

## VALUE INNOVATION FRAMEWORKS FOR DELIVERING SUPERIOR CUSTOMER RESPONSIVENESS

**Daniel Marco-Stefan Kleber**

*Ph.D. student, BA School of Business and Finance  
e-mail: daniel.kleber@hs-kl.de*

**Ph.D. Tatjana Volkova**

*Professor, BA School of Business and Finance  
e-mail: tatjana.volkova@ba.lv*

### Abstract

**The purpose** of this conceptual study is to find existing frameworks and underlying logic for delivering value innovation to ensure superior customer responsiveness based on theoretical conceptualization of existing value innovation models. In the past, a vast number of international companies mainly battled over increasing their market share, thus leading to business growth. Nowadays, long-lasting business success comes mainly from the creation of "blue oceans", which entails unlocking a new market potential and delivering new growth opportunities instead of fighting competitors over market share. According to Sheehan and Vaidyanathan (2009) managers should see themselves as adventurous explorers who seek new customer demand and who aim to deliver value innovation by redefining the company's products and services to provide new product attributes and experiences to customers which are not served by the competition at the given point in time.

**The methodology of the research** is based on content analysis of distinctive streams in literature on value innovation frameworks and underlying logic for delivering value innovation: theoretical conceptualization of the Six Paths Framework from head-to-head competition to *blue ocean* creation, the Four Actions Framework, which aims to conceive and design new bundles of value attributes, the DART Model, which fosters value co-creation, and the PERFA Framework and its practical application to ensure superior customer responsiveness.

**Limitations:** There are a number of additional definitions and theoretical contributions which describe the underlying logic of delivering value innovation, such as design thinking frameworks leading to design-driven value innovation, strategic innovation, strategy innovation, etc. The scope of the article is limited to an analysis of the Six Paths Framework, the Four Actions Framework, the DART Model and the PERFA Framework for delivering value innovation.

**Findings:** There are linkages between value innovation frameworks and underlying logic to ensure superior customer responsiveness based on theoretical conceptualization.

**Theoretical contribution:** The connections between value innovation frameworks and underlying logic for delivering value innovation to ensure superior customer value.

**Managerial implications:** The key value innovation frameworks to ensure superior customer value and underlying logic for its application can be identified and undertaken by industry managers to ensure superior customer responsiveness.

**Keywords:** value innovation, value innovation frameworks, superior customer responsiveness, value co-creation, blue ocean.

**Classification:** Exploratory qualitative study.

### 1. INTRODUCTION

In today's business world, national companies as well as international corporations are dealing with fast-changing business environments. Consequential research of the relationship between market dynamics and value proposition is imperative to meet these changes. After several years of downsizing due to the economic and financial crisis, achieving profitable growth is one of the major challenges that businesses have to deal with nowadays. Today, companies are facing the social, economic, political, demographic and technological challenges of a globalized world, leading to hyper-competition as well as to product and service personalization. As a consequence, new industries to satisfy the emerging needs of customers (both B2C and B2B) are developing rapidly. In addition, companies are

becoming more and more limited in their flexibility in navigating business through times of crisis to ensure sustainability and future success (Kim and Mauborgne, 2005; Matthyssens et al., 2006; Lindi and Marques da Silva, 2011). Thus, the development of new tools and frameworks for delivering value innovation to ensure superior customer satisfaction and additional business value at the same time is the priority on the management research agenda.

Lindi and Marques da Silva (2011) describe value proposition as the way a company's products and services differ from the offer of its competitors. Product or service differentiation can be achieved through a variety of e.g. design, location, timing, features, customer support, image and reputation or product mix possibilities (Caruana et al., 2000; Afuah and Tucci, 2001; Trkman, 2010). However, according to Bower and Christensen (1995) and Christensen and Overdorf (2000), products that incorporate more features or higher quality do not inevitably lead to the creation of a higher value proposition. They further argue that businesses often tend to think of value propositions in terms of what the company offers instead of focusing on attributes which their customers truly value. Managers may perceive specific attributes and elements as beneficial while customers do not see their advantages (Anderson et al., 2006; Popovic et al., 2009). Value propositions aim to provide distinct advantages and benefits which solve the target customers' problems (Anderson et al., 2006). One can therefore say that value propositions do not pertain to a company's offerings, attributes or features; they are about the needs and wants of the end-customers and their experience (Barnes et al., 2009). The authors of the present article share this view as products and services delivered to the market, first of all, have to satisfy recognized needs or not yet recognized needs of customers.

However, Kambil et al. (1996) argue that the concept of value proposition is too vague to be used for innovative purposes, whereas research conducted by Lindi and Marques da Silva (2011) indicates that it can be very useful for innovation when following a systematic structure.

According to Lindi and Marques da Silva (2011), value can be defined as benefits minus costs from the customer's perspective (while costs also incorporate e.g. risks, time or effort, etc.). As nowadays customers are looking for personalization and individual products, it is not enough for companies to compete solely on price in order to deliver value to customers. In addition, the importance of differentiation of product or service offerings in a wide range of attributes for diverse groups of customers is increasing. Thus, delivering new experiences is becoming a driving force to ensure superior customer responsiveness.

As the importance of value innovation and thus rejuvenation of business is growing, the article identifies and analyses possibilities to deliver value innovation and shows possible synergies of an application of the underlying frameworks and logic with a clear focus on delivering value innovation.

## **2.VALUE INNOVATION CHARACTERISTICS**

The concept of value innovation comes from Kim and Mauborgne (1997), who emphasize that it is necessary to develop a systematic way of looking for new business possibilities and to develop a different competitive mindset. According to Kim and Mauborgne (2005), companies need to focus on unoccupied territory which has the potential of becoming a new and untapped future market space instead of trying to stay ahead of the competition within the current market. This strategic logic, which achieves an increase of customer value while ensuring valuable corporate benefits, is called value innovation. Research conducted by Kim and Mauborgne (2005) also shows that neither the company nor the industry is the right unit for explaining profitable growth of an organization. Sustainable success depends on strategic moves which are sets of managerial decisions and actions. These moves help in innovating value propositions to customers. The development of new products and services for which there is no competition yet is perceived to be the key to sustainable future success.

Rouse (2015), in line with Kim and Mauborgne, describes value innovation as an approach that is designed to create new markets instead of competing for an existing market share. From the authors' point of view, value innovation is a tool applied by companies to ensure the implementation of their strategies by breaking through existing patterns of the industry, developing new industries or creating a new meaning for already existing products or services.

According to Matthyssens et al. (2006), value innovation aims to create and sustain competitive advantage to rejuvenate the organization and to ensure superior customer value. In addition, Cirjevskis et al. (2009) argue that business growth may be a consequence of value innovation as it may serve as a

driver for company growth. One can therefore apprehend that Matthyssens et al.'s and Cirjevskis et al.'s approach is also in line with Kim and Mauborgne (1997), whereas Abraham (2006) argues that customers make buying decisions depending on the product or service attributes. From the authors' point of view, value innovation can therefore be delivered by experimenting with innovative features of value proposition and the creation of new bundles of them.

Within the broad field of innovation management, value innovation is related to a reconceptualization and a redesign of existing business models instead of achieving technological progress, which marks a contrast to Rouse's (2015) interpretation of value innovation. It aims to sustain a competitive advantage through the creation and development of new markets and new ways of competing (Pitt and Clarke, 1999; Kim and Mauborgne, 2005). Rouse (2015) argues that value innovation is a process in which a company introduces new technologies or product/service upgrades which are designed to achieve low costs and product differentiation.

From the authors' point of view, value innovation is the result of a management process of creating and delivering new product or service attributes or creating a new product or service which increases customers' benefits while at the same time the company benefits from an increase of value by e.g. lowering costs. In addition, value innovation is a tool to ensure business development. This perception is in line with Kim and Mauborgne's definition, as they argue that "value innovation is a process in which a company introduces new technologies or upgrades that are designed to achieve both product differentiation and low costs" (Rouse,

2015, p.1). During the value innovation process different sets of underlying logic, frameworks and tools could be applied based on a systematic and systemic approach. The creation of an entirely new product or technology is not always necessary, as an improvement of existing services or products may lead to both an increase of business value and an increase of customer benefits without delivering a new product or service. The authors suggest that value innovation can also be considered as a key success factor for ensuring superior customer responsiveness.

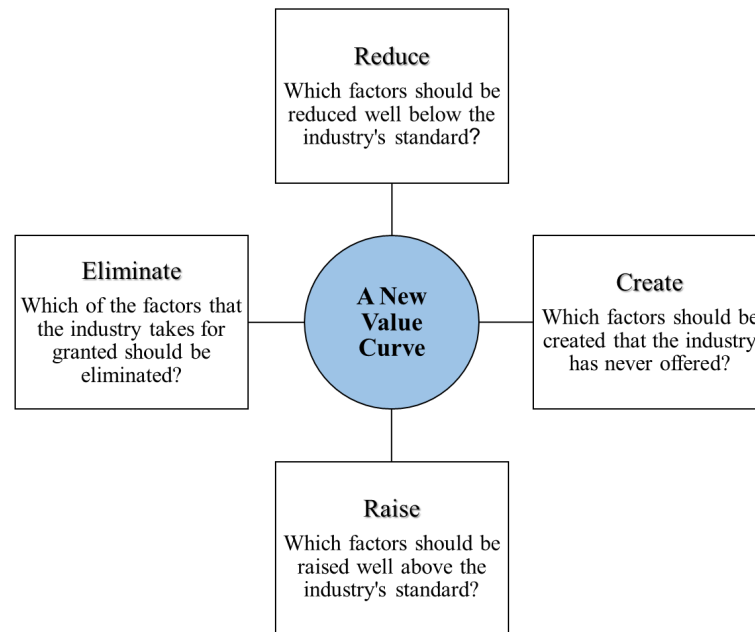
Matthyssens et al. (2006) argue that new value concepts and the continuous process of reinvention is one of the best possibilities to escape from increasing competition and to sustain competitive advantage. Breaking free from well-established assumptions concerning industries, competition and intra- or inter-organizational ways of working is a key component of value innovation. The concept aims to destroy obsolete routines and leads to the adoption of more sustainable and effective behaviour (Matthyssens et al. 2006).

### **3.THEORETICAL FRAMEWORKS AS TOOLS FOR ACHIEVING VALUE INNOVATION**

There are several theoretical models which aim to ensure value innovation: the Six Paths Framework, the Four Actions Framework, the DART Model and the PERFA Framework. The following chapter provides details and characteristics of each of these value innovation frameworks.

#### **3.1 THE FOUR ACTIONS FRAMEWORK**

The Four Actions Framework was developed by Kim and Mauborgne (2005) and focuses on the elimination, reduction, creation and rise of specific value proposition factors during the value innovation management process in order to support managers when designing and creating new product or service attribute-bundles of the value curve and thus ensuring superior customer value.



**Figure 1.** The Four Actions Framework

*Source: authors' own illustration based on Sheehan and Vaidyanathan (2009, p.13)*

Firstly, the *Four Actions Framework* helps managers by directing decisions on which of the factors taken for granted by the industry should be eliminated. Secondly, managers have to focus on which factors should be reduced below the industry standards of the company's competitors. Managers should also consider which attributes should be raised above the traditional industry level and fourthly, which new factors should be created as they are not covered by the company or its competitors yet.

An industry example from practice for the application of the Four Actions Framework is IMAX's move "to go to Hollywood". The IMAX Corporation is a large and well known movie production company which succeeded in the early 2000s in defining its niche market. The corporation was not challenged by direct competition. Instead, other entertainment sources such as sporting events or home theatres increased the competitive pressure on IMAX. The change in technology, demographics and market dynamics finally led to a deterioration of profitability and to a decrease in the corporation's share price. Facing an uncertain future, IMAX had to consider changes to its core values and strategies. They decided to "go Hollywood" and expanded from their rather small niche market to documentaries and educational movies which are shown in zoos and museums. In addition, IMAX cooperated with theatre chains and updated their product offer to 3D experiences, animations and blockbuster movies (Becker, 2014). The following table shows an application of the Four Actions Grid for IMAX.

Table 1

**The Four Actions Framework in practice – The example of IMAX**

<p><b>Eliminate</b></p>	<p><b>Raise</b></p> <ul style="list-style-type: none"> <li>• Size of Screen</li> <li>• Technology</li> <li>• Sound</li> <li>• Price vs. Traditional Movies</li> <li>• Visual Experience</li> <li>• Sharpness of Image</li> </ul>
<p><b>Reduce</b></p> <ul style="list-style-type: none"> <li>• Number of movie offerings (compared to traditional production firms)</li> </ul>	<p><b>Create</b></p> <ul style="list-style-type: none"> <li>• Wow-Factor</li> <li>• 3D large format</li> </ul>

*Source: authors' own illustration based on Becker (2014, p.57)*

Although it was decided not to eliminate any products offered, IMAX reduced the number of film productions in the IMAX format compared to traditional production companies such as Pixar, Sony, Disney or MGM. The corporation raised its visual components by an increase in screen size, an introduction of new technologies, digital remastering, an improvement of the sharpness of image or an optimization of the movies' sound. Moreover, they created a new Wow-factor for blockbuster movies like Harry Potter, Avatar, James Bond or Pirates of the Caribbean and introduced large-scale 3D format movie experiences, available to everyone (Becker, 2014). The actions taken by IMAX led to superior customer responsiveness and to a rapidly increasing overall performance for IMAX.

From the authors' point of view, the Four Actions Framework is applicable for delivering value innovation in an existing industry and as a tool for creating a new industry by applying the creation step of the framework for delivering a specific value proposition factor.

### 3.2 THE SIX PATHS ANALYSIS FRAMEWORK

The *Six Paths Analysis Framework* supports the creation of sets of attributes to discover new sources of value innovation (Kim and Mauborgne, 2005). The framework incorporates an internal and an external industry perspective, leading to the development of new ideas.

Table 2

**The Six Paths Framework – From head-to-head competition to blue ocean development**

	Head-to-head competition	Blue Ocean creations
<b>Industry</b>	Focuses on rivals within its industry	Looks across alternative industries
<b>Strategic group</b>	Focuses on competitive positions within strategic group	Looks across strategic groups within industry
<b>Buyer group</b>	Focuses on better serving the buyer group	Redefines the industry buyer group
<b>Scope of product or service offering</b>	Focuses on maximizing the value of product and service offerings within the bounds of its industry	Looks across to complementary product and service offerings
<b>Functional-emotional orientation</b>	Focuses on improving price performance within the functional-emotional orientation of its industry	Rethinks the functional-emotional orientation of its industry
<b>Time</b>	Focuses on adapting to external trends as they appear	Participates in shaping external trends over time

*Source: authors' own illustration based on Sheehan and Vaidyanathan (2009, p.14)*

The movement of a company's activities from competing directly with rivals to new market spaces may take place based on six relevant fields of consideration: industry, strategic group, buyer group, product or service scope, functional-emotional orientation and time.

From the authors' point of view, the driving forces for these strategic moves are the exploitation and the development of resources and capabilities of the company based on joint efforts of relevant internal and external stakeholders.

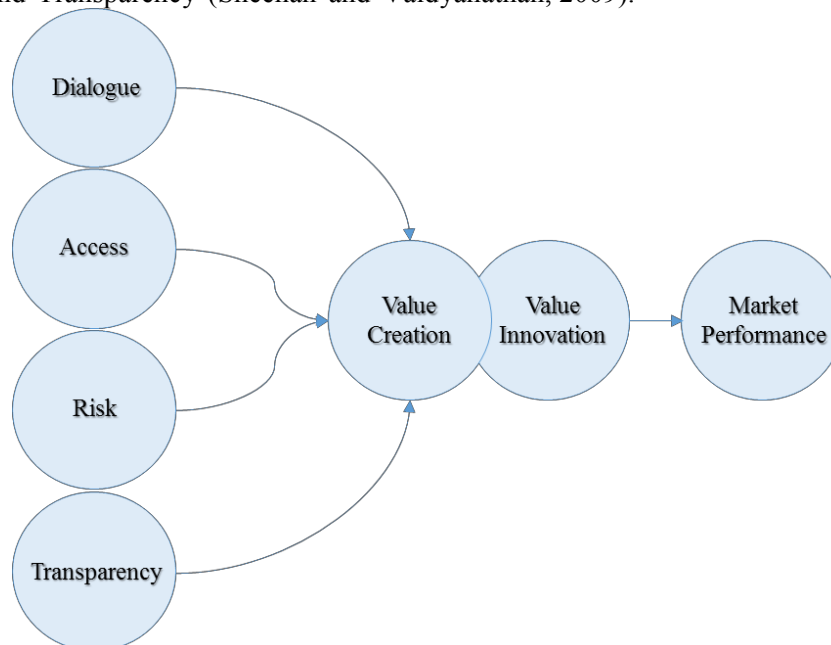
When analysing the IMAX case with the Six Paths Framework, one has to think of IMAX as an organization which has to compare itself to alternative industries such as theatre, dining or sports events. From a buyer's perspective, IMAX is relatively well positioned at a cost of 10-12 USD versus e.g. theatre performances or musicals that cost 50-120 USD. However, the IMAX experience is more expensive than a traditional cinema movie. The typical IMAX guest is 19-65 years old and has a high household income and a university education, except for a large number of school groups who visit IMAX theatres on a regular basis. That contrasts with a regular movie audience, which tends to be much younger (12-24 years of age). Taking a look at the functional versus emotional aspect, IMAX was focusing on functional attributes as they provide information to the audience. The IMAX Hollywood experience radically switched its focus to an emotional orientation by promoting blockbuster movies

with action-packed and visually stunning elements (Becker, 2014).

### 3.3 THE DART MODEL OF VALUE CO-CREATION

Another framework that may help to deliver value innovation is Prahalad and Ramaswamy's *DART Model of Value Co-Creation* (Prahalad and Ramaswamy, 2004). Prahalad and Ramaswamy argue that a company and its partner can learn about individual customer wishes and preferences in order to generate new ideas for the design, manufacturing or engineering of its products. Moreover, employees get the chance to understand consumers' needs, behaviours, motivations and desires deeply. Through enabling a continuous dialogue, employees can better relate their efforts to their potential consumers and the business is able to reduce uncertain capital commitments and risks (Prahalad and Ramaswamy, 2004).

Prahalad and Ramaswamy demonstrate that a company's overall performance can be increased by a unique customization of the value proposition which leads to superior customer value. Based on the DART Model, the co-creation of value incorporates the elements Dialogue, Access, Risk-Return Relationship and Transparency (Sheehan and Vaidyanathan, 2009).



**Figure 2.** The DART Model of Value Co-Creation

Source: authors' own extended illustration based on Taghizadeh et al. (2016, p.25)

According to the DART Model, the co-creation of value depends on the development of a *Dialogue* between customers and the corporation. Additionally, the company has to provide mediums for customers that enable them to communicate with the company directly (*Access*). Moreover, the *Risk-Return Relationship* can be actively managed for the corporation and is therefore perceived as beneficial. Lastly, *Transparency* plays a key role as all relevant information needs to be shared between customers and the corporation (Prahalad and Ramaswamy, 2004; Sheehan and Vaidyanathan, 2009). Prahalad and Ramaswamy (2004) also argue that a combination of the four elements mentioned above may lead to an increase of customer value. Coupling dialogue with e.g. access enables the consumer to develop and maintain thematic communities. According to Prahalad and Ramasamy, the only way of achieving sustainable advantage is a company's ability to meet consumers' needs and wants through value co-creation (Sheehan and Vaidyanathan, 2009).

A practical example is the blockbuster movie "The Lord of the Rings." More than 400 unofficial websites were created, providing insider tips, seeking feedback concerning the movie's details and offering access to the production team. By offering these options, superior customer responsiveness was achieved (Prahalad and Ramaswamy, 2004).

From the authors' point of view there is still an opportunity for "surprising a customer" by delivering value innovation based on the internal capabilities of a company. Apple's unique capabilities for continuous value innovation come from many sources and types of innovation when customers are

not directly involved in the value creation process.

### 3.4 THE PERFA FRAMEWORK

The *PERFA-Framework* for delivering value innovation, developed by Lindi and Marques da Silva, requires managers to rethink their perspectives by asking them to take a look at reality from the customers' point of view (Lindi and Marques da Silva, 2011). The PERFA (performance, ease of use, reliability, flexibility and affectivity) framework provides an overview of customer value propositions which can be generated by delivering innovations.

*Performance* is defined as a profitable way of focusing on the corporation's activities and actions towards customers' needs and wants (Barnes et al., 2009). One can also say that the performance of new goods or services offered to customers is a result of the company's superior product or service offerings in terms of attributes, technical performance, quality and the ability to meet customers' needs and demands (Bonner, 1969). Following this perspective, one can apprehend that innovation is a key success factor and a generator of business performance.

*Ease of Use* is the degree to which a product or service is perceived to be used in an effort-free way. The easier the usage of a feature, a service, an application or a product is, the more likely users will accept the innovation. As a consequence, ease of use decreases the costs and effort (e.g. time investment) and increases customer value (Lindi and Marques da Silva, 2011).

Van Raaij and Pruyn (1998) define *Reliability* as a product's ability to deliver according to its specifications. Consequently, innovation may add value to a customer by ensuring that the products and services perform in accordance with the promised standards (Lindi and Marques da Silva, 2011). From the authors' perspective reliability could also be considered as functionality of the product or service.

As the environment and consumer needs are constantly changing, *Flexibility* is necessary to ensure that the organization maintains its environmental fit (Regev et al., 2007). A company needs to be aware of a dynamic and ever-changing field of operation. The reconfiguration of a company, which also incorporates the integration and creation of internal and external competencies, is mandatory for being successful in rapidly changing environments (Teece et al., 1997). In order to keep customers satisfied and increase their value proposition, flexibility is an important criterion in today's competitive environment (Lindi and Marques da Silva, 2011).

*Affectivity* targets the emotions and feelings which are associated with working for a specific company or using its products or services. One can also say that a feeling of belonging to a specific group or class emerges and that an emotional bond between the product and the customer is created (Atkin, 2004).

Table 3

The PERFA Framework

PERFA - Framework	Definition	Practical example
Performance	The way organizations work with the aim of serving best their customers while doing so profitably (Barnes et al., 2009)	Product diversity through third party sellers Alignment of customers expectations through product reviews Compatible barcode system for libraries Cloud computing services
Ease of Use	Degree to which individuals believe using a certain system or product will be effort-free	Optimized product search engine „One click“ purchase Amazon Approval slip User-friendly cloud computing services
Reliability	The ability of a product to deliver according to its specifications (Van Raaij and Pruyn, 1998)	Shipping platform Cloud computing services
Flexibility	Firm's ability to reallocate and reconfigure its organizational resources, processes and strategies as a response to environmental changes (Sánchez and Pérez, 2005)	Sales of audio files in MP3 and CD Amazon's web infrastructure Mechanical Turk
Affectivity	Feelings or emotions associated with working with a company or using its products and services	Kindle AuthorCentral Service Leverage of the Amazon.com's brand

Source: authors' own illustration based on Lindi and Marques da Silva (2011, p.1701)

Casella Wines, an Australian winery, is an industry example for the application of the PERFA Framework. Casella Wines conducted market research concerning the demand side of non-traditional wines. The study revealed that spirits, beers and cocktails captured three times more sales than the wine industry. Consumers regarded the purchase of wine as a complex procedure that requires extended know-how and time. Casella challenged the business model by adapting its product to consumers' needs and wants. They created just two wine choices (a white chardonnay and a red shiraz). In contrast to all other wineries, they simplified their wine labels and created a new wine experience for everyone as the wine was easy to select, easy to drink and its PR strategy was connected to emotional elements such as adventure and fun. In addition, Casella undertook a flexible strategic move in order to stay agile in a changing environment. A few months after the launch of the newly created product, sales took off and the performance of Casella increased considerably. Casella became the leading company for imported wines in the USA and surpassed wineries from France and Italy. The company benefited not only from regular wine customers who were convinced about the new brand. The strategic move brought over six million non-wine drinkers into the market (Kim and Mauborgne, 2005).

The PERFA Framework helps one to better understand the concept of value proposition and its correlation with innovation, which leads to superior customer value. A critical factor on which managers need to focus is that customers have the power to decide on the purchase of a specific product or service. As a consequence, it is imperative for innovations to be based on what customers truly value (Lindi and Marques da Silva, 2011).

All of the abovementioned frameworks are aimed at the localization and creation of new market spaces within an existing industry or by creating a new industry, which leads to value innovation.

#### 4.VALUE INNOVATION LOGIC

As a number of business companies are trying to break out of antiquated industry patterns, the concept of value innovation identifies barriers, drivers and success factors for a breakthrough approach (Matthyssens et al., 2006). The authors agree that in order to deliver value innovation, the barriers, drivers and success factors need to be identified based on an environment analysis of the specific industry context. The main differentiator among companies or business units in the value innovation process is the management team's logic and value innovation frameworks applied during the environment analysis.

While many business companies regard industry conditions as static, value innovators are always searching for blockbuster ideas and quantum leaps which deliver value innovation. Kim and Mauborgne (2004) offer two different approaches to delivering value innovation based on conventional logic and value innovation logic. The following table compares conventional logic with value innovation logic and highlights the differences between the two approaches.

Table 4

**Conventional Logic vs. Value Innovation Logic**

5 Dimensions of Strategy	Conventional Logic	Value Innovation Logic
Industry Assumptions	Industry's conditions are given	Industry's conditions can be shaped
Strategic Focus	A corporation ought to build competitive advantages, aiming to beat the competition	Competition is not the benchmark A company should pursue a quantum leap in value to dominate the market
Customers	A company should retain and expand its customer base through further segmentation and customization. It should focus on the differences in what customers value	A value innovator targets the mass of buyers and willingly lets some existing customers go. A focus on the key commonalities in what customers value is part of the strategy
Assets and Capabilities	A company should leverage its existing assets and capabilities	A company must not be constrained by what it already has. It rather asks what to do to start anew
Product and Service Offerings	The traditional boundaries of an industry determine the products and services a company offers. The aim is to maximize the value of those offerings.	A value innovator thinks in terms of the overall solution which is sought by customers, even if that takes the company beyond traditional offerings of the industry

*Source: authors' own illustration based on Kim and Mauborgne (2004, p.6)*

There are different underlying capabilities of management teams leading to value innovation. Kim and Mauborgne suggest that according to conventional logic, managers compare their strengths and weaknesses with those of their competitors. Value innovators monitor their competitors but never use them as benchmarks as they do not focus on competing with one another. Instead, they focus on elements that deliver superior value. Even though value innovators do not primarily build up advantages, they often end up having the biggest competitive advantage (compared to their competition). While many companies seek growth and future success by expanding and retaining their customer base through customization and further specialization processes, value innovators believe that customers will accept less specified and customized products if a considerable increase of value is offered to them. Moreover, value innovators are less limited to their given assets and capabilities, while many companies which follow conventional logic concentrate on improving products or services based on their given assets. Finally, one has to say that value innovators seek total solutions that eliminate buyers' problems while overcoming major compromises which had to be made in the past (Kim and Mauborgne, 2004).

According to Sheehan and Vaidyanathan (2009), there are *three types of value creation logic*: industrial efficiency logic, knowledge intensive logic and network services logic.

**Industrial efficiency logic** creates new value for buyers by reducing costs. The savings that emerge from a cost leadership strategy are passed on to customers in the form of a price decrease. Management tools for implementation of a cost leadership strategy include Supply Chain Management, Total Quality Management, Enterprise Resource Planning Systems, Just-in-time inventory or Six Sigma (Thompson 1967, Stabell and Fjeldstad 1998, Sheehan and Vaidyanathan, 2009). In addition, the authors would like to mention the Lean Management System, which aims to increase the efficiency and effectiveness of operations and thus increase the value for customers.

**Knowledge intensive logic** creates value by using customers' information and preferences to tailor products and services to their specific needs and wants. A customer relationship database can help a company to build a closer relationship to its customers (Thompson 1967, Stabell and Fjeldstad 1998, Sheehan and Vaidyanathan, 2009).

**Network services logic** creates value by connecting customers to the company or to partners of the company's direct or indirect network. The company can offer after-sales services or accessories that increase the initially sold product's value for buyers – these are frequently realized methods nowadays. One can also consider establishing virtual or physical communities (also via the internet) to increase the value for buyers (Thompson 1967, Stabell and Fjeldstad 1998, Sheehan and Vaidyanathan, 2009).

The authors would like to propose renaming knowledge-intensive logic to *knowledge and creativity logic*; that is, creating new value for customers is based not only on the usage of customer information and preferences, but also on applying new thinking patterns and creativity (imagination) to deliver new meanings for products (e.g. a watch as an accessory) or creating a new industry based on customers' unrecognized needs.

## 5. SYNERGIES BETWEEN THEORETICAL FRAMEWORKS AND THEIR CORRELATION WITH VALUE INNOVATION LOGIC

Companies which target the creation of long-term competitive advantages by offering superior customer value have to combine theoretical frameworks to achieve value innovation. In addition, there is a need to link these value innovation frameworks to the aforementioned value innovation logic to stay ahead of competition in a fast-changing and globalized world.

### 5.1 COMPARISON OF THEORETICAL FRAMEWORKS FOR DELIVERING VALUE INNOVATION

The authors see similarities between the Six Paths Framework and the PERFA Framework. Both frameworks focus on emotional attributes of the product or service and on an increase in performance by e.g. ensuring flexibility for the consideration of alternative industries, new buyer groups and trends.

Moreover, one can say that the Four Actions Framework focuses on the process of delivering value innovation: elimination, reduction, creation and increase of value proposition factors during the value

innovation management process. It supports managers when designing new attribute bundles. Also, the Six Paths Framework helps in redesigning product and service attributes from a managerial point of view to ensure superior customer value. It can be said that the Six Paths Framework is regarded as a complementary tool for the Four Actions Framework. The authors perceive it as a possibility for the completion of the four recommendations for action which are derived by the Four Actions Framework. The PERFA Framework targets an increase of performance by achieving superior customer value as well, which is in line with the aims of the Six Paths and the Four Actions Framework. While the PERFA Framework concentrates on the customers' point of view, both of the aforementioned frameworks focus on the managerial perspective. However, the PERFA Framework can be seen as a complementary model for the aforementioned frameworks as its aim of achieving superior customer value is in line with the aims of the Four Actions Model and the Six Paths Framework.

The DART Model focuses on value creation through enabling a continuous dialogue with customers to increase the company's overall performance by concentrating on a unique customization of the value proposition according to the customers' demands and wishes, which leads to superior customer value. The DART Model therefore focuses on the customers' point of view, which is in line with the PERFA Framework.

In addition, it can be said that the DART Model, the Six Paths Framework and the Four Actions Framework concentrate on activities and actions for improving superior customer responsiveness, e.g. the identification of new trends or buyer groups, while the PERFA Framework focuses on an optimization of product attributes such as ensuring easy usage of the product.

## **5.2 CORRELATION BETWEEN VALUE INNOVATION LOGIC AND FRAMEWORKS**

The authors see a connection between Prahalad and Ramaswamy's DART Model of Value Co-Creation and network services logic. Both approaches highlight the necessity of getting and keeping in touch with customers and providing information for the business as well as for the consumers in order to enable them to make informed purchase decisions. The DART Model is also in line with the aforementioned knowledge and creativity logic as both models target the creation of unique offerings and new market spaces from which customers will benefit.

Moreover, there is a direct connection between industrial efficiency logic and the Four Actions Framework as redundant elements are identified and reduced or eliminated. The resulting savings of e.g. time and other expenses can then be invested in the creation of innovative elements and attributes that may lead to new market spaces and to an increase of customer value.

The authors argue that there is a direct link between knowledge and creativity logic and the Six Paths Framework, as the focus on customers' wishes and demands, which can only be identified by researching customers, can lead to strategic moves on the part of a company towards new buyer trends or even new industries. The authors further argue that network services logic also complements the Six Paths Framework as new buyer groups can be identified and an emotional bond between the customer and the company can be created by e.g. after-sales service offerings. As a consequence, it can be argued that there is a link between network services logic and the PERFA Framework, and the emotional bonding and flexibility which allow a company to respond to customers' needs and demands is also highlighted in the PERFA Framework.

Value innovation can be created by combining the abovementioned value innovation frameworks and types of value creation logic. Company executives as well as management teams can design special products and services which fit customers' needs and wants by putting together innovative bundles of value attributes based on different types of logic. Corporations that manage to successfully combine the abovementioned models have a high potential of benefitting from a performance increase and from long-term profitability and competitive advantages by tapping into a new self-created market space (Sheehan and Vaidyanathan, 2009). Kim and Mauborgne (2005) are in line with the abovementioned theory as according to them, value innovation makes the competition irrelevant by offering new and superior customer value and by enabling a quantum leap in customers' value to create new markets.

## **6. CONCLUSIONS**

The article provides an overview of applications of value innovation frameworks based on different types of logic for ensuring superior customer responsiveness. It deals with existing value innovation frameworks and underlying logic for delivering value innovation that are derived from

existing research literature. A thorough management scientific literature review was conducted. Firstly, the concept of value innovation was explained and the perspectives of different research contributors were highlighted. The existing frameworks for the development of value innovation were identified, explained and compared. Underlying logic for delivering value innovation was indicated and correlations between value innovation logic and frameworks were identified.

The authors highlighted that value propositions provide specific advantages and benefits which intend to solve customers' problems. One can therefore say that value propositions are primarily about the demands and wishes of end customers and their experience. Due to the changing nature of customers' needs and experiences and increased competition, value propositions need to be reconsidered to deliver superior customer responsiveness. The authors regard value innovation as a result of a management process of creating new product or service attributes or delivering new product or services, thus creating a new industry. During this process the underlying logic, frameworks and tools have to be applied based on a systematic and systemic approach. From the authors' point of view, the creation of an entirely new technology or product is not always necessary, as there is still room for improvement of existing services or products, which may lead to both an increase of business value and an increase of customer value and satisfaction without the invention and the commercialization of a new technology.

Furthermore, the authors suggest that value innovation can be interpreted as a key success factor for ensuring superior customer responsiveness while delivering added business value at the same time. This point of view supports Matthyssens et al.'s research (2006), which indicates that new value concepts and the ongoing process of reinvention offer a possibility of escaping from *cut-throat competition* and sustaining competitive advantage. In addition, the article summarizes the key driving forces of value innovation to ensure superior customer responsiveness. From the authors' point of view, the driving forces for strategic moves are the exploitation and the development of resources and capabilities of the company based on joint efforts of relevant internal and external stakeholders. Moreover, key drivers for delivering value innovation such as design, location, timing, features, customer support, image and reputation or product mix possibilities were identified.

To conclude, the article shows a variety of possibilities to create value innovation and highlights possible synergies of an application of the identified frameworks and underlying logic with a clear focus on achieving value innovation in practice.

## REFERENCES

1. Abraham, S. (2006). Blue oceans, temporary monopolies, and lessons from practice. *Strategy & Leadership*, 34(5), 52-57.
2. Afuah, A., Tucci, C. L. (2001). *Internet business models and strategies: Text and cases*. Boston: McGraw-Hill Irwin.
3. Anderson, J. C., Narus, J. A., van Rossum, W. (2006). Customer value propositions in business markets. Watertown: *Harvard Business School Publishing Corporation*, 84(3), 90-149.
4. Atkin, D. (2004). *The Culting of Brands: When Customers Become True Believers*. Portfolio, New York, NY.
5. Barnes, C., Blake, H., Pinder, D. (2009). *Creating and delivering your value proposition: Managing customer experience for profit*. London: Kogan Page.
6. Becker, H. (2014). A Blue Ocean Strategy Analysis of IMAX's Move to Go Hollywood. *Journal of International Management Studies* 14(2), 53-60.
7. Bonner, A. (1969). Using system monitor output to improve performance. *IBM Systems Journal*, 8(4), 290-298.
8. Bower, J., Christensen, C. (1995). Disruptive technologies - catching the wave. Boulder: *Harvard Business Review*, 73(1), 43-53.
9. Caruana, A., Money, A. H., Berthon, P. R. (2000). Service quality and satisfaction - the moderating role of value. *European Journal of Marketing*, 34(11/12), 1338-1353.
10. Christensen, C. M., Overdorf, M. (2000). Meeting the challenge of disruptive change. Watertown: *Harvard Business School Publishing Corporation*, 78(2), 66.
11. Cirjevskis, A., Kubilute, L., Ershovs, S., Medvedevs, V. (2009). Innovative Business and new industrial technologies as possible drivers of the SME's companies growth in a condition of

- economic recession. *Journal of Business Management* (2), 4-18.
12. Kambil, A., Ginsberg, Bloch, M. (1996). Re-inventing value propositions. *Working- Paper IS-96-21*, New York University, New York.
  13. Kim, C., Mauborgne, R. (1997). *Value innovation: the strategic logic of high growth*. Boston: Harvard Business Review.
  14. Kim, C., Mauborgne, R. (1999). Strategy, value innovation, and the knowledge economy. *Sloan Management Review*, 40(3), 41.
  15. Kim, C., Mauborgne, R. (2005). Blue ocean strategy: How to create uncontested market space and make the competition irrelevant. Boston, Mass: *Harvard Business School*.
  16. Kim, C., Mauborgne, R. (2005). Value innovation: A leap into the blue ocean. *Journal of Business Strategy*, 26(4), 22-28.
  17. Lindi, J., Marques da Silva, C. (2011). Value proposition as a catalyst for a customer focused innovation. *Management Decision*, 49(10), 1694-1708.
  18. Matthyssens, P., Vandenbempt, K., Berghman, L. (2006). Value innovation in business markets: Breaking the industry recipe. *Industrial Marketing Management*, 35(6), 751-761.
  19. Pitt, M., Clarke, K. (1999). Competing on competence: A knowledge perspective on the management of strategic innovation. *Technology Analysis & Strategic Management*, 11(3), 301-316.
  20. Popovic, A., Coelho, P. S., Jaklic, J. (2009). The impact of business intelligence system maturity on information quality. *Information Research*, 14(4).
  21. Prahalad, C. K., Ramaswamy, V. (2004). Co-creating unique value with customers. *Strategy & Leadership*, 32(3), 4-9.
  22. Raaij, v., W. Fred, Pruyn, A. T. H. (1998). Customer control and evaluation of service validity and reliability. *Psychology and Marketing*, 15(8), 811-832.
  23. Regev, G., Bider, I., Wegmann, A. (2007). Defining business process flexibility with the help of invariants. *Software Process Improvement and Practice*, 12(1), 65-79.
  24. Rouse, M. (2015). What Is Value Innovation. *Tech Target*. available at: <http://searchcio.techtarget.com/definition/value-innovation> (Accessed on 31.07.2016).
  25. Sheehan, N. T., Vaidyanathan, G. (2009). Using a value creation compass to discover "blue oceans". *Strategy & Leadership*, 37(2), 13-20.
  26. Stabell, C., Fjeldstad, Ø. (1998). Configuring value for competitive advantage: On chains, shops, and networks. *Strategic Management Journal*, 19(5), 413-437.
  27. Taghizadeh, S. K., Jayaraman, K., Ismail, I., Rahman, S. A. (2016). Scale development and validation for DART model of value co-creation process on innovation strategy. *Journal of Business & Industrial Marketing*, 31(1), 24-35.
  28. Teece, D., Pisano, G., Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, 18(7), 509-533.
  29. Thompson, J. D. (1967). *Organizations in action: social science bases of administrative theory*
  30. Trkman, P. (2010). The critical success factors of business process management. *International Journal of Information Management*, 30(2), 125-134.