before a sale can take place, there has to be a buyer of the product. Kraljic (1983) was the first to bring portfolio models into the purchasing area, and his model is still widely used. The Kraljic (1983) portfolio approach is generally considered as an important breakthrough in the development of theory in the area of purchasing and supply management (Gelderman & Van Weele, 2003). Kraljic (1983) is included as it can be seen as a tool for understanding which type of value Arura should offer potential customers in relation to which products the customers demand.

By identifying which type of product, the customer is requesting it can additionally be identified if they are interested in the abovementioned co-creation process and thereby dedicating resources for this.

The Kraljic Purchasing Model (1983), as seen above, is a model based on two dimensions by which the purchased products can be classified; profit impact and supply risk. The model was originally made from a buyer-perspective and is therefore representing the customer side of sales. It is too included to discuss how different products and solutions should be sold and as a tool for identification of potential partners. However, we also choose to look at it as a tool for segmentation

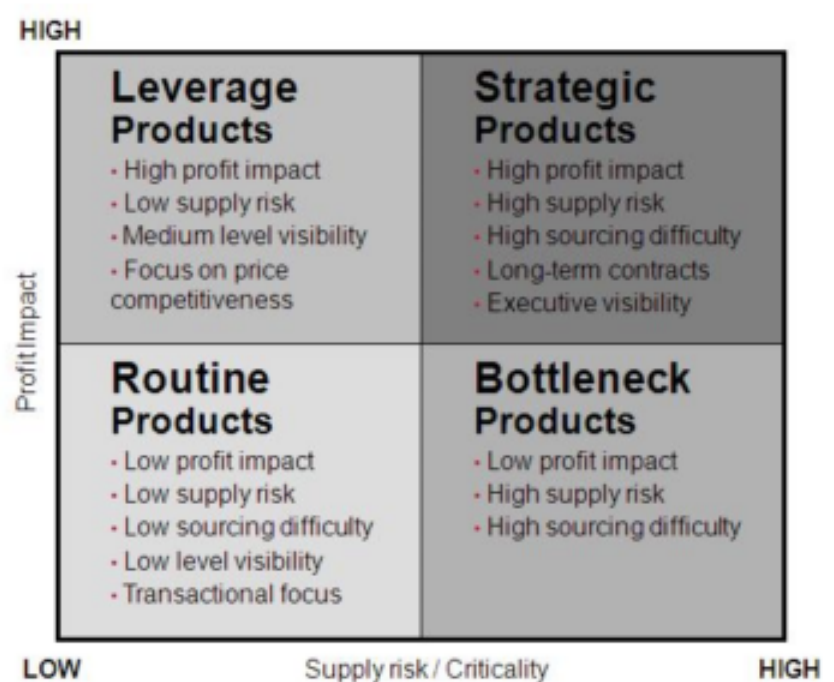


Table 2; Kraljic Purchasing Model.  
(Kraljic 1983)



to be able to identify different customer groups which suppliers can use for one's strategic targeting (Kraljic, 1983).

Profit impact is defined from low to high. What is the strategic importance of the purchase of certain materials and what added value do they deliver in the production line? Too it is defining what effect the costs of these materials have on the company's profitability. Supply risk is also defined from high to low, meaning to what extent the supply is complex and if there is abundance or scarcity. Supply risk is also defined from high to low, meaning too what extent the supply is complex and if there is abundance or scarcity (Kraljic, 1983).

A company's products are then divided into four categories; strategic items, bottleneck items, leverage items and non-critical items. Strategic items are purchased from one supplier. There may be a balance of power between the company and the supplier, but when this supplier ceases to deliver, purchasing might stagnate. Routine products/Non-critical items are often standardized from production to use. Bottleneck items do not represent a high value, but they are a vulnerable factor in the entire supply chain. These are products that are essential for the production process, but they are/can be difficult to obtain. Leverage items can be purchased from different suppliers and they determine to a large extent the value of the cost price of the finished product. A minor change in price or a change in quality will strongly affect the cost price. In the balance of power between the company and the supplier, the company is the dominant factor. Non-critical items cause the least problem as such products represent a low value and they can be purchased in different varieties and from different suppliers (Dubois & Pedersen, 2002; Kraljic, 1983).

### 11.3 Value Creation Process

As already introduced previously, the business environment of today call for open environments where convergence of internal and external contributions is needed to create greater value (Lambert & Enz, 2012).

We have chosen to include the work originally made by Kukk, Leppiman and Pohjola (2014), working with how value can be proposed from knowledge-intensive businesses, shortened to KIBS (Kukk, Leppiman, & Pohjola, 2014). The aim was to develop a deeper understanding of how value emerges



in business in order to design services and products with maximum utility (Kukk et al., 2014). However, additional research and theory within this field, has been explored, and therefore we choose to include the work of Akolk, Huang, Perrone & Winborg (2016) where the theory of Kukk et al. (2014) is adapted to a B2B value creation process (Akolk, Huang, Perrone, & Winborg, 2016). We will too use the theory and adapt it even further to the co-creation sales process in our analysis. When working with this type of value creation (Akolk et al., 2016) argues that there are four steps, which need to be considered in the creation of value:



Figure 3; "Phases of KIBS value" Own adaptation after (Akolk, 2016)

Kukk et al. (2014) conducted an empirical study in the KIBS industry and identified four phases in the value creation process based on the perceptions of service buyers. Using Kukk et al. (2014) process as a starting point Akolk et.al (2016) have adapted the model by renaming the last phase, firstly named "*Implementation and Exploration*" and changed it to "*Evaluation of the Offering*" (Akolk et al., 2016)

"*Identification of the need/problem*" refers to the stage in which the customer expresses the purpose of the purchase and indicates the results that are expected. According to both Akolk et al. (2016) identification of a true need is the key to value creation, which is also the reasoning why this step is crucial for the process to become successful. During the phase of "*Optimal service selection*" the supplier proposes his interpretation of the solution and the client is in the position of accepting or rejecting the offer. Even though the customer will take part in the problem-solving process it is suggested that this part is dominated by the supplier. The "*Execution of the offering*" proposes that the supplier implements or delivers the approved solution, and the customer's role is of less importance. During the last phase, "*Evaluation of the offering*", the customer evaluates the results of the provided solution (Akolk et al., 2016).



We too choose to include the theory from Korhonen (2012) on how value can be divided into three; transaction value, interaction value and profit value. When creating value, it is essential that you know what value you would like to create. This theory is included as it highlights which type of value different customers could be asking for which something is to take into consideration when proposing an offer (Korhonen, 2012)

Transaction value is the type of value that "live in a product or service" and will typically be based on supply and demand. Transaction value should not be created but communicated through marketing. The actual sale should be e-commerce or retail-based. An example could be the sale of a box of nuts where the primary value is created by the product itself and that it can be easily ordered and arrive at the agreed time and place. Interaction value is about customer customization, solution sales and that the customer value is created in the interaction and relationship for example in the form of advice and sparring. The profit value is based on the customer's strategic goals, and the value is created with the customer in innovation and development. Profit sales are best achieved through facilitating dialogue in, for example. workshops focusing on co-creation (Korhonen, 2012). The profit value is also what Grönroos (2012) describes as value in use.

#### 11.4 Summary

In summary there are three distinct areas of theoretical focus which the Arura can utilize. The first area is the framework for co-creation sales, which covers many different aspects of co-creation. The framework of Lemmens *et al.* (2014) is comprised of different aspects – the principles for co-creation. The principles are focused upon how to create relationships with customers and partners, and how to utilize the relationship to create value for both suppliers and also the customer(s). Furthermore, the framework is created to help examine how and which customers should be targeted, and when these customers should be targeted in relation to the supplier's current situation.

This leads to CLV which is a supporting area for the framework of co-creation sales, as CLV is a method to calculate estimated value received from a customer. There are different ways to control CLV, whereas it should be sell more products, accelerate cashflow, reduce costs or reduce risks. By trying to differentiate between different types of customers, the Krajlic (1983) purchasing model





has been presented. The reason behind this is that CLV and the Krajlic Purchasing model supports each other, as CLV focusses upon the ROI of a customer and the Krajlic purchasing model focusses upon classification of customers according to the type of product they are in need of. Here a supplier can use the model together with CLV to classify their customers, and thus have a better basis for decisions. By differentiating the customers, a supplier will be able to target their customers with more confidence and have a better impression of which customer(s) needs more or less focus than others.

To split up the tasks of a value creation process, a process called KIBS is proposed. This model makes the process of managing customers and perceiving where in a value creation process they and Arura is situated. This can together with the co-creation framework, CLV and the Krajlic (1983) purchasing model be of great value for a supplier. This is due to the fact that they are being able to know how to approach their customers and thereby use the methods to differentiate between them in order to target specific customer types, at the right time.



## 12 Analysis

In the following paragraphs Aruras possibilities for engaging in co-creation sales processes will be analysed and discussed with starting from the data collected and the literature we have been reading. Furthermore, an analysis of the value proposition in relation to Arura has been performed, to find out how value can be delivered the most fitting way.

### 12.1 From company centrism to network capabilities

It is becoming necessary for companies to move away from focusing only on their own business activities but instead engaging more fully in the surrounding world (Gouillart & Quancard, 2016; Prahalad & Ramaswamy, 2004). Co-creating unique service experiences with customers is considered to be an essential part of creating value and gaining competitive advantage in the overcrowded market sphere requiring companies to find alternative approaches to sell (Payne, 2009; Rawaswamy & Gouillart, 2010).

Jens Dalgaard, CEO of Tack International, agrees that there is a shift in the way sales and co-creation needs to be considered forward. Since the financial crisis in 2009, there has been a massive change in the way sales structures are being organized and which decisive factors sales people need to consist of (J. Dalgaard, 2018 26. March. Phone interview, 02:30-03:45). According to both Dalgaard and Karina Burgdorff, PhD and Sales Developer at ResponsStrategy, it is becoming more important to be problem solving, advisory and trustworthy. This can be accomplished by making sure that the sales persons in the organization are not only sales people. Instead, there is an increasing demand for sales people to be able to possess knowledge about the whole organization, and not just being sales people performing sales and services. With this comes a potential change in who the good salesperson is; especially when selling complex products at a high price, as it is the case with Arura and the solutions they offer (J. Dalgaard, 2018 26. March. Phone interview, 08:33-09:05). This aligns with Grönroos (2011) who stated that; *“the core product as one resource does not alone bring value for a business customer, but it is the whole spectrum of supplier–customer interactions that support a successful use of this core resource”* (Grönroos, 2011).

Sales is a dynamic size that encompasses many different and opposing schools each of which has their own idea of "the good sale", and from a methodological perspective, co-creation sales is just



another perspective for Arura to look into. Co-creation sales it not a finite truth for the good sale, however it encompasses many of the trends in sales of today. This is both in regard to an increasing demand for communication, network capabilities and closer collaboration in problem solving and development of products and solutions (K. Burgdorff 2018, 19. February. Personal interview, 05:50-07:00). However, co-creation differs in recognizing that the entire understanding of the seller's task and position, of sales management, segmentation of the market and the sales strategy is reconsidered with the main focus on creating value with the customer not for them. The value can then be either in the product, the solution or in the results the customer achieves by using Arura's products. When asked about co-creation being a passing trend Burgdorff states that what she believes to be the main difference between co-creation and other philosophies of sales, is the idea of recognizing that the entire understanding of the seller's task, of sales management and the sales strategy is reconsidered with the focus on creating value with the customer as an active participant (K. Burgdorff 2018, 19. February. Personal interview, 45:40-48:20).

Burgdorff too emphasizes that co-creation sales are a new and more untraditional way of thinking sales but it does not necessarily have to exterminate original sales methods, and at the same time she emphasizes that it is not necessarily a method for all types of organizations. Some businesses are still flourishing using the original methods of telling what they sell and which value that will provide for their customer, leaving no co-creation or problem solving, a notion that is further backed up by Dalgaard. However, companies working this way does normally not have the flexibility of design as Arura has (J. Dalgaard, 2018 26. March. Phone interview, 09:05-10:18; K. Burgdorff 2018, 19. February. Personal interview, 22:38-23:55).

For Arura it is important to know their business and their potential customers for them to offer the expected value. It is basically about switching the focus and the mind from products to solutions and results. One must make not only the customers, but also competitors, stakeholders etc. active partners and focus on dialogues and learning in the sales process for the co-creation to succeed (K. Burgdorff 2018, 19. February. Personal interview, 10:19-12:09).

Burgdorff states that co-creation sales provide the opportunity to develop sales in this new perspective and can provide opportunities for creating disruption, innovation and stronger customer relationships, but it requires intensive work for the companies, but studies have too



shown that the work is resulting in boosted business (K. Burgdorff 2018, 19. February. Personal interview, 43:00-43:50). When discussing Arura, it is also important to emphasize that they might even have to create solutions that do not exist yet. Here it becomes an advantage that Arura is a relatively new company, as they do not have a wide product range yet, and therefore they are very open towards creating new products. Asked about this Gade too emphasizes that they are open towards changing their products and as they do not have physical products and therefore no stocks, they are more agile (C. Gade, 2018 5<sup>th</sup> of April, personal interview, 39:02-45:10). It is too important to acknowledge that Arura at the moment is employing eight people operating in one office, so the information can easily be shared (Arura, 2018). Their core competencies are within the tech industry, especially coding, leaving them with many options on how to form the products and solutions in demand.

The technological aspect, that leads to many sales being performed on online platforms, requires even more from the sales people performing sales. It is therefore not necessarily the most outgoing, extrovert people that will handle sales in the future, but instead the people that provides the best service, guidance and problem handling (J. Dalgaard, 2018 26. March. Phone interview, 02:30-05:18). As Arura is possessing competencies that are quite specialized, this becomes an advantage for them, as it would be almost impossible e.g. for us as researchers within the humanistic field of study to explain the technological features of coding a product, and we could therefore more easily be seen as untrustworthy. However, as Gade implies, they still need some competencies within the field of presenting as they are likely to become more technical than necessary, which could have the opposite effect on customers and scare them away (C. Gade, 2018 7<sup>th</sup> of May, personal interview, 08:15-09:10).

There is also an increasing recognition that the word-of-mouth marketing (WOMM) will be increasingly important for the future, which means that companies more than ever before buy from what good experiences other companies might have had. On the B2B market the majority of companies buy from the idea of "*Cover my ass*", meaning that they want to be certain that the product they buy is of a certain quality, both in regard to service, design and collaboration (J. Dalgaard, 2018 26. March. Phone interview, 12:42-13:45;) This is a challenge for Arura, but they are too trying out different ways of approaching these customers. At the moment they are testing in



Aalborg Storcenter to analyse user experience and how the products can maintain attention of children and adults for a longer period of time. They are doing this for free to collect data that they can use as a proof of concept (C. Gade, 2018 5. April, personal interview, 34:30-36:01). It also gives them a chance to test out some of the products they have and to see if there could be potential in diversifying their business areas.

It is too becoming more recognized that one company might not be able to solve a problem solely with the company's own competencies and resources. According to Dalgaard it is too easy to approach a customer and say that you alone can solve their problem; but going in with a mentality of trying to make collaborative solutions, will, according to Dalgaard, prove to be the way forward in the future. By showing that you as a supplier can handle a certain amount of challenges, and acknowledge that you cannot handle every single challenge, shows insight and reflection upon yourself. By having respect for not being able to solve every problem, but at least being aware that they happen and how to overcome them, can show a customer a company who knows their own resources, and will have less chance in failing the challenge (J. Dalgaard, 2018 26. March. Phone interview, 16:14-17:23)

By doing so, there could be possibilities in the network capabilities as well. This could potentially be in relation to cross-branding, networking and especially in sales (Ford & Håkansson, 2013). By making cooperation, in Arura's case not only within the tech industry but also outside their business areas, there could be a potential in closing sales, that they might not have been able to get access too. Gade too emphasizes that the experiences they have had so far, shows that network is important, both in regard to selling more, but also in relation to creating the required proof of concept (C. Gade, 2018 5. April, personal interview, 34:30-36:01, 03:05-03:20).

According to Arura's CEO, Christopher Gade, the networking part is what they find to be a particularly big challenge for them. As beforementioned Arura is highly educated within the tech industry, which can prove beneficial in sales, if done from a co-creation sales perspective, but can too turn out to be a disadvantage in networking. With them coming from the tech industry, they find it hard to explain and communicate the value of their product and what they can offer their customers (C. Gade and M. Pilgaard, 2018 12. February, personal interview, 07:50-08:15).



Discussing the plan of internationalization of Arura, it is too important to emphasize that there could be potential challenges in the internationalization of the network. According to Rex Degnegaard, Denmark is very open towards creating new network, as the organizational structure is normally more horizontal than e.g. Germany, and therefore it is easier to create network between e.g. a sales director and sales person (Appendix 3 – Interview with Rex Degnegaard). Dalgaard supports this statement, as we have discussed the potential sales to Lidl in Denmark, but potentially also Germany. He too states, that there can be other difficulties when wanting to create network, both because of the cultural differences, but even more because there is another type of hierarchy in relation to working together across positions and power (J. Dalgaard, 2018 26. March. Phone interview, 23:25-24:45).

But why is it important to work with this concept? Burgdorff explains it as a three-dimensional answer. We live in an abundance community where your customers can choose and flee, and as a sales person one is not judged by the ability to deliver a product or service, but the meaning one can create around the product for sale. Secondly, there is a large number of choices in this abundance world and in a situation with many choices it is essential that the customer can see the value of the choice taken when choosing a certain product. Thirdly value and meaning are created over time and are constantly changing. The meaning the customers attributes to the products today can be changed and if done correctly, Arura can use it as a USP on the overcrowded markets (K. Burgdorff 2018, 19. February. Personal interview, 24:00-26:26)

## 12.2 The different aspects of a co-creation selling strategy

In the subsequent section a thorough analysis of the co-creation framework by Lemmens *et al.* (2014) will be conducted, together with the statements gathered through interviews with both Arura and our other interviewees. This will create basis for how a co-creation selling strategy can be implemented and used in Arura.

When looking at the current situation in which Arura is situated, there are a number of opportunities that can be pursued. The co-creation environment can be cumbersome to perceive, but creating a co-creation selling strategy can be done in numerous ways. This allows for a flexible approach in terms of creating a strategy. This flexibility in the model makes it more adaptable for various types



of businesses, which makes it easy to follow through with, which in the end can help to create positive results in practice (Regis Lemmens, 2014; Régis Lemmens et al., 2014).

The first principle revolves around the notion that a company with a co-creation mindset, should look at the solution for their customer, rather than the specific product. According to Gade, the organization was in the beginning focused on specific products which were developed/designed as customizable solutions (C. Gade and M. Pilgaard, 2018 12. February, personal interview, 07:50-08:15, 09:10-09:40). This meant that the possible customer could change specific criteria about the product, but the basis of the product remained unaltered. This product centric focus did not allow them to co-create on a solution with a customer, and they did suffer a risk of losing potential customers due to not having the wanted/needed solution to suit the specific customer's need/problem.

This notion is backed up by Karina Burgdorff, who agrees that this type of product centric focus does not allow a co-creation process to start. In this case the process allowed would merely be customization on a small scale by adapting e.g. the colours and smaller details. Burgdorff categorizes co-creation into distinct levels, each corresponding to the amount of collaborative work being performed. The levels can be illustrated as seen in Figure 4, product customization is collaborative, but not in the same sense as co-creation, as customization alters an already created solution to fit into another context (K. Burgdorff 2018, 19. February. Personal interview, 06:00-08:30).

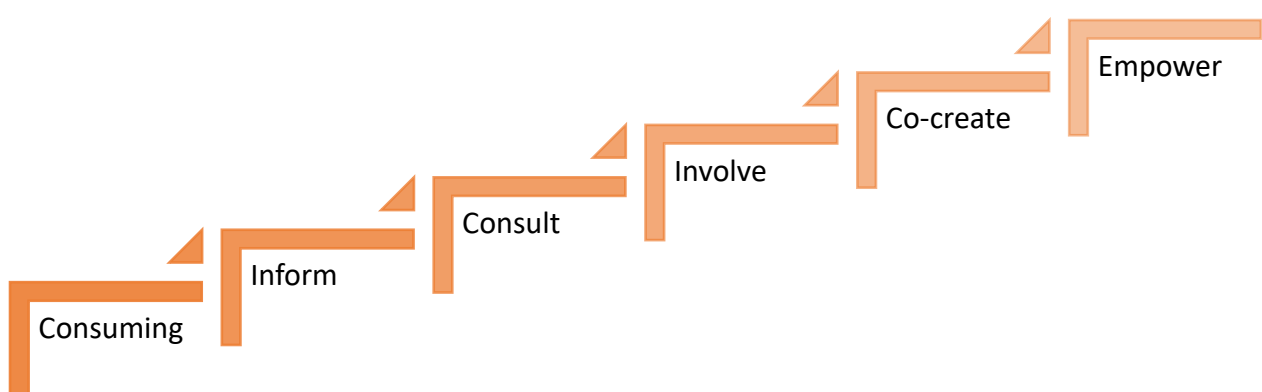


Figure 4 - The level of interaction between supplier and customer. Own adaptation after Burgdorff (2018)



The illustration above shows different levels of interaction between supplier and customer, where the level with the least amount of interaction is consuming. Here there will be little to none interaction between the parties, and from a customer perspective the product and supplier is interchangeable. The highest level of interaction is empowerment, where the final decision making is completely controlled by the customer. Based on the interviews and the different types of information about Arura, it is determined that the levels which Arura should have most focus upon is *Consult*, *Involve*, *Co-create* and occasionally *Empower*.

Arura will need to make an assessment of how their potential customers fit into these levels, as customers on the “*consult level*” can be contributing positively to accelerate cashflow, without the need for large investments. The difference between co-creation versus product development, is whether there is a specific product in place before the process begins. If Arura presents a ready solution and the customer then request feature or design changes without altering the core product, it is considered product development or customisation. A co-creation process begins earlier, without a product. Here Arura and the customer needs to identify the specific challenge, and then start to cooperate upon a solution. Empowerment is not considered relevant for Arura, as this entails handing over full responsibility to the customer, which for Arura’s business type is not feasible in the form the organization has of the time of research.

In addition to the above, producing a product which then is advertised/marketed for a potential client, Arura needs to foresee the customer’s usage of said product. This can create challenges in Arura’s organization, where it might be difficult to have the necessary knowledge to properly foresee how a customer as Coop, Salling Group or others will interpret and understand Arura’s product (Régis Lemmens et al., 2014). Furthermore, it can be difficult to understand the usage of an existing product, and Arura will then need to use many resources on explaining why a specific product is suited for a particular problem. In the fourth interview Gade too emphasizes the difficulties they experience when communicating their skills, as for most people working within other industries coding and tech ideas can be difficult to fully understand C. Gade and M. Pilgaard, 2018 12. February, personal interview, 07:50-08:15). This can have the effect that some potential customers choose to withdraw because of insecurity relating to the received value vs. investment. Companies tend to operate with the notion of “cover my ass”, as mentioned earlier, where the





customer needs a certain amount of security in their investment e.g. in the form of general recognition of quality (J. Dalgaard, 2018 26. March. Phone interview, 12:42-13:45).

In order for Arura to enter a co-creation process with their customers they need to concentrate their focus more on the customers' needs and approach their customers differently. Arura has been targeting a range of different businesses in order to establish cases for future use (C. Gade and M. Pilgaard, 2018 12. February, personal interview, 12:55-13:40) Previously Arura has been approaching possible customers via unsolicited emails and phone calls combined with connections in the employees' respective network of relations.

Arura needs to have more focus on which internal resources they possess and how these resources can help the customer in creating the specific solution they need. To showcase the skills of their employees, Arura can choose to show specific examples of earlier work or make specific examples to the specific customer. This can help make the customer understand the possibilities within Arura and their competencies better (Degnegaard, 2014; Jensen, 2017; Régis Lemmens et al., 2014). By approaching their customers in this way, Arura and the customer can more manageable establish new ideas for solutions, which can create value for both parties. This will also create more engagement from the customer side, as they are more likely to invest more resources into the project and likewise can receive a better solution and value (Régis Lemmens et al., 2014).

As stated by Gade at the second interview, they are increasingly looking into approaching potential customers as partners (C. Gade, 2018 5. April, personal interview, 00:20-01:04, 01:15-01:50, 31:50-33:15). This way of approaching customers is aligned with the theory expressed by Lemmens *et al.* (2014), which states that active partners generate a closer and more rewarding relationship compared to customers. This principle of selling needs to be continued and expressed throughout the organization, in order for this mindset to be kept as Arura grows larger.

When investigating Arura in connection with the second principle of the framework by Lemmens *et al.* (2014), there are certain areas where changes could be done in order for them to become more focused upon co-creation selling (Régis Lemmens et al., 2014). Arura needs to change the internal perception from customers to partners, by which this process can be split up into subtasks. These



subtasks are; *Information Gathering*, *Solution Design*, *Solutions Development and Installation and Use*.

The first subtask revolves around *“Information Gathering”*. During the first interview with Christopher Gade and Marc Pilgaard, it is stated that they approach the potential customers in the first subtask with a combination of a sales approach and a co-creation approach (C. Gade and M. Pilgaard, 2018 12. February, personal interview, 07:50-08:15). This enabled Arura to uncover potential problems and challenges of the customer, but at the same time engaging in a dialogue on how they could overcome said challenges together. In the first interview Gade was uncertain upon how to gather information, whereas they are expressing a more thorough approach to this in the interviews performed later on (C. Gade, 2018 7<sup>th</sup> of May, personal interview, 18:15-28:40). This is due to their experience in the industry, but they are also experiencing which activities work for the type of customers they want and what does not work. Furthermore, we see a tendency of them moving towards a direction of interacting with their customers as partners. This can especially be seen in the fourth interview, where Gade emphasizes the importance of them engaging in their customer’s needs and recognizing that there is potential for working even more on this aspect within Arura (C. Gade, 2018 7<sup>th</sup> of May, personal interview, 13:50-15:05).

The second subtask focusses on *“Solution Design”*, where according to the first interview, Arura to some degree aimed at matching the customer’s needs with their existing products. As Arura gathers experience, they are starting to gather information about how to approach new customers, and how to utilize elements of co-creation. It is also possible that the interviews between Arura and the writers of this thesis, have been influencing the mindset of Christopher Gade and Marc Pilgaard. This means that even though no conclusion has been made, the terminology of *“Co-Creation”* and customer centric focus can be more prevalent than before the first interview (C. Gade, 2018 5. April, personal interview, 05:05-05:40).

The third subtask deals with *“Solution Development”*, and according to the first and second interview with Arura, they are still maintaining the development of products themselves. It is stated by Gade that Arura possess knowledge about cooperating on finding new solutions within their



product range (C. Gade, 2018 5. April, personal interview, 22:40-23:20). However, they do not have experience with co-creation of solutions outside of their already created products, although this could be of benefit in the future when working with co-creation. The internal resources can be used for other types of products/solutions, which can add flexibility to the organization, and can help shape the future of Arura and the possibilities for the company (C. Gade, 2018 7<sup>th</sup> of May, personal interview, 23:07-25:55).

Arura will therefore at this time, still be facing risks connected with the development of the solutions, which is also the reasoning behind only making a framework and not implementing it yet. Furthermore, there can be risks associated with developing the solutions in-house, as some tasks can be cumbersome and resource demanding, leaving the resulting value being smaller than expected (Jensen, 2017). There is too a possibility to miss important ideas if the solutions development is done inside the company alone. If there are stakeholders and experts from outside, to assist on the development, there can be added knowledge into the process. By adding outside knowledge, there is a chance for the process to become better and more suited for the given need (K. Burgdorff 2018, 19. February. Personal interview, 33:43-34:50). To provide an example of how this could be done, Arura has just started the project at Hals Skanse Museum (May 2018). An idea for adding outside knowledge could be by integrating an experience economy expert, a person focused on storytelling, a ranger, guests at the museum, etc. This can lead to new knowledge being created for and with Arura, as these people possess different knowledge and expertise on diverse areas, which could benefit Hals Skanse Museum.

The fourth subtask regards *“The Installation and Use of the Specific Solution”*, where due to the size of Arura, the approach is considered relation based. This is due to the fact that within the conventional sales approach, the customer is turned over to the service department after installation/transaction. Arura’s current size of organization does not require a specific service department and furthermore the after service is set up as an automated process leaving little to no need for a dedicated service team (C. Gade, 2018 7<sup>th</sup> of May, personal interview, 02:10-03:55). However, as Arura continues to grow and hopefully expand their business areas, we find it necessary to maintain a focus on keeping a good relation from start to end. Due to the fact that customers are



searching for guidance and trustworthy relationships, we believe that the first point of contact to some degree should also maintain the role as last person of contact. This requires sharing of knowledge and can be seen as an addition to the CRM-system Arura is already working with (C. Gade, 2018 7<sup>th</sup> of May, personal interview, 16:50-19:00).

Another reason for Arura having a relation-based approach is their industry and their active time in business. As the industry they are in is considered highly technical and complex they are eager to be certain that the solution they provide, is actually creating value for the customer as stated by Gade (C. Gade, 2018 5. April, personal interview, 44:40-45:10). Furthermore, Arura is increasingly eager to sell products, in order to create revenue and cash-flow, and thereby create business relations which can help them in developing their business. Due to Arura's size they need to generate income and revenue in order to develop their business, and to be able to pursue larger and more important customers in the future. That meant that Arura was primarily focused upon selling ready-made solutions which were a way to generate income. In the second interview it is stated that Arura is trying to focus more upon other ways of establishing relationships with customers (C. Gade, 2018 5. April, personal interview, 05:05-05:40, 09:15-10:21). This is due to the fact that Arura is beginning to both be more conscious of the possible rewards by initiating co-creation processes, and to be able to economically execute the processes.

In summary the second principle is to some degree performed by Arura in a relation-based approach, as their initial focus and their size has meant that this particular strategy has been suited for them. In the future Arura could benefit from having an increasingly integrated relationship with both customers and other stakeholders. By pursuing an interconnected relationship, it is not only possible to discover the larger areas in which co-creation can be performed, but also the smaller and often supporting areas can be discovered more easily. To be able to continue a co-creation approach with future customers, they will need to have focus upon continuing this approach and keep a constant focus upon performing the activities *with* a customer, and not *to* a customer. Specifically, Arura could according to the theory engage in more activities with their customers. These activities do not need to have revenue as the primary goal, but rather to use the opportunity to work together and create new and exhilarating solutions. There could then be a chance of a



number of these solutions to become profitable for either one or both parties. In practice Arura could engage in direct cooperation with their customers by doing brainstorming sessions and solution development workshops. Opposed to just being handed a task, and then finding a solution on their own, a cooperative approach could potentially generate more ideas, which could be of benefit both on short and long-term basis.

The third principle revolves around the notion of developing value propositions based on organizational properties. In the first interview with Gade and Pilgaard, Gade is stating that they prior to the interview, have approached customers with existing products and have been trying to create solutions based on Arura's understanding of the customer's needs (C. Gade, 2018 5. April, personal interview, 05:50-06:17). These activities have been made upon the basis of assumptions. This approach is however not considered to be a co-creational process, which is due to the fact that the customer will only be provided with a limited view of Arura's various capabilities and resources (Jensen, 2017; Régis Lemmens et al., 2014). Furthermore, if Arura's perception of the customers' needs is misaligned from reality, there can be a mismatch between the parties.

However, at the second interview with Arura, the approach or at least the mindset is beginning to change. At this point the change in the approach is due to the experiences they have had during the last half year and therefore they are beginning to move towards a co-creational approach. This is due to the fact of Arura's continuous work with selling, which has proven that customers too are seeking this more than before. Burgdorff emphasizes that for many businesses this is a wish, however as the term and the method is relatively unexplored, they do not know what to ask for. Therefore, Arura has to be aware of the gap between the knowledge they possess in relation to co-creation and how this is perceived and understood by customers (K. Burgdorff 2018, 19. February. Personal interview, 43:50-45:40). In an effort to curb this gap Arura can optimize the way they express their internal knowledge base, which creates a foundation for creating a common value proposition with the customer. This approach can according to Lemmens *et al.* (2014) be of great benefit for both parties, as the engagement between them can be increased. By increasing the engagement between supplier and customer, Arura can be presented with more sensitive information than with regular sales. This information will often be shared with people whom you



are confident with. These types of information can be valuable to the process, as they can be a factor in determining the right solution and how this solution can provide value (Régis Lemmens et al., 2014).

The fourth principle revolves around the notion of creating dialogue and building relationships between Arura, their customers and stakeholders/partners. The reason behind these relationships is to build valuable, long-lasting relationships and a network of interaction and dialogue. In the first interview Gade stated that one of the major challenges within Arura is the ability to connect with valuable stakeholders, and the process of doing so. He stated that they lack skills in identifying which potential customers could be beneficial for Arura to engage in relations with, and which parameters to look for (C. Gade and M. Pilgaard, 2018 12. February, personal interview, 07:50-08:15). During the course of interviews there have not been much progression in terms of relationship building, as Arura still faces challenges assessing precisely *how* they can provide value. This leads to them still utilizing conventional sales methods for the most part, although they have knowledge about how a good relationship can help the sales process.

As they have experimented with how to approach customers, Arura created a process which has been very resource demanding and with fewer successes than wanted. This was due to the identification of potential customers was misaligned with Arura's initial scope. This particular process can be labour intensive, and the process can be cumbersome, as not every potential customer may have the same interest as Arura may perceive they have. This process can therefore occupy more of the total amount of resources at Arura compared to a larger organization (Régis Lemmens et al., 2014).

Arura has faced many challenges which arose when developing and starting a business, and even though these challenges have not all been directly related to the relationship between Arura and their customers and stakeholders, but every challenge occupies internal resources. Another factor by being a developing business is that it is easy to be intimidated by the larger corporations which Arura wants to establish relationships with. A large corporation often has many specific demands in relation to business models and how certain activities can be executed. By being a corporation, they



can put Arura under pressure, as they are easy to be discarded in favour of another company if they do not live up to the demands.

Gade stated in the second interview that the organization is getting better at communicating with potential customers and stakeholders, and that they are pursuing more relationships than in the first interview (C. Gade, 2018 5<sup>th</sup> of April, personal interview, 05:05-05:40, 14:20-14:55). This is done both in regards of network meetings, presentations and identifying people of interest (C. Gade, 2018 5<sup>th</sup> of April, personal interview, 00:20-01:50) This can have multiple causes, whereas it might be because they slowly have been more experienced in which communicative activities works and which does not. According to themselves, they are getting more experienced and increasingly focused upon the approach with potential customers. We as researchers will not have the necessary resources to check whether or not that is actually happening inside the Arura organization. Even so, it is clear that Arura is starting to experience a *“Snowball effect”*, as they are slowly receiving more recognition, and the network they have been pursuing are starting to reward them with new possible partners and customers (C. Gade, 2018 5. April, personal interview, 03:05-03:20).

Furthermore, it can be caused by the team having been in the industry for longer, and having references to show for new potential customers, which then takes them more seriously.

The organization therefore needs to have a constant focus upon sharing valuable information to and with customers, in order to create strong relationships with each other (Régis Lemmens et al., 2014). Arura is expected to establish relationships with more stakeholders in the future, and thereby creating a larger database of information. It is uncertain whether or not Arura has allocated resources to managing the abovementioned dialogues and information, but as Lemmens *et al.* (2014) state this need to be enabled by the organization, as this can lead to a higher level of trust between Arura and their stakeholders (Régis Lemmens et al., 2014). These interactions are therefore a foundation for creating a co-creation environment, which is valuable on a long-term basis. But they do also state that some potential customers do not find a co-creation process to be valuable for them, but it is not necessary for Arura to discard them (Degnegaard, 2017; Jensen, 2017). Some customers find full satisfaction in transactional value, and it will therefore often be a waste of resources to initiate a co-creation process with these particular customers (Degnegaard, 2014; Jensen, 2017; Régis Lemmens et al., 2014). Co-creation is a way to generate increased value,



in those cases where it makes sense for all involved parties. Arura just need to access how they can deliver value to them, and how Arura can obtain value. (Degnegaard, 2017; Jensen, 2017; Régis Lemmens et al., 2014).

#### 12.2.1 Summary

There are four distinct principles in the framework of Lemmens *et al.* (2014). When the first interview with Arura was conducted, they were largely focusing on a regular sales approach with some elements of co-creation. As they have developed internally and externally they are becoming increasingly focused upon co-creation and are becoming more aware of how this can be utilized and how the propositions made can be implemented. Arura is still having some regular sales approaches towards their customers, but this is not necessarily bad, they just need to remain focused on differentiating their approach. As co-creation is an ever-changing approach they will constantly need to maintain a focus on how to include the principles into their organization as it too evolves.

#### 12.2.2 Drivers of co-creation – Maintaining control of the Customer Lifetime Value

It has been established how a framework of co-creation can be transformed into a strategy for Arura, and which factors requires attention for this strategy to succeed. This section seeks to clarify some of the underlying elements which is affecting a co-creation process. “*Customer Lifetime Value*” is an important metric to survey existing and potential customers, in terms of their “value” for Arura. As described in the theoretical framework, the drivers are components which together creates Customer Lifetime Value. This enables Arura to focus on these components and being able to have an impact on them.

##### *The first driver – Sell more*

Lemmens *et al.* (2014) proposes that one of the ways to sell more, is to invite the customer to co-create on the value proposition. This involves co-creation during the research, development and marketing of a specific product or solution. Where before this was typically done before communicating with customers, the interaction begins much earlier (Baumann & Le Meunier-Fitzhugh, 2015). Arura can choose the level of co-creation with the specific customer, which can be determined by the prospected outcome, the customers’ own wishes and the complexity of the solution. Arura have seen developments as they are being increasingly aware of their own role in a





co-creation process, and how they can be a larger part of it. This comes from the added focus upon the term, and the experience Arura have had through the recent months. This added insight can be of value for both Arura and their customers, as the co-creation processes in the future can develop further than previously.

Arura can choose the level of co-creation with the specific customer, which can be determined by the prospected outcome, the customer's own wish and the complexity of the solution. A complex solution will often invite to more co-creation, as both Arura and the customer will need more information of each other to make the solution work satisfactory.

It is important that Arura not only receives information from the customer and then creates or modifies a product. To utilize co-creation properly Arura will need to deliver information back to the customer during all stages of product development. In the first interview Gade stated that they developed solutions before any communication with possible customers were established, whom were then difficult to convince (C. Gade and M. Pilgaard, 2018 12. February, personal interview, 33:25-33:46). This could be due to the complexity of the products Arura supply, where it might be difficult to see the specific outcome from a customer's perspective. By utilizing a closer dialogue in earlier steps of the solution development, the customer and Arura can move through the product development stages together, rather than the customer becoming included at the end of the product development process, as it is often the case when discussing conventional sales methods (Terho et al., 2012). This creates a higher participation, and thereby loyalty towards creating a solution which works for both Arura and the customer.

As stated by Arura in their first interview they are to some extent utilizing cross selling, as this comes naturally to the way they develop solutions for their customers. Arura expresses multiple ways this have been done, although they are still a small business it is difficult to say how effective cross-selling is as a method, and which approach to use in a situation with a customer C. Gade and M. Pilgaard, 2018 12. February, personal interview, 23:00-23:55). Furthermore, it is uncertain if and how improvements to the cross-selling strategy is to be made. To determine how this activity can be utilized in the daily activities, more feedback from both customers and Arura is needed. As Arura has sold their product to just a few customers for now, they have yet to collect this information. It



is assumed that this information can be collected in the future, as long as Arura remains focused upon collecting and using it. It is stated in the fourth interview with Arura, that they are starting to offer their products as a service to malls and shopping centres in Denmark. This has so been beneficial in terms of generating revenue and being able to show off their skills and also act as a proof for other customers (C. Gade, 2018 7<sup>th</sup> of May, personal interview, 00:10-02:10).

#### *The second driver – Reduce costs*

One of the ways to reduce costs in relation to co-creation, is to move processes outside the organization, either to the customer and/or to a third person which possess the correct set of skills for the specific task(s). Gade stated in the second interview, that they have thought of utilizing this method of cost reduction (C. Gade, 2018 5<sup>th</sup> of April, personal interview, 31:50-33:15). This can further develop the types and quality of their products, as new ideas can emerge, and better solutions can be developed, by having others working with Arura.

By utilizing outside resources Arura can focus on what they do best inside the organization, rather than having to use time and resources into learning new skills. The skills needed is changing according to the specific project, which also emphasizes the value of having processes outside the organization. This is because a certain set of skills which is needed for one product development, might not be useful in the next. As stated by Arura in the second interview they are planning to try this approach, as this could lead them to produce better solutions in the future (C. Gade, 2018 5<sup>th</sup> of April, personal interview, 34:30-36:01).

By moving processes outside of the Arura organization, there are certain risks which emerges. One of the risks is the amount of control of the process, which decreases and can be a potential risk for Arura. This decrease in control means that the outcome or certain aspects of the outcome, is unknown to Arura. This also requires a certain amount of trust between Arura and third parties, which can be resource demanding to achieve.

Arura needs to utilize this approach if it is necessary in order to remain focused upon their own core skills and keep refining them to be able to provide better products in the future. Another way of moving resources outside the company is to move less demanding tasks, which needs to be performed to another stakeholder. This can free up resources at Arura to perform their core tasks.



### *The third driver – Accelerate cashflow*

A way for Arura to accelerate cashflow is to create a proof of concept to a possible customer. This enables the customer to see how they might benefit from Arura's value proposition and makes the solution easier to comprehend. In order to show different types of Proof of Concept (POC), Arura either needs to invest resources into creating POC's, or use parts of already developed products as examples towards new customers (Régis Lemmens et al., 2014). Based on the size of Arura it can be difficult to allocate time and resources towards creating POC's, which was also mentioned previously. Furthermore, it is difficult to showcase parts of already developed products, as Arura is yet to have many examples to choose from. As stated in the second interview as opposed to the first interview, Arura have established contact to an increasing number of potential customers (C. Gade, 2018 5<sup>th</sup> of April, personal interview, 05:05-05:40). If Arura succeed in developing products for and with these customers, they will have something to present for future customers. Arura then needs to have focus upon creating POC's when they have sufficient examples to choose from, in order to help the costumer, understand how and why they can get value from an Arura product. It can be beneficial for Arura to show their internal skillset towards partners and customers, in order to make it easier for them to understand the skills of the arura employees.

As Arura operates in an environment with complex products, it can be beneficial for the organization to coach the customer, in order for them to help them make their decision (Kukk et al., 2014). This is a way to educate the customer organization about Arura, and the environment in which Arura operates. This action is overlapping with the other tasks regarding communication, but in this case, it is specifically focused upon educating the receivers of information from Arura. This can help potential customers take the necessary decision when it comes to a complex range of products and how these can fit within the customers organization (Wollenick, 2012).

### *The fourth driver – Reduce risk*

In connection with earlier, a way for Arura to reduce risks is by create stable relationships with customers. This is due to less a volatile business environment, for both Arura and their customer(s), and enables both parties to forecast more precisely. As Lemmens *et al.* (2014) state there are six



stages of relationships, and Arura needs to be aware of that some customers do not wish to establish as close relations as others, figure 4 shows the different levels of participation. Arura states in the first interview that they have created a solution for Hals Skanse<sup>5</sup> where they co-operatively designed a solution and implemented it (C. Gade and M. Pilgaard, 2018 12<sup>th</sup> of February, personal interview, 09:10-09:40). After implementation this relationship is “finished” as stated by Arura, and there is no need to try to pursue a higher level of relationship with this customer (C. Gade, 2018 7<sup>th</sup> of May, personal interview, 10:20-12:55).

However, Dalgaard emphasizes that instead of looking at the relationship as being finished, instead companies should look for alternative solutions and value to provide for them in the future on the basis of their experience (J. Dalgaard, 2018 26. March. Phone interview, 19:20-20:15). Alternatively, Arura has been aiming at establishing a relationship with Lidl, which is closer than with Hals Skanse. The basis for this is the scale of Lidl compared to Hals Skanse, where Lidl operates in numerous countries and Hals Skanse is just one location. This means that there possibly could be higher requirements from the customers, but also a possible larger reward, both in terms of economic reward but also publicity. The scale of the project is although not an indicator for successful relationships, as a larger project demands more of both Arura and the customer. If any of the involved parties lack resources to fulfil the requirements of the process, then both parties can be negatively affected by it. Furthermore there can be the change that the abovementioned customers has a different view on co-creation than Arura.

This means that Arura needs to assess the relationships frequently, as both Arura, their customers, competitors and the industry itself is constantly changing.

### 12.2.3 Summary

There are multiple metrics Arura can choose to change, in order to either generate more income, reduce costs, accelerate cashflows or reduce risks in their business environment. The activities are not far from what Arura is pursuing at the moment, although there is constant opportunity for improvement and additional focus. Arura needs to determine which metrics can be influenced by themselves, and then try to influence them in order to increase the Customer Lifetime Value. An activity which is a part of many metrics is the ability to establish relationships with the customers,

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<sup>5</sup> Historical Museum in Hals, Northern Jutland



and thereby proving Arura essential for the customer. The outcome of said relationships is changing depending on the metric, but in general stable relationships with customers is rewarded.

By having a good overview of the potential and existing customers, together with their preferences to how they want their solutions, and what they consider valuable, Arura can more efficiently target these customers with the right resources at the right time. As co-creation selling is one of multiple ways to engage in customer relationships, Arura can get benefit of identifying the customers who are and who are not interested in off-the-shelf products.

We too experience a change when interviewing Arura about these subjects. We have found that during the process of working together on this thesis, Arura as a gathered unit, has become more focused and able to identify other possibilities than the original product, Shoppets. It is becoming more evident for us that they see new possibilities within their field of expertise, which is also why we see that they are maturing as a company and has a possibility to succeed in integrating the co-creation approach when they are ready (C. Gade, 2018 5<sup>th</sup> of April, personal interview, 13:50-15:05).

### 12.3 Classification of potential customers

Through the analysis it has been found, that classifying customers and understanding which types of value are sought after, can be of help when determining which customers Arura should co-create with, and which they should not. For Arura to work actively with the co-creation sales process, they have to create an understanding of which customer types requires which value and why and here the model of Kraljic (1983) has been included. There are customers choosing off-the-shelf products, customers having a smaller degree of involvement choosing to customize and then again, some engaging fully in the full co-creation process as described above. This form of segmentation can be difficult, but there are different factors Arura can take into consideration.

There is nothing wrong with companies wanting an off-the-shelf product, this can also be of great economic value for Arura (K. Burgdorff 2018, 19. February. Personal interview, 48:20-48:50). As co-creation sales it to do with innovating new products, there will be new products created over a period of time. These products and solutions should not just be put away; they can act as *Proof of Concept* for Arura. Again, the co-creation process is good for both Arura's customers as they can



actively engage in the creation of the product, and thereby potentially enhancing the value, but it is also an advantage for Arura to see what they can deliver and thereby also expand their range of products and solutions. Again, it is about learning and becoming better and more aware of the internal resources and capabilities.

In the theory of Kraljic (1983) products are placed in four different categories with different risks and impacts as mentioned in the theory chapter (Kraljic, 1983). As the main part of the products they will sell will be identified as Strategic Products, due to the fact that a big part of customers will not only be purchasing the solutions/products from Arura off-the-shelf but engage in either customization, product development or hopefully co-creation. By classifying customers Arura can find out where to use the time and energy in engaging in co-creation processes and where their ready-made products will be enough. However, the model can only act as a supportive system, as Arura needs to obtain knowledge, create relations and thereby create understanding of customers. The two-dimensional model of the Kraljic (1983) theory can, instead of the original purpose from a buyer-perspective, act as an understanding of the background of the sales/purchase.

Subsequently, the Kraljic purchasing portfolio model has been much appreciated, owing to both simplicity of application and for analysing in which category a company's product can be placed, hence which power they possess towards the customers (Jensen Burgdorff, 2017; Paesbrugghe et al., 2017). However, we as researchers suggest that redirecting the focus from products and companies to relationships and networks entails more challenging and complex sales situations in the future. Consequently, by considering products as "solutions", instead of as 'given' entities to be put into models, other problems and solutions may be identified. However, by becoming aware about this added value can be perceived both in terms of the customer satisfaction and on an internal basis.



## 12.4 Defining the role of value in a co-creation sales process

There is a change in the way companies need to present the value proposition, because the old “*we deliver value to you, but we do not know if you need it*” disappears, and the changes in how value is proposed has changed rapidly. (Regis Lemmens, 2014; Régis Lemmens et al., 2014).

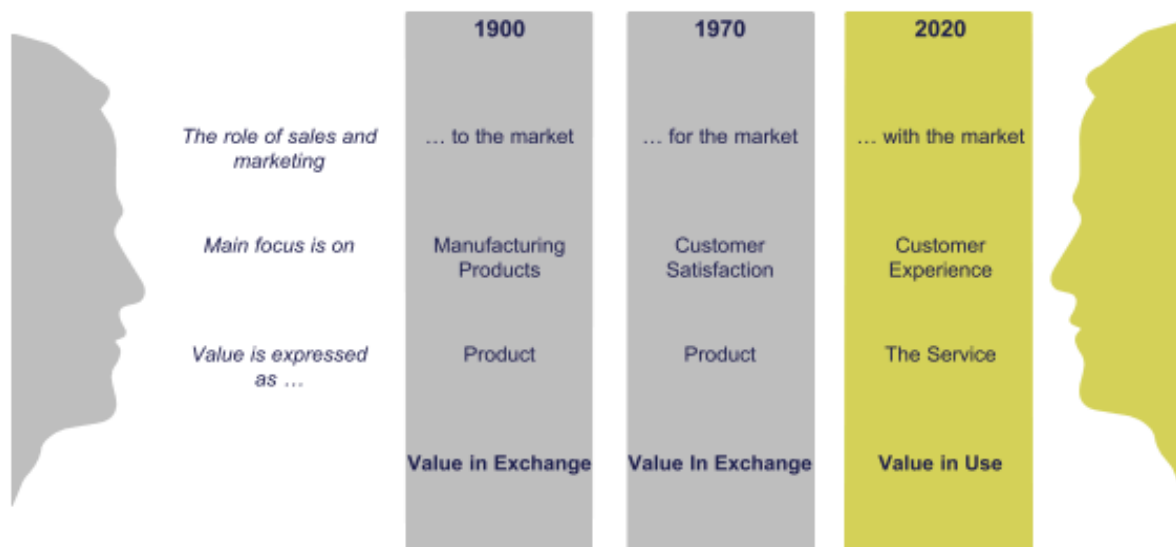


Figure 5: Changes of marketing and sales throughout time, and the change in value perception (Lemmens et al., 2014).

In the figure 5 above, Lemmens *et al.* (2014) describes how the value perception has changed during the last century. The customers of today are to be seen as the main value creators by integrating resources provided by a company with other required and available resources (Régis Lemmens et al., 2014). If this is the case, Arura who are the providers, cannot be value creators on equal terms with the customer. The role of Arura must therefore be another one. The value created in producing and facilitating the solution for the customers is one of Arura's roles in the total process, leading to value for the customers. However, it cannot be seen as part of the customers' initial value creation. Developing, designing and delivering resources are processes obligatory to make it possible for customers to create value; therefore, one of Arura's main tasks is to facilitate customers' value creation leading to experienced added value. Fundamentally, the customer creates value, and Arura facilitates value creation (Gummerus & Grönroos, 2014; Korhonen, 2012).



## 12.5 The value proposition – Looking inside out or outside in

As mentioned earlier, it has been hard for Arura to completely tell us which value they deliver to their customers. We have identified this as one of the most problematic issues for Arura, but working with value from a different perspective, they are not forced to tell completely what they can offer. Instead the focus centred around their products, it should be centred around the qualifications and resources within the company. By adopting what we choose to call the “*outside-in value perspective*” and working actively with this in the organization, leaves a possibility for Arura to both deliver the value of the products they have already made. The value is no longer within the product, but is moving to the organizational capabilities within Arura, there is just a need to become aware of what Arura can do together as a company. Additionally, it can also potentially be a great way of accessing new business areas and network.

When presented with this, Gade also agrees that this could potentially be a method for them (C. Gade, 2018 5<sup>th</sup> of April, personal interview, 17:40-21:50). As they do not have many resources aligned for selling, he finds it interesting that there are other ways of selling. Instead the relation and the knowledge that Gade and the other employees possess could be the main factor for closing sales. This is backed up by Degnegaard, who believes that this understanding creates a greater value for the customers, but also for Arura, as they do not have to hire new people (Appendix 3 – Interview with Rex Degnegaard). When asked about the time spent on this new way of both selling and value creation, Degnegaard states that Arura might already use a big part of their time trying different sales methods. This might take some extra energy in the beginning, it will be valuable for Arura to use this as a strategy (Appendix 3 – Interview with Rex Degnegaard).

However, moving towards working actively with co-creation sales is not only changing and challenging the sales people, it is challenging the whole organization. Looking at the concept of “*value*” companies often tend to believe that they have something extraordinary in regard to which value they can offer. It has been the core of economic thinking through the last century, hence companies try to communicate the value they can deliver to their customers in various ways. In the beginning Arura was also very certain that their product could deliver an extraordinary value,





however they see that other competitors can potentially deliver the same standardized product, so they have to stand out in other ways (C. Gade, 2018 7<sup>th</sup> of May, personal interview, 15:15-16:45).

As mentioned earlier, the customer has been seen as a “transaction” or simply put; a buyer being serviced at the counter and then the relation stopped. Working with co-creation sales, the customers, partners, competitors etc. are now seen as assets for Arura, who can provide the company with important knowledge and even more important; creation of new ideas and solutions.

According to Burgdorff and Degnegard, the most important shift in the value proposition is, that instead of being focused on one’s own idea and business area, e.g. on how Arura’s product can be integrated at a potential customer, it is much more about understanding the problems the customers are facing before proposing the actual value before them. This can be done in numerous ways, but by engaging in relations and maintaining ongoing focus, makes the process much easier (K. Burgdorff 2018, 19. February. Personal interview, 08:00-09:20).

Earlier, the creation of value has been seen as an internal activity within a company. E.g. Porter’s Value Chain, as seen on the right, offers a perspective on which activities a company is consisting of, and how additional value and effort can be put into each activity to make the end product better (Porter & Millar, 1985).

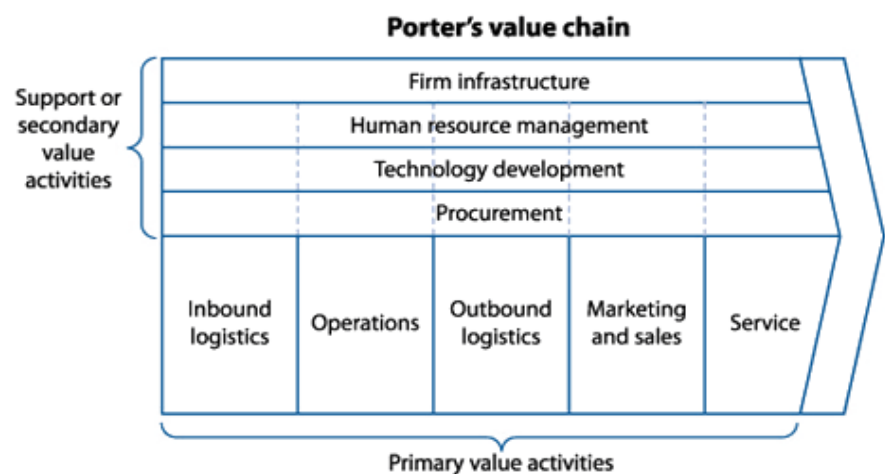


Figure 6; Porters Value Chain. Porter & Millar (1985)

Porter’s model is however only concerned with the activities within the company itself and is not concerned with the knowledge placed around the company. Burgdorff and Dalgaard mentions this as being a problematic way of looking into how companies can create value in 2018 (K. Burgdorff



2018, 19. February. Personal interview, 16:00-16:50); J. Dalgaard, 2018 26. March. Phone interview, 18:44-19:25). As there is such a massive overload of both goods/services and where to buy them from, the value needs to be seen as something different, potentially in the form of knowledge, capabilities within the company, network and ability to co-create and collaborate.

Stine Halmind, Incento, too explains that for private companies, there is a potential for being first-movers in relation to changing the way of doing business, and how value can be added. She explains, that most work on co-creation has been done within the public sector, and that the co-creation sales perspective can offer something completely new and be a potential way to both compete and collaborate on an overcrowded market (S. Halmind, 13. April, Phone Interview). With Arura being open and interested – and last but not least – honest about the fact that they might not have the formula for the problem to be solved, there is potential for winning over customers. It is no longer the most extrovert sales man that succeeds – it is the one that customers feel they can rely on and they trust can deliver the promised value.

The work of Kukk *et al.* (2014) and Akolk *et. al* (2016) both presents a new perspective on how value should be offered as of today and moving forward (Akolk et al., 2016; Kukk et al., 2014). When working with co-creation sales in relation to Arura, we have been particularly concerned with the identification of the problem and execution of the offering. As Arura has not yet worked with a problem-finding approach, they will have to be concerned with how to do this in the most suitable and less time-consuming way.

As they have been used to sending e-mails to the businesses they have found to be interested in, they have to find further ways of communicating their value. An idea could be to look for potential problems in companies themselves or even better engage in the important networks, which was discussed earlier. An example could be that before the second interview with Arura, researchers had found that Salling Group is currently struggling to win over customers for the organic market, from Coop (Schilder, 2017; J. Dalgaard, 2018 26. March. Phone interview, 29:08-30:10). When presented with this Gade said that within their knowledge and perspective, they could offer a potential solution to this problem (C. Gade, 2018 5<sup>th</sup> of April, personal interview, 18:30-22:40). He



had just not been able to process this information into a business opportunity. Therefore, it is also important to change the mindset and ideas on how to do business, and find new alternative, innovative ways. So instead of Arura just sending emails without a purpose, there could be a potential in letting the customers know that they see their problem and thereby they can easier identify which value they can offer e.g. Salling Group by solving said problem.

It can also be argued that the next phase in relation to choosing the optimal service for the customer, can be of great importance in some industries. However, if Arura is able to identify the knowledge and competencies they possess within IT and coding, they have a wide scale to choose services from. The execution of the offering is what we also find to be particularly interesting, especially when Arura does not have a big portfolio of customers. Arura has not yet been able to see if their support functions are working for bigger projects, and as researchers we believe that this part is of particular concern, because one bad review from one of the big customers Arura is chasing can potentially lead to many problems. However, as stated earlier, the service process should be more or less automated for now, but we do not know what types of services will be required later on.

Lastly, instead of using evaluation of the offering as the work of Akolk *et al.* (2016) proposes, we choose to call the last step “Evaluation and learning” (Akolk *et al.*, 2016). As Arura has not started an active process of working with co-creation sales yet, we believe that in order for them to succeed, they have to learn and evaluate every time they try or close a sale. As mentioned in the third interview, Arura has not been particularly focused on why they have not been selling (C. Gade, 2018 7h of May, personal interview, 05:30-06:15). They have just accepted that up until now they have had limited success with their email advertising, but it has not been evaluated. Neither have the partnership with e.g. Aalborg Storcenter; they have just been satisfied with somebody wanting to display their product line (C. Gade and M. Pilgaard, 2018 12<sup>th</sup> of February, personal interview, 34:02-37:28). Dalgaard too emphasizes that this step is to some a matter of course, but reality is, that most companies do not focus on this part. He further states that like with many other things, it is important to go back and learn from mistakes/successes, but most companies tend to skip this part and just move forward (J. Dalgaard, 2018 26. March. Phone interview, 09:56-10:30). (He states that



like with many other things, it is important to go back and learn from mistakes/successes, but most companies tend to skip this part and just move forward.

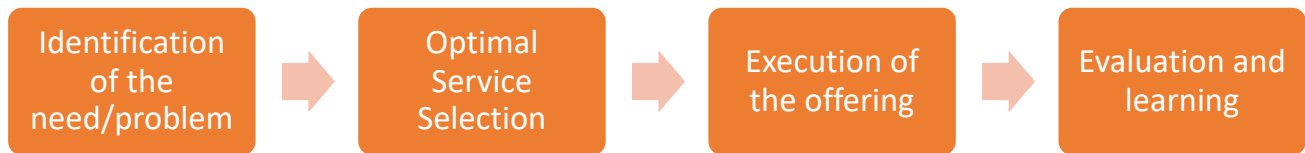


Figure 7; “Phases of KIBS value creation process” Own adaptation after Akolk, (2016)

Changing this perspective from Porter’s way of looking inside out, to a co-creation perspective, where Arura is looking outside in, in order to create value for their customers, stakeholders and others, a model of how value can be created in the sense of co-creation sales (Bhalla, 2016). Value from a customer perspective means *“that once they have been assisted by a full or self-service process, they feel better than before”* (Grönroos, 2011). In the following paragraphs we have tried to collect what we see as the main factors for creating additional value both inside and outside Arura.

#### *Focus on the end – not the means*

Instead of Arura communicating that they have a product which can be used as a platform for advertising or as a playful way of engaging and maintaining customers, they should instead focus on which value and which problem their product can solve. As it is complex products Arura are selling, this description could be the reasoning why in most cases there has been missing reactions and understanding of the solution they can provide; the potential customers do not understand which problem Arura is solving and what the value they can offer is. A way of doing this in a different way, could be, that Arura meets their potential customers before going into explaining too much in detail what their product is. When presented with this idea of first contact, Gade too emphasized that they are trying to move in this direction, as they too can see that some of their customers simply does not understand what they can offer (C. Gade, 2018 7<sup>th</sup> of May, personal interview, 08:15-09:10).



### *Collaborative processes*

As mentioned earlier, it is important that the customers are not being met by Arura with the mentality that they can fix everything, but instead the customers and Arura can figure this out together (J. Dalgaard, 2018 26. March. Phone interview, 18:07-19:45). By doing so, it is also possible for Arura to act proactive in the way the value is received, as they know their customers' needs, and therefore they do not have to be reactive. By doing so they know when the customer is being offered something that does not provide any value for them, and then being able to offer them something different before the actual sales takes place. This leaves the customer making fewer complaints and perceiving the value as generally better (Järvi et al., 2014).

### *Develop value propositions from the organizational capabilities*

We believe that this is one of the most important things for Arura to take into consideration. They are already aware that they cannot just say "this is our product, it has a price of this, and can potentially solve this problem". Instead, as it is the case with co-creation sales, it is about merging capabilities together to create value. As Arura hopefully will continue to grow, it is important that they remain aware of which capabilities they possess, and which they do not. This is also a bridge to the next step of our value chain.

### *Learning and developing*

Instead of keeping the old sales approach of "the more times we do this, the better we get", Arura should instead focus on the fact that every time they engage in a co-creation process they learn more about which capabilities they have at their dispose within the company. Thereby they also explore and create a potential for developing new capabilities. We see this as one of the main important factors, as we believe that this is not only adding value to Arura's customers, but it can also function as a learning experience for the employees in Arura.

### *The value experiences*

In the end of this process is the experience of the value. Moving from the product centric to the customer centric approach, the perception of value is moving from value created by producing products (as in the case of Porters Value Chain), but to value being created in the use of the solutions



and the engagement of creating products. It becomes much more integrated as a value-in-use experience, where Arura and their customers both receive the value while the product is being used; the customers will most likely experience that they feel they are getting what they are being offered, and Arura can use it for learning and developing even further.

## 12.6 Identifying the value proposition for the future

When considering which kind of value, Arura will have to offer their customers, it is important to look into the different types of value they can offer. Gade further emphasizes that most customers would like to do a customization themselves, and therefore it would be few customers walking in directly from the street and buying e.g. Shoppets (C. Gade and M. Pilgaard, 2018 12. February, personal interview, 34:02-34:58).

When discussing the value proposition in relation to co-creation sales, Arura too needs to be aware of the relation with the customer. As we in co-creation sales do not think of products but are more aware of finding solutions within the company's resources, to create the value for the customer, Arura needs to become very focused on how to figure out what value they should propose.

This is also one the main reasons why we as researchers do not see that Arura can work with co-creation sales just yet, as they are still missing to create network that can enhance the value offered to their customers. The additional value can simply not be offered before knowing the customers' wants and needs and by putting the amount of effort into the project, that is requires (K. Burgdorff 2018, 19. February. Personal interview, 10:45-12:00).

When looking at the resources within the company instead of the original product, it also becomes evident that the transactional value is not what Arura offers. The value they will need to offer is much more related to interactional value dealing with establishing relationships and sparring. But even more, when working actively with co-creation sales, the profit value. Here, the value is created with, and not for, the customers. Here, Arura has the possibility to enter in dialogue about the solutions that are needed. When discussing this with Gade & Pilgaard in the first interview, they were very confident that Shoppets would perform well and that this was the only thing Arura were focused on at the time. However, in the second interview, when asked about value creation, Gade



emphasized that they have found that they need to deliver another sort of value, and that the solution they need to offer might not even exist yet (C. Gade, 2018 5<sup>th</sup> of April, personal interview, 39:02-45:10).

When asked about the value creation Burgdorff too highlights the importance of being aware that Arura can easily create solutions that provides different types of value and therefore, there might be several forms of working with value- and meaning creation with the customers (K. Burgdorff 2018, 19. February. Personal interview, 16:50-17:50). After Arura recognizes which type of additional value they can give their customers, in comparison to other companies, they can use this knowledge to create some sort of prospecting before the interaction and the solution needed is known. Even though this require work both inside and outside of the company, new research show that there is meaning by doing so. The companies that manage to reflect on different understandings of value and sales methods sell more than companies that work with only one dedicated method. It is too shown companies that manage to work with co-creation sales have 8% more in turnover than those who do not(Jensen Burgdorff, 2017).

## 12.7 Summary

This change of paradigm will consequently lead to value being placed elsewhere than in the features of the products and services. Instead the value lies within providing diverse opportunities to customers of co-creation of unique, individualized experience. Arura will have to change how they view the concept of value and how they offer value to their customers. By becoming aware of how to facilitate the value creation process both internally and externally, Arura has potential for developing their value proposition even more, making them stronger competitors on the market.



## 12.8 Framework for continuous work

After performing the analysis, we wish to highlight a few of the findings, which we find most relevant for Arura to work with in the nearby future from a practical point of view. Arura needs to create a framework for how to approach customers and partners in the future. The framework needs to consist of best practices in general for how Arura should approach new customers, and care for existing ones. Arura needs to have a constant focus upon dialogue and the exchange of information, to and from customers and partners. Information and knowledge sharing is a crucial part of co-creation, and this needs to be emphasized towards everyone involved in customer contact. This is to maintain what is already started by Arura and needs to be maintained when Arura grows larger. In interview four, Gade explains that they have started to work with CRM (Customer Relationship Management) systems, as they have lost track of which customers needed what and who they were going to get back to (C. Gade, 2018 7<sup>th</sup> of May, personal interview, 18:15-19:00). The CRM-system can also be used as a support activity to co-creation sales, and therefore we see working with CRM as something that can be very positive for Arura.

What we too see as an important factor for Arura, is for them to view their products as solutions instead. As they have unlimited possibilities within the field of coding and gamification, they should be more focused on what their customers need. By viewing the products as solutions for e.g. path finding, Arura is opening up for new industries. It is already moving in the right direction, from the first time we talked to Arura, where they were focused on supermarket chains (C. Gade and M. Pilgaard, 2018 12. February, personal interview, 12:55-13:40) only up until now where they have sold to a museum, a park in Blokhuis and a mall (C. Gade, 2018 7<sup>th</sup> of May, personal interview, 00:20-02-10). The idea of spreading the risk to different industries also opens up for the opportunity of creating new networks cross-industries, which can prove to become very beneficial, as customers are more likely to buy from someone they either know or have heard of.

Co-creation is a demanding process, and Arura needs to be aware of the resource demands associated with it. Likewise, Arura needs to be aware that some customers have no intention of engaging in co-creation. To determine which type of client to pursue is determined by the economic situation in the company and the available resources in the organization. This is also a way of adding





extra value for the customers; if Arura are able to see what they need instead of just offering them a product, this could have a positive impact on the value perceived.

If there are resources to invest in co-creation, Arura can then look into which possible customers could be rewarding to engage in a co-creation process with. To help determine which customer to engage with, Arura can choose to measure the Customer Lifetime Value. This can help the decision takers and create a more objective way of measuring potential customers. CLV will not give an exact figure but can be a help towards comparing customers. By making a system of the relations with customers as an integrated part of the CRM, Arura can easier identify which customers could be potential engagers in co-creation. It too aligns with the principle of Arura looking at their customers as partners, and not just a receiver of their products. As of now, where cash flow is needed, this is not Arura's focus, but they have to be aware of this if they continue the growth.

Arura needs to constantly have focus upon creation of value, both for themselves, their customers and in turn *their* customers. This value creation throughout the supply chain can be a part of loyal and prosperous relationship. In order to focus on the value, it is essential to have a thorough knowledge of the potential customer and how the term "value" applies to that customer in particular.

Nevertheless, as Arura is an emerging business one of the key lessons is to learn from mistakes, the good and bad sales experiences, the networking meetings and the other types of activities to be experienced. Evaluation, learning and awareness about that some activities might be time consuming in the beginning, but might also be rewarding in due time (Régis Lemmens et al., 2014). As Arura is still emerging it will inevitable take time to become known in the business, which is slowly beginning to happen (C. Gade, 2018 7<sup>th</sup> of May, personal interview, 06:20-08:10)



### 13 Discussion of potential challenges

Through the thesis we have scrutinized how the framework of Lemmens *et al.* (2014) can be perceived through the eyes of Arura and how value as a term can be used inside and outside the company and what it means for Arura. Furthermore, we have seen how Arura could view themselves in order to be able to practice co-creation selling in their approach towards customers. What we wish to highlight in the discussion is the possible challenges which can arise when working with the co-creation method.

It is important that Arura understand and acknowledge both value co-creation and value co-destruction. Understanding why, and to some extent, when value co-destruction emerges can help Arura to recognize the bad experiences and learn to avoid and prevent them. Value co-creation and co-destruction can exist co-dependently, and Arura and their customer can experience different co-phenomena. The difference between co-creation and co-destruction is based upon how the process is perceived, and how the expectations were before the process began. Co-creation and “value” creation is closely linked together, but by merely executing a co-creation process does not implicitly mean creation of value. In a company-customer relationship, it is natural to focus upon value creation, as this can help either one or both parties. A relationship where one party is actively trying to destroy value, will most likely not take place, given the nature of running a business (Lefebvre & Plé, 2011).

Value co-destruction can be a possible outcome of business, consumer and public collaboration leading to a misalignment of the perceived value for both Arura and their partners (Järvi et al., 2018; Smith & Colgate, 2007). For Arura this has become even more evident as the co-creation of value starts with the sales, and not as it was before, in the use of the product after sales. Therefore, this is something we see as of particular interest to discuss, as it becomes even more crucial for a successful co-creation sales process, that the value created is right for each individual customer. However, identifying co-destruction can be difficult. There can be many different perceptions of when a co-destruction has taken place. E.g. there can be instances where all the actors implicated in a value co-destruction process might not be impacted in the same way. This imbalance between



Arura's level of co-created value and that of their customers is too something that needs to be taken into consideration.

On the next pages we discuss what the potential errors there are for Arura when engaging in co-creation and it also leads to a discussion of the concept in use. We have identified that value co-destruction for Arura can possibly occur due to the following: process errors, inability to change, insufficient level of trust between partners, mistakes and finally there is the absence of well-defined expectations. The abovementioned themes have been identified throughout the thesis, through researchers' own observations, statements from experts and Arura together with information from the theories included in the thesis. Each potential reason can result in failed interaction between actors that causes one or both to experience a decline in satisfaction, leading to value co-destruction.

#### *Process errors*

The process of co-creation selling can be cumbersome and can be comprehensive depending on the customers approach to co-creation. If the customer has been engaged in a successful co-creation process before, this customer might be inclined to agree to a co-creation process faster than a customer who have experienced an unsuccessful co-creation process. Co-creation is demanding both internally and externally and it is therefore crucial that Arura is planning the process carefully, in order to have control over the resource expenses and the communication between the employees, so the process can be executed efficiently.

Through the thesis process it has been discovered how co-creation in relation to sales can take place, and which parameters Arura can utilize in the process. Furthermore, the research discovered how Arura to some extent is utilizing elements of the framework at the moment of research. As stated in the analysis, the co-creation elements of Arura are not being applied in a strategized order, as the strategy for co-creation is not at place. By utilizing co-creation is this particular way leaves room for errors in the process, as misalignment can happen if Arura and the customer has different expectations. By doing so Arura risks to generate a lower ROI than expected.



### *The inability to change*

It has been established in our analysis, that Arura can find great use of working with the co-creation sales process. However, in the process of analysing how co-creation can take place in Arura, there is a prevailing theme which revolves around the internal factors of Arura. The organization consist of a number of employees, which affects how the Arura acts and responds to outside influence. To establish a framework for co-creation, and thereby change an existing process, it can be necessary to change the employees' mindset upon the sales process, and how they can create value for themselves and their customers. The framework of (Régis Lemmens et al., 2014) does only specify that the sales people of an organization should do the activities, which they present and not specifically how these activities should be performed. Furthermore, there is no insight into how to change existing processes, and how to make these processes be performed continuously throughout the entire organization.

In this case change management and the adaption of required changes could prove to be a possible challenge for Arura's management and could be a possible bottleneck for the implementation if left unaddressed. If this is left unaddressed, there is potential for Arura to co-destruct on their own value, leaving the customers to have a bad experience too.

However, if the customer is unable to adopt new ways of behaving, then value co-destruction can also occur. As the idea of co-creation sales remains not new, but more than ever prevalent, the idea of collaborating on the creation of value can be undermined if the customers fail to see the potential (K. Burgdorff 2018, 19. February. Personal interview, 24:00-25:34). As discussed in the analysis, co-creation is not for everyone, but if Arura fails to highlight the benefits of collaborating on solutions, the initial value creation fails. Consequently, if the customers are unwilling to adopt new services/solutions that Arura has produced for them, then the customers are undermining Arura effort to create added value.

### *Insufficient level of trust between partners*

The lack of trust, can prove to be crucial for Arura. If Arura and their customers are not able to trust each other, then the collaboration is most definitely going to suffer. One of the main factors we established in our analysis, is that trust, trustworthiness and relations are important when working within the co-creation paradigm, and if one of the partners do not trust the other, the collaboration



becomes challenged.(Järvi et al., 2018) conducted research on this area, seeing that in the B2B sphere customers can be unwilling to provide information and that there is an inability to trust partners in order to protect oneself. The findings show that when the customer is unwilling to provide information, an insufficient level of trust is present, which will inevitably affect Arura. This unwillingness can be seen as intentional if the customer wants to deliberately hide information from Arura. If one of Arura's customers provides incorrect information, e.g. how they see Arura's products in their company, then Arura is unable to offer a product that will be right for that purpose.

Arura needs to be aware of this, before entering the partnership, during the partnership and afterwards. The trust can become absent during or even after the project, which can result in the customer (or Arura) not wanting to collaborate with each other in the future. Too, it is important to emphasize that if a customer, partner or Arura acts selfishly in this process and is only focused on one's own benefit, this can lead to even more insufficient level of trust.

Co-creation and collaboration is only successful when both parties focus on the collaboration and not only on the individual gain.

#### *Absence of well-defined expectations*

Another reason for value co-destruction is the absence of clear expectations between Arura and their customers. If customers do not identify their needs or are unable to express them clearly, it can become almost impossible for Arura to offer products and solutions to match those expectations and needs. In this case, both parties experience value co-destruction as customers are not receiving what they thought that they wanted, and Arura will fail to deliver because the expectations were absent or not clearly articulated. This is sought to be elucidated by using the segmentation as presented in the analysis, but it is still a factor to look into. The absence of clear expectations as a relationship type-independent aspect and a relationship type-specific aspect (Järvi et al., 2018). Arura's customers will probably not always clearly or explicitly state their needs, which is what makes it hard for Arura to fulfill those needs. However, customers do not always know what they want, and therefore it becomes Arura's challenge to understand this before their customers.



### *Mistakes*

In every business situation, mistakes can happen, co-creation processes included. Here communication is a key area to have focus upon, as co-creation relies so heavily on communication between stakeholders.

Bad communication can lead to wrong assumptions occurring if Arura speaks inaccurate language. As mentioned in the analysis, Arura is presenting within the terminology of “tech and coding” leaving other people little to no idea of what they are talking about. By not being aware of this, Arura and their customer can have very different ideas of what will happen during a collaboration.

Consequently, an understanding of which customers to resource gain and loss further enhances the understanding of customer value, but it too becomes more unclear which value is provided. Where value has been seen as which customers are most profitable and which are viewed as “expensive” within the co-creation selling paradigm it is not as simplistic, and therefore it requires ongoing attention.



## 14 Conclusion

The aim of this thesis is to find out how Arura can create a co-creation sales strategy and how this can add value for both Arura and their customers. It entails the principles Arura should follow and maintain focused upon in relation to succeed in co-creation selling. Up until now Arura has tried different methods in selling with mixed success, because of limited resources and knowledge of sales processes. The situation is beginning to change and through both experience and focus on how to sell, Arura is moving closer to creating a strategy with focus on elements from co-creation in relation to value creation and creation of a co-creation strategy matching their company and customers.

It has been found that co-creation sales entail many different perspectives and elements, which Arura can look into and pursue. It is not necessary that all principles and drivers are followed slavishly, but it is important for Arura to focus on how these different elements provide value for both themselves and their customers. The main difference found when analysing, is that Arura has to move away from a product-centric focus and move towards a customer-centric focus, where the primary aim is to understand their customers' needs and not to push the already existing products. With the focus shifting from products to competencies and resources within Arura and for Arura working together with others to solve problems for customers leads to a more problem-oriented solution thinking. This way of working with sales is found to be resource demanding, but it has also been demonstrated that companies working with this strategy, are more likely to succeed in creating solutions and products that fits their customers better and thus providing more value.

However, as Arura are still relatively new, there is a need to create some proof of concept, before working actively with co-creation selling. It has been found that companies still buy from companies they know can deliver. Therefore, Arura is only now taking the first steps into co-creation selling by collaborating with Aalborg Storcenter and their sale to Hals Skanse Museum. By securing that the proof of concept and references are at point, it will become easier for them to invite others to co-create with them. In addition to this, comes the experience that Arura is gradually building. It has too been important, throughout the interviews, to see how Arura is



evolving. Being a start-up changes are happening fast, and for them to use the concept of co-creation selling, they have to experience some of the problems of using a traditional sales method themselves. One of the problems they are still facing, is that customers do not understand the value they can propose. Being a knowledge intensive business focusing on tech, it is difficult for them to pitch what they can offer, so that it becomes relatable for their potential customers. What the co-creation process offers is another perspective where Arura is instead explaining which competencies they have, using their proof of concept to back it up, and thereby finding out how they can help their customers.

It is too important to emphasize, that it is found that not all customers are suited for this process. Some customers want an off-the-shelf product, which is just as good as innovating on new solutions to create ongoing cash-flow. The main aim for Arura is to be able to identify which customers they need to invite into this process, where there can be value for both Arura and these customers. This value identification process is found to be of greater importance, and that customers more than ever are willing to engage in creating the value together with companies. By doing so, they receive expected value and Arura receives valuable experience, network and innovation within their field of expertise, which is something they are currently struggling to achieve.

Co-creation sales is found to be complicated at first, but working with other methods as well, it will gradually become easier for Arura. This shift from being focused on transactions to become more aware of relations, will not happen this instant, but requires ongoing work within the whole company. Understanding and becoming aware on how value propositions can be changed and looking outside-in instead of inside-out takes time, but throughout the process Arura has become much more willing to try alternative ways and not being afraid to fail, which is what we find to be of great importance when integrating new methods and processes within a company.

The co-creation sales strategy offers new possibilities for Arura in relation to creating value not only for themselves but also for their customers. The sales strategy will take diverse forms and be dependent on the individual customer, but by maintaining ongoing focus on how the methods of co-creation sales can be integrated, there are many possibilities for Arura in the future.





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## 16 Appendices and figures

Appendix 1 – Interview with Christopher Gade and Marc Pilgaard (Arura) the 12<sup>th</sup> of February 2018

Appendix 2 – Interview with Karina Burgdorff the 19<sup>th</sup> of February 2018

Appendix 3 – Interview with Rex Degnegaard 8<sup>th</sup> of March

Appendix 4 – Interview with Jens Dalgaard, Tack. The 26<sup>th</sup> of March 2018

Appendix 5 – Interview with Stine Halmind, Incento.

Appendix 6 – Interview with Christopher Gade (Arura) the 5<sup>th</sup> of April 2018

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