The Role of Augmented Reality in the Interactivity of Co-Creation: A Critical Review

Saifeedun Alimamy, Otago University, Dunedin, New Zealand
Kenneth R Deans, La Rochelle Business School, La Rochelle, France
Juergen Gnoth, Otago University, Dunedin, New Zealand

ABSTRACT

This article describes how the alignment of the concept of value in the discussion of Service Dominant Logic (SD-L) has led to new conceptualizations including the process of co-creation and guidelines for its implementation. The current research critically reviews four key co-creation models using SD-L and value-in-use theories and discusses their usefulness in the context of Augmented Reality (AR). The synthesis and discussion of these models lead to our proposition, that augmented reality (AR) contributes to interactivity and facilitates co-creation.

KEYWORDS

Augmented Reality, Co-Creation, Experiences, Interactivity Marketing, Models, Service-Dominant Logic, Technology

INTRODUCTION

Organisations recognize the need to shift away from thinking of a product as a form of value creator but rather as a value facilitator (Gummesson, 1995). Product-dominant Logic (P-D L) is commonly attributed to the traditional way businesses operated where a business offered a value proposition in the form of a physical, tangible product such as a smartphone, and the customer then decided to either purchase the product or not (Vargo & Lusch, 2004). Value transferred in this case from the organisation to the customer in the form of a product i.e. the smartphone; and value was transferred from the customer to the organisation in the form of money. Value created this way is called ‘value-in-exchange’ (Vargo & Lusch, 2004; Vargo, Maglio, & Akaka, 2008). Organisations that followed this logic had a short-term marketing outlook (Sheth & Uslay, 2007) which was guided by the marketing mix framework i.e. product, price, place and promotion (Ballantyne & Varey, 2008).

However, today’s customers are not passive bystanders purchasing any product that an organization offers. Today’s customers are better “informed, networked and empowered” (Prahalad & Ramaswamy, 2004b, p. 5). They are more capable of deciding which products or services they wish to purchase. They are able to interact and communicate with each other instantly utilizing current communication technology. In this context, customers have become known as actual co-creators of value as they
contribute with their own knowledge and skills in the use and integration of products and services into their lives. Marketers recognised this trend shift by the late 90s and are now trying to understand the customer's value-in-use leading us here to discuss the provision and utility of better platforms for co-creation. The value-in-use concept was initially introduced by Adam Smith and later analysed by Karl Marx. It has now been adopted by marketers and acknowledges the phenomenological value that products and service deliver to customers over time, often long after purchase or its immediate consumption (Grönroos, 2008) – just knowing it is there can deliver peace of mind, for example. Thus, value is created not only through exchange but also through the presence, convenience and usability of the product, whenever the customer uses the product, flaunts their stylish gadget in front of their peers, or simply feels a sense of self-esteem through product ownership (Grönroos, 2006, 2008; Holbrook, 1994; Lusch & Vargo, 2006; Normann & Ramirez, 1993; Ravald & Grönroos, 1996; Vandermerwe, 1996; Vargo & Lusch, 2004, 2006; Woodruff & Gardial, 1996).

In this paper, we argue that Augmented Reality technology, which links the digital and the physical world will enhance interactions that are of value to the organisation. By offering AR applications that allow and encourage instant co-creation of information and experiences through interactive elements such as dialogue and knowledge gathering, customers can gain added value from the offering through value-in-use. We also discuss how this convenience of dialogue and knowledge gathering can create a synergy of trust between the customer and the organisation due to the ability of customers to trigger the AR experience when they require further information or where additional understanding of the product practicality and usability is needed. We discuss this by outlining the various models of co-creation and propose a trust-based model that explains and promotes the unity of customers and organisations within the context of co-creation.

Based on this model, this paper presents guidelines which to assist managers and marketers design better co-creation platforms. Ultimately, we propose that information needs and outcomes guide the entire process in order to mutually benefit both the customer, through enhancing trust and mitigating risk, and the organisation, through gaining useful customer insights to assist and facilitate co-creation.

MOVING TOWARDS A SERVICE DOMINANT LOGIC

Vargo and Lusch articulated the idea of evolving to a new marketing logic, S-D L, in which they describe 10 Foundational Premises (Vargo & Lusch, 2004; 2008). Other authors however, pointed out that these 10 premises are not all foundational but that some are actually consequences of others and therefore can be distilled down to three (Williams & Aitken, 2008) namely:

1. Service is the fundamental basis of exchange;
2. Value is always uniquely and phenomenologically determined by the beneficiary;
3. Exchange is always a values-based process.

Williams and Aitken (2008) also discuss the importance of ethics and values in co-creation. They state that S-D L can be a catalyst for change in business practices because it highlights fundamental social values and mechanisms used in the mutual creation of value. Value is not only created by the customer choosing products/services, but also through the interactions that happen between parties and the outcomes of those interactions. This is expected to improve information-flow, transparency and ethics.

THE IMPORTANCE OF INTERACTIVE PLATFORMS IN CO-CREATION

Much of the co-creation literature and especially the Nordic school of marketing, list collaboration, interaction and experiences as central elements for developing co-creation platforms. An interaction is
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