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# **VALUE CO-CREATION IN THE GAMING INDUSTRY**

**A qualitative research on virtual discussion forums**

Master's Thesis  
In International Business

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## 1 INTRODUCTION

Gaming is one of the largest global entertainment industries and it is progressing very rapidly, generating significant revenue every year and creating huge opportunities for employment across the globe (ESA 2008). The estimated sales revenue of gaming software was over \$11 billion in 2008 according to PC gaming alliance (PC Gaming Alliance 2009). The PC game industry has developed various models to facilitate revenue income. It is assumed that the quantity of consumer in game industry will rise according to the growth of PC user (PC Gaming Alliance 2009).

The game industry competes for a place in the leisure time of people, similar to any other entertainment industry. In this sense, the movie and music industries are considered to be competitors of the gaming industry. Undoubtedly, it is a challenging market to enter when it is necessary to compete within a similar industrial field simultaneously with other industries. The game industry is associated with high risk and strong competition within project budgeting; which almost attains budgets similar in size to Hollywood movies. For instance, Blizzard's MMORPG World of Warcraft is one of the most successful games which and, at present possesses over 11.5 million users, and even increasing (Activision Blizzard 2010).

However, games now-a-days are not only played for leisure entertainment but also serve a lot of purpose other than entertainment like teaching, educating, scientific illustration, scientific research, and expedition. A good example might be learning virtual driving with racing games such as Forza or NFS. More importantly, gaming is no longer just entertainment for children or teenagers. Gaming has now attracts people of all age ranges, starting from ten to sixty years old, from children to seniors. (NPD Group 2010)

This particular study will explore the value co-creation process in the video gaming industry. More specifically, how value creation is conceived by the gaming industry. Who are the major players for the value creation of the gaming industry, and how console manufactures and game developers are connecting their user base to co-create values through virtual platforms. How the value creation platform is embedded in the value proposition of console manufactures and game developers from the beginning. It will be interesting to see how console manufacturers and game developers manage their gamer's needs, wants and feedback to the value creation process.

The history of the gaming industry from the beginning of 1950 to the present day will be presented in this chapter. Well-known and successful games titles and game studios will also be presented for the better understanding of the gaming industry by the reader. Some information about consoles will also be presented for understanding, even though this is not covered within the scope of this paper. The reason for this being that

the reader should understand the impact of consoles had on the form of the gaming industry to understand the discussion of value and its creation in gaming industry later on.

## 1.1 The History of the Gaming Industry

The history of gaming industry is relatively short. It was early in the 1950 when the first games were introduced by different academic institution in the U.S. William Higinbotham was the first man who created the Tennis for Two game, and was exhibited in 1958 and 1959 (Herman, Horwithz, Kent & Miller 2002). However, the game did not produce any effect on the development of game industry hereafter, as it was not shown to “the right” people (Rabin 2009). However the exhibition did not involve any business entrepreneurs who could have taken it further to commercial development. Moreover, William Higinbotham was less interested in commercializing his Tennis for Two; rather, he was more interest to be remembered for his Nuclear Science work (Chaplin and Ruby 2005, 36).

Steve Russel developed Spacewar which was the first game to inspire the gaming industry while he was studying in MIT. Initially Russel started writing Spacewar in 1961, and later on it was developed by several students at MIT in 1962. The game became popular with MIT students but was not adapted for further commercialization (Markoff 2006).

The two games presented above were innovative, but the man who created the world’s maiden household video game system (game console) is Ralph H. Bear in 1972. People enjoyed this kind of new entertainment but it only obtained limited success due to high pricing (Rabin 2009; Miller 2005). The first commercially successful game was the electronic arcade game PONG by Atari which came in the same year. Pong was played in bars, malls and stores; its popularity led to it being developed for home users in 1975 (Winter 2010).

Taito, a Japan based company, in 1977 introduced a game machine named Space Invaders which became famous in Japan and led to a deficit of 100-yen coins. Atari saw the potential of the console and bought the right to sell it with their game as a home console. Soon Atari’s revenue picked up and it became one of the fastest- growing companies in U.S. history (Discovery Channel 2006). Warner Communication, which is now renowned as Time Warner, witnessed the situation and proposed a deal of \$28 million to Atari, a huge amount considering the period. Due to some hidden reason, the founder of Atari, Nolan Bushnell, and few other engineers, later left Atari and started Activision (which merged with Vivendi Games in 2008); one of the today’s giant game

developers, with a net revenue of \$2.9 billion in 2008, and the first third party game developer in the world (Activision 2008). After few days of leaving, Bushnell and his fellows observed the collapse of Warner and other companies in the market because of poor-quality game production from 1982-1984 (Discovery Channel 2006). After while another Japanese company, Nintendo came to the scene and made a cyclone in the market by introducing Nintendo Entertainment System (released in USA in 1985) and the GameBoy (released in 1989 both in Japan and USA) (Nintendo 2008).

Nintendo introduced a license fee (game-license-fee business model) for every game sold on their platforms. Sega, Microsoft (Xbox), Sony (PS), afterward followed similar strategy for their consoles. Nintendo earned an operating income, up to the 31<sup>st</sup> March 2008, of roughly \$4.9 billion, having sold 61.9 million units worldwide (Nintendo 2008).

Altair 8800, the Apple 1 and 2, and the Commodore 64 came into market and boomed the commercial PC game industry in the late 1970s and early 1980's (Federal Reserve Bank of Boston 2007). Digital technology (e.g. CD-ROM, multicore processor's development etc.) has shaped the development of games, both past and present. Presently a significant number of technological companies are introducing new innovation and products which are consistently providing us with high-quality PC games. Besides this, many new game developers are competing in the market. In the current gaming industry Electronic Arts (EA) is one of the largest game developers, and started developing PC games for computers back in the 1980s. In their successful business, they have the games such as The Sims, and Madden NFL Football. They have their own famous development studios all over the world. (NPD Group 2010)

Massive multiplayer online games (MMOGs) were first created during the 1980s. Island of Kesmai was the inaugural commercial MMOG launched in 1985. In order play this game, initially it was charging an hourly payment of \$6 (Koster 2000). Genie's Gemstone, Quantum Link's Club Caribes was the other significant competitor of MMOGs at that time, and was following the same revenue model. Neverwinter Nights was the first graphical MMORPG developed by Stromfront Studios and launched in America Online (AOL) in 1991. (Koster 2000)

Back in 1990, the first game that utilised the internet to distribute a shareware version was Doom (Federal Reserve Bank of Boston 2007). At first, it was free to play but later the distributor imposed payment for playing the game. It is evident that Doom was the first game that was distributed digitally. Now-a-days it is easy to find game stream, Direct 2 Download and i- digital shop as various digital distribution channels.

In the beginning of the MMORPG genre, during the late 1990s, games like Ultima (1997), and Everquest (1999), were at the peak with a million users. These days, World

of Warcraft (WoW) is leading the position, having over 11.5 million subscribers. Within a couple of decades video games have become a multibillion-dollar business. Famous games, such as Diablo 2 (2000) and The Sims (2000), have sold millions of units. Franchisers are generating billions of dollars in sales revenue from games such as Activision's Call of Duty series. (NPD Group 2010)

The largest single platform for games is the PC platform (PC Gaming Alliance 2009). According to the Horizons Research Report 2011 by PC Gaming Alliance (2012), PC gaming software sales generated record revenue of \$18.6 millions during 2011, which was 15% higher than the previous year 2010. The revenue includes retail sales, subscription fees, micro-transactional fees, advertising and digital distribution revenue as well. (Koster 2000)

Business growth within the gaming industry during last ten years has led to more than 250 percent in retail sales of PC and console games. Additional revenue sources, such as subscriptions and digital distribution of games, are considered as major sources as well (NPD Group 2010). However, the unit sales of PC and console were suffered negative growth of 8 percent (in 2009) around three largest markets in the globe: US, UK, and Japan (NPD Group 2010).

## 1.2 Research Question

This thesis attempts to look inside the co-creation process of various successful players in the gaming industry. To achieve the goal of this thesis project, a console manufacturing company and a game developing/publishing company have been chosen as case companies. Both of these firms are very successful in the gaming business and climbed to the top position of the gaming industry. Case companies were selected by using the information found online, and by analyzing this information and comparing it with the literature on business models and value co-creation. The ultimate goal is to discover in which manner console manufacturer and game developers are managing their gamers to co-create value. Therefore the main question of this thesis is

### ➤ **How is value co-created in the gaming industry?**

Followed by three sub questions:

- What is value co-creation in the gaming industry?
- Who participates in value co-creation in the gaming industry?

- What are the procedures that are involved in value co-creation in the gaming industry?

To answer the research question correctly it has been separated into three sub-questions with the aim that when the answers of sub-questions are collected together, they will provide ample and intensive answer to the primary research question.

### 1.3 Gaming Industry as a Research Topic

During 2011, when Call of Duty: Modern Warfare 3 was released, it earned about \$ 400 million in first 24 hours only in North America and Britain (Activision 2011) and within next 16 days it had earned \$ 1 billion (Waugh 2011). This tremendous business success of Call of Duty brought an ultimate change in gaming industry to start thinking again about the innovation strategies, through which, over the last 25 years, the gaming industry had yearly growth rate between 9% and 15% (Zackariasson & Wilson 2010). In result, the economic strategy of the video games industry has changed from niche to blockbuster business. At present time, the American people prefer to play video games than to go to watch a movie in theatre (NPD Group 2009b) and the revenue from video consoles and portable hardware and software has been expected to earn around \$ 67 billion. An extra \$ 14 billion was earned from alleged online goods contained by games in 2012. The sum of all of this revenue is five times bigger than the world music industry revenues which was 16.5 billion in 2011, also larger than user book sales which was \$ 69.4 in 2011 and almost comparable with movie industry revenues globally which was \$85 billion in 2011. This is how the video game industry is performing to become a reckless rising - and utmost thrilling - set of entertainment media for the future era.

The video game industry is regarded not only as a high growth industry, but also as being involved in a high level of innovation and dynamics. Moreover, console video gaming has extended outside its historical borders and now-a-days is also available in numerous portable devices, such as smartphones and ipad, tabs etc. It encompassed wide area of innovation which frequently ties into and links innovation in other entertainment industries. Some products are even accessible on a hybrid platform. Gamers can be benefited financially through playing games in front of virtual audience and virtual live TV. However, gamers can also expend their money to purchase online products and extension within games. Within these online worlds, customers can control and alter their atmosphere by using thrilling motion sensor controllers; it is possible to tackle social issues, educating employees and children through video gaming activity (ESA

2012). Technology initiated by games relates to numerous arenas, from military preparation platforms to molecular biology and cybernetic stores for new product exhibitions (Special Report Video Games). Games have also motivated organization academics to offer the notion of “gamification” to define the presentation of emotional game strategy ethics for inspiring employees and engaging customers (Zichermann & Cunningham 2011).

The discussion above illustrates the high growth rate of gaming industry and also highlights the importance of studying this industry extensively, to be able to explore elusive phenomenon of value co-creation. Value co-creation is an embryonic business, marketing and innovation archetype relating how end users and consumers could be engaged as an active contributor in the design and development of tailored commodity, amenities and involvements (Payne, Storbacka, & Frow 2008; Etgar 2008; Prahalad & Ramaswamy 2004). A more methodical quest in current research literature acknowledged numerous evolving flows in value co-creation research. These are a *general management perspective* (Prahalad & Ramaswamy 2000; Payne et al. 2008; Ramaswamy 2009; Ramaswamy & Gouillart 2010), *new product development and innovation* (Prahalad & Ramaswamy 2003; Roberts, Bake, & Walker 2005; Kristenson et al. 2008;), *virtual customer environments* (Edvardsson, Enquist & Johnston 2005; Kohler, Matzler & Füller 2008; Füller 2010) and *service science and service dominant logic* (Vargo & Lusch 2004; Edvardsson et al., 2005; Cova & Salle 2008). It can be assumed that the outcome of this study will be beneficial for further study in the mentioned areas of marketing and management.

Even though theoretical investigation on games has increased, marketing researchers still dedicate very small consideration to this arena compare to other amusement industries, such as cinema, TV, or music. This study pursues an additional investigation on games by analysing the co-creativity of value within that reflects the emerging roles of the extremely dynamic video game industry and features both key players and products. This study offers a framework that is intended to identify the industry's main business models, interactions between players, and means for value creation and success. Consecutively, this research offers criticism of extant investigation and traces it within the project framework, then focus on areas for further investigation that the agenda suggests are thrilling, and the understanding of which would be for executives, researchers, and customers alike, who have a vested interest in the subject of video games.

## 1.4 Thesis Scope and Limitations

This thesis is intended to focus on the value co-creation process of one of the largest entertainment sectors which is the Gaming Industry. Console manufacturer, game developers/publishers have different revenue models and therefore and it is important to understand the great variance between the popularity of games based on their platform. To gather sufficient knowledge this paper will look in the area of the general gaming industry and markets.

One important obstacle to conduct this thesis is to identify the co-created value between game console manufacturer and game publisher. Based on previous attempts to do research, and contemporary business ethics regarding the access of valuable information of companies, it is presumed that collecting sufficient data and information regarding console manufacturers and game publisher will be a huge challenge. Companies are very strict in keeping the confidentiality of any kind of information regarding their inside business. Bearing that in mind the researcher will be forced to avoid any kind of discussion regarding B2B client customer value co-creation processes in the gaming industry. But the researcher is hopeful in saying that it might be a great opportunity to conduct further research in this particular area of gaming business.

The value co-creation and business model of a company is related to the financial information, revenue and cost structure which is difficult to attain as companies will not disclose this kind of information to public. Therefore, secondary data, including community forums, gamers' experiences, available online information, and investor relationship profiles, has been used to analyse value co-creation within the gaming industry, this paper moves on without any kind of speculation about numbers and figures as any estimations of numbers would be speculative and, therefore have been avoided in this thesis.

## 2 CREATION OF VALUE

### 2.1 The Notion of Value

The concept of value in traditional business market has always held an attraction by the academics and experts. At the same time this concept has been used in marketing contexts (Anderson 1995; Wilson & Jantrania 1994; Anderson, Jain & Chintagunta 1993; Parasuraman 1997) with remarkable importance. The fundamental idea is that traditional business markets can be based solely upon the notion of value (Walter, Ritter & Gemunden 2001, 367). Slater (1997, 166) has argued undoubtedly “... *the creation of customer value must be the reason for the firm’s existence and certainly for its success*”.

Argument over the classification of value is a prehistoric dispute which can be traced back to the period of Aristotle (Vargo, Maglio and Akaka 2008, 147), when Aristotle<sup>1</sup> acquainted the conventional notion of value and initially distinguished between two senses: ‘value-in-use’ and ‘value-in-exchange’ (in Vargo et al. 2008, 147). During the middle ages, scholars found the mode of exchange in the need of customers when they were documented for stressing use-value in service (Dixon 1990). Before the actual development of economics, value in use was generally accredited by persons who recognized the act of atonement and contentment in value. Galinai<sup>2</sup> (1751, 304) had mentioned in Dixon (1990) “*it is certain that nothing has a price among men except pleasure, and that only satisfactions are purchased*”.

The discussion on value and value creation was introduced by Adam Smith (1776) when he placed these concepts into the wider context of economics and market exchange study. According to Smith<sup>3</sup> (in Vargo et al. 2008), “*the word VALUE, it is to be observed has two different meanings and sometimes express the utility of some particular object, and sometimes the power of purchasing other goods which the possession of that object conveys*”. Afterwards, in neoclassical economics, the “commodities” embedded in ‘services’ (value-in-exchange) turned out to be the center of value generation in marginal utility theory (Marshall 1927; Walras 1954).

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<sup>1</sup> Aristotle 4<sup>th</sup> century B, C.

<sup>2</sup> Galiani, Ferdinando (1751) Della Moneta

<sup>3</sup> Smith, Adam (1776/2000), Emphasis in Original



The study of the phenomenon of value, and the way in which value is produced and ingested, presents difficulties in various ways. First of all, though academics, scholars and business forces showed greater interest related subject matters but the notion of ‘value’ was not reported distinctly in this field. In reality, the notion has turned out to be one of the old and misrepresented notions in the area of social science and management literature to be specific (Khalifa 2004). As an insubstantial notion, the learning of value is complex because of various numbers of substances and definition based on the perception considered. The characteristic of value is dynamic, temporary and varies by the time. It also depends on the situation and actors – what is deliberated as value be determined on where this decision is made and by whom.

In reality, the absence of defrayal among the academics for the formulization and determination of ‘value’ is the outcome of hazy nature which ultimately marked as ‘miscellaneous’ (Babin, Darden & Griffin 1994), ‘subjective’ (Zeithaml 1988), ‘active’ (Parasuraman and Grewal 2000) and ‘complex’ (Lapierre 2000). However, knowing the value is vital, for example, Anderson, Narus and Das (2009, 10) cherished value formulization by meaning of “*the foundation of commercial market administration due to the main act that functionally or performance plays in market administration*”.

According to the brief framework of this learning, value is identified as an assumed exchange among numerous profits and expenditures earned through collaborations among customer and company and the commodity or facility service provider. Those profits and expenditures are possible to instigate from the collaboration under query along with connected affiliations on which the principal collaboration is inspired or stirred by those other affiliations. (Walter et al 2001).

Reasonably, from a neutral point of view of value determination, for example the financial calculation is significantly proportional regarding polygonal value generating organisms. The dispute for choosing and expending the view of value in this learning depends on the generally realized notion – comparative usability, quality or excellence (Forsstrom 2005).

## **2.2 Conventional Understanding of Value Creation**

In the inheritance notion, the firm and the customer took specific acts of manufacturing and consumption. The market – recognized as collection and blend of various sets and subsets of customers that companies are considering as a “target” for their propositions (see figure 1), that shows the firm-centricity of the conventional notion of a market. Consequently, customer liaison authority is hypothesizing the companies while direct-

ing, attaining and dealing the ‘target’ clients (Prahalad & Ramaswamy 2004 b, 6). The conventional perspective of value creation is shown in figure 1.

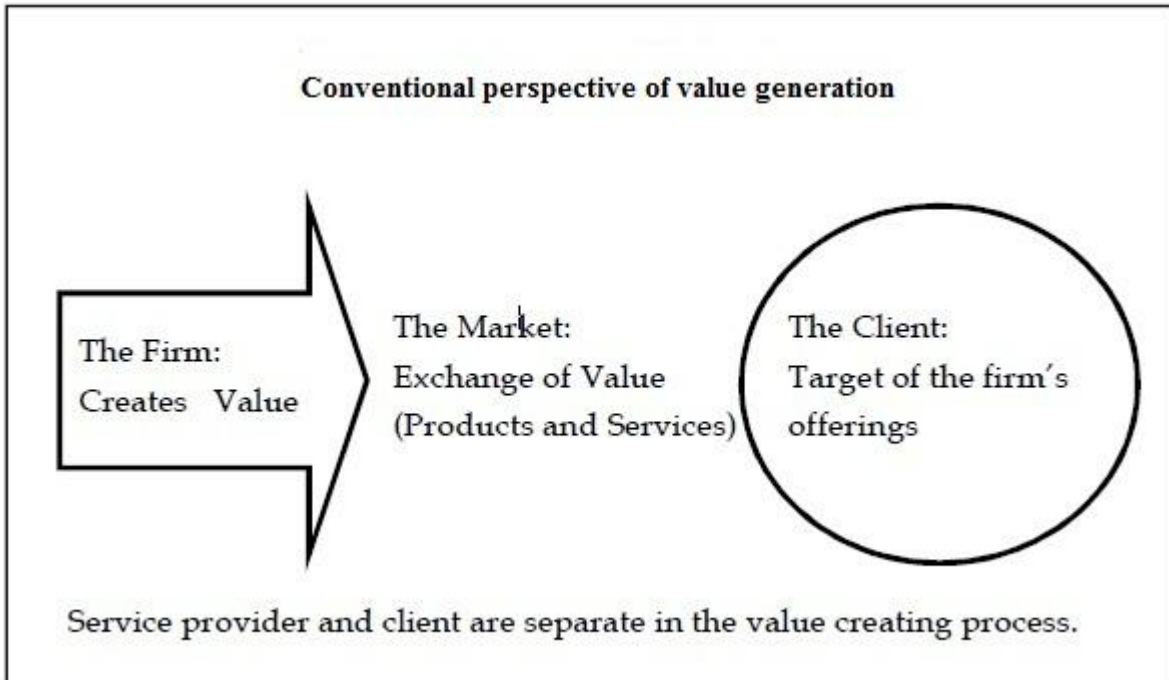


Figure 1 Conventional perspective of value generation (adopted from Prahalad & Ramaswamy 2004 b, 7)

The ancient outlook of value generation is mentioned as *goods-dominant* (G-D) logic and embedded on the *value-in-exchange* connotation of value (Vargo & Lusch 2004a). Conferring to the *goods-dominant* logic, company produces (created) the value in the market via production and related actions and disbursed, usually in interchange of products and currency. Consumers or clients are recognized as neutral object assuming that they are derived from outside and ends value through ingesting (Ordanini & Pasini 2008, 290). On the basis of *goods-dominant* logic, the acts of ‘*manufacturers*’ and ‘*customers*’ are different.

To recognize the ancient notion of value generation later on, an axe can be viewed as an instance. Usually an axe is made from wood, iron and by different materials by a producer. The iron and wood cannot be used to chop woods during their fundamental state. The manufacturer creates or source mechanisms, accumulates them together and shapes them into an axe and distributes to the users/ consumers/customers and then the value is created for the customers. In different way, company changes unformed particles to a different form (axe) that the customer needs the axe producer inserted value in the axe. From this we can recognize that a company is producing the product and the value is inserted in the product by the company when it is produced. Then this valuable

product will be exchanged in a marketplace with interchange of money or something else that is equivalent to money and this interchange of deal is determining the value. (Vargo, Maglio & Akaka 2008, 147)

No need to say, as the legacy view of a market and the realisation of value generation is firm oriented. Consequently, pursuing and dealing the 'proper' consumer/customer is something that companies hypothesized as customer relationship management. To do so, companies emphasized on the communication – the interchange – as the focus of economic value abstraction. In the orthodox view of value creation process, the communication among firms and customers is not recognized as an origin of it (Normann & Ramierz 1994; Wikstrom 1996). Value interchange and extraction are the main purposes performed by the market which is disconnected from the value generation procedure, as shown in figure 1 (Prahalad & Ramaswamy 2004 b, 6). According to the orthodox procedure, companies select the goods and facilities that they will manufacture through which a choice of value for the client/consumer is made by them. The phenomena of 'manufactures' and 'customers' are discrete in the conventional method as consumers have small or negative impact in value generation process.

### ***2.2.1 Concept of Value Chain***

Up to the mid 1980's, the basic concept of value creation mechanisms and processes were meant to be created by the company over a successive and conventional set of undertakings. Once the value is created by the company it is distributed to consumers in exchange of currency of other equivalent commodities. The inheritance notion of value creation can be realized by the exhibition of firms' value chain taken from Porter (1985, 11-15) in figure 2.

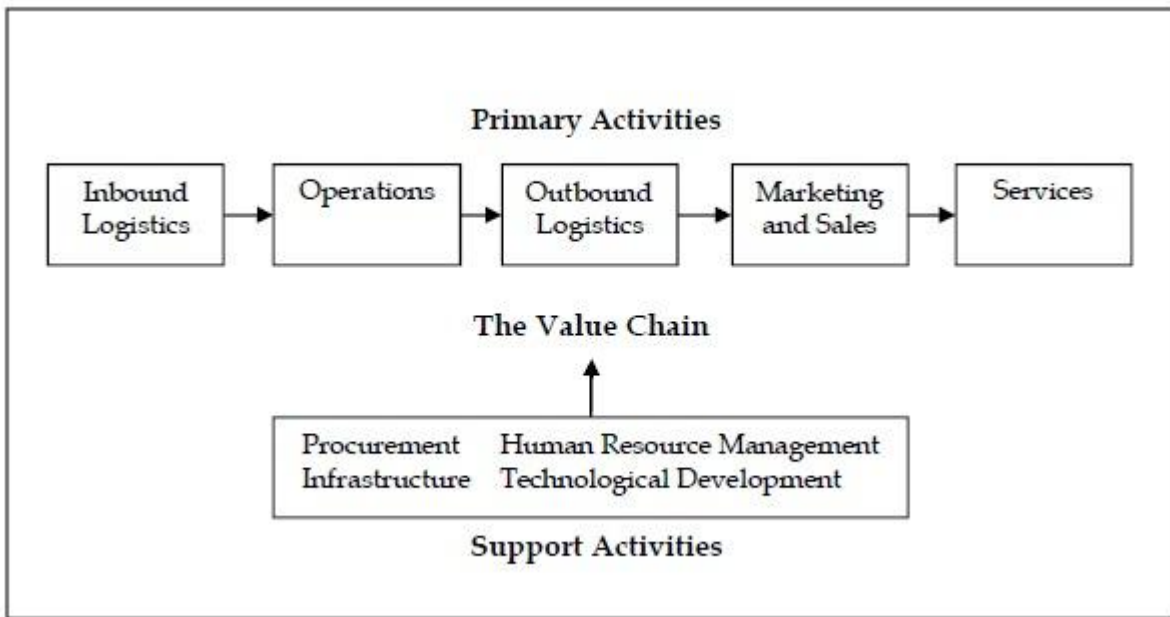


Figure 2 Firm's value chain (Porter 1985, 12)

According to Porter's (1985) framework, firm is the first place where value creation takes place. The breakdown of value chain identifies the actions of the company and then studying the economical implication of those events. It has four stages: (1) outlining the strategic business units (sbu), (2) classifying critical actions, (3) describing products and (4) shaping the value of an action. Porter (1985, 38) defined conventional value creation from the firm-centric view:

*"The amount buyers are ready to pay for what a firm supplies them. Value is measured by total revenue ... A firm is profitable if the value it commands exceeds the cost incurred in creation the product"*.

Value is possible to create in the each stage of the value chain according to the conventional value chain method via actions causing in commodities and facilities that reduce purchasers' price or increase purchasers' performance. According to figure 2, there is no presence of customer or client in the 'value chain' where the company is regarded as a 'lone value generator' and 'value distributor'. In the orthodox view, the communication among firms and customers is not recognized as an origin of value creation process (Normann & Ramirez 1994; Wikstrom 1996).

### 2.2.2 Conventional Value Chain of Video Game Industry

The conventional value chain of video game industry is similar to other established industry that is conceptualized and illustrated in Figure 3. Various parts of the value

chain may reveal features of different designs. For instance, development may look like a value shop and distribution a value network. Components of Figure 3 are elaborated in following sections.



Figure 3 Conventional value chain of video gaming industry (conceptualized)

The industry development cost was lower in the premature days of game industry. Small teams of programmers and artists were usually very gainful by developing games and selling millions of copies each. The growth stage was smaller than these days; games were usually created within short time, empowering game makers to unveiling various titles every twelvemonth. Game *Publishers* gained more than adequate profit, for instance, games royalty fee. (Ontario2012 2008)

With the change of time, technology has improved a lot, and games become costly to produce. Now-a-days, games and Hollywood movies are having similar cost of production in terms of money. Making a game is a complex process involving hundreds of people from the start of a project to release. These days production costs are very high and releasing timers are very challenging to forecast. Sometimes games with big titles take more than years to create, cumulating the pressure on funds. Most of the giant publishers now-a-days have their own studio instead of outsourcing from other studios. (Ontario2012 2008)

According to the no-scientific data from publishers, *developers* are responsible for the development of games. A squad consisting creative persons, such as designers and audio video specialists are the players of development studio. Current trend shows that the developer firms are often purchased and integrated into giant publishing firm, because of the upward game making cost curve. However, independent small game developers are dependent on trivial games market. To keep the distribution cost as low as possible they use online distribution channel instead of conventional distribution channel (retail) and thus making profit. (Ontario2012 2008)

Giant publishers use subsidiary *distributors* to distribute their games, when minor publishers/developers subcontract the dispersion stage to special allocators. Online allocation is fairly popular to allocate games internet. Publishers can distribute games either

through their network or third party digital distributors, for instance, Stream and Direct2Drive. (Berg 2010)

For example, in China, foreign companies are restricted from business operation. In that case a local distributor (game operator) may purchase the license from the publisher and then turns out to be sole responsible for allocating and running the game for that region. Different forms of distribution channels are discussed in next paragraphs.

The common way to reach the customer by publisher is a *physical distribution* channel. Retail stores and specialized game shops are the most significant among physical distribution channel. In fact, before internet age, the single way of physical distribution was only retail channel. Online store like Amazon, sell online games and retailing games to enhance their activity. Tangible games are placed in store that includes an operational guide along with the game itself stored on different compact disc such as CD, DVD, or Blu-ray. Gamers are mostly interested to buy a game on its releasing day by spending their time on the store even if it requires taking a day off from work. Cover design on top of the package and the hardcopy of the game is very popular to the gamers. (Berg 2010)

A Canadian research documented that shoppers are attracted to buy games and attempts for impulse purchase in the shop for various reasons; the package is the nearly crucial attraction. Packaging or outlook has greater motivator than the TV promotions, online promotions or previews. Demos, and attendant or references of games is a fact which may prompt impulse purchase. However, the study also revealed that, merely 15 percent of spot purchases were made through internet and “*manufacturers looking to capitalize on impulse purchases should have a strong focus on packaging while retailers should focus on merchandizing*” (NPD Group 2009a). NPD researches also reveal that in-store purchase is nevertheless the near practiced form of video games (Graft 2012).

The change of time and development of technology vastly enabled the *digital distribution* channel. Now worldwide anybody can purchase from online. Digital distribution channel varies from product to product. Digital game distribution channel is a little bit different from other distribution channels used for different tangible form of products. Through digital game distribution channel, gamers can download the game in the form of streaming or direct2drive which saves money and time both. Using digital distribution channel is easy for advance gamers. Gamer has to register for a user id and password with an online dispenser to get the access of favourite game and then makes the payment online. (Berg 2010)

Most significant pros of digital gaming distribution channel is that games are never sold out like physical distribution channel. Several distributors offer games to download

even before releasing dates. Moreover, customers do not need to worry of lost or scratched disk because of re-download option repeatedly. On the other hand, having a limitation of bandwidth from the ISP (internet service provider) which ultimately restricts the download limit can be considered as cons here. (Berg 2010)

By analysing the digital distribution, we may see similarities of digital distribution between music industry and gaming industry. Spotify was the first online music software that provided music on demand. Similarly, *Gaming on Demand* (GOD) is yet to take place in line of distribution channel. Onlive is offering a relatively new business phenomenon gaming on demand. They have the concept of cloud gaming, which means; one can play from anywhere by paying and registering in their website from any kind of PC or Mac®, TV and many tablets and smartphones instantly. It does not require any disc, no need to download even. In short can be said instant gaming on demand. (Onlive 2012)

*Browser gaming* is relatively new technology based on java or flash, that enables to play games on the browser window. These types of games pop up in the window for advertising purpose mainly while visiting other websites. However, it is better to be aware from these games, because somehow they can contain malware like Trojan horse. Client may need to trust the contents before allowing be loading and launching.

*End users* are the gamers who ultimately play the games, falls at last the section of value chain. End users are slightly different from customers/consumers because it is not necessary who purchase the game but plays. For example, parents can buy game for their children's but the children's are ultimate end users.

### 2.3 Shifting Dynamics of the Market

The connotation of value and the method of value generation are rapidly switching to *tailored customer participation* when we see value and value creation from a service and company centric standpoint. An uprising amount of scholars are indicating to the serious prominence of commercial communications for value generation (Sheth & Sharma 1997; Biong et al 1997; Anderson, Hakansson & Johanson 1994; Ravald & Gronroos 1996). Furthermore, the main intention of value generation is to bring a customer company and a supplier company into a connection (Wilson 1995; Anderson 1995; Gronroos 1997).

Since market dynamics are changing, communicated, endued, interconnected and functioning customers along with companies are taking part in the value generation processes in growing numbers. This both sided communication among companies and cus-

tomers is turning into the center point of value generation and value extraction. Present day's customers have a lot of choices of goods and services as argued by Prahalad and Ramaswamy (2004b), but those alternatives are not satisfying them properly. On the other hand, companies are nearly unable to distinguish themselves regardless of capitalizing in bigger business and commodity variation. (Prahalad & Ramaswamy 2004 b)

Basically, customers are changing the phenomenon of the market where the customers are playing important activities in generating and contending for value. The main siftings are recognizable and distinctive – establishment of client communities, supervising the customer multiplicity and creating customer oriented skills. (Prahalad & Ramaswamy 2000)

Because of major information and communication technology progress very lately, it is very easy for customers in the modern economy to set up online groups by themselves. Furthermore, linked clients can be quite close, which might facilitate a broad range of characteristics. These customer groups can become a strong influential side on the market (Algesheimer & Dholakia 2006, 1). Customers possess right of entry to interconnected database system to switch their range of options and deviations. Even the immense publicity from facility providing firm do not make adequate effect on customers' supplier choice (Weber 2009). Instead of this customers analysis and active information search work as their main decision making aspects.

Since the market is covered by firms as a setting or forum, firms are trying to be more open and informative to customers' multifariousness. Customers' knowledge of goods or services and therefore their finding and decision of those goods or services will vary conferring to their personal ways of recognizing value. To create more product ranges and affective invention in the new market, the variety in customers' need must be implicit and reflected (Khalid 2006, 409). In the shifting of current market dynamic forces, customers are not interested to accept generalized and duplicated service from service providers. Gradually they shape their needs according to their choice with the help of specialist or from other customers. Thus, the importance of distinguishing personalization and customization comes in the focus. When the firm designs and delivers goods or services to garb clients need, it is called customization whereas personalization is when customer involves as a co-creator of the value to satisfy their needs (Prahalad and Ramaswamy 2000).

Since value is changeable according to particular and improved client experience, this is going to be a situation where contribution, communication and joined efforts among customer group and companies are required. Customer's contribution in the modern '*market*' theory is an extent of breach from the product-dominant inspirations that no longer help the constant revitalization of schemes and capabilities (Ballantyne &



Varey 2006). During contemporary context interchange actions are of joined expressions of triple topographies: know-how revitalization, open communication and affiliation build up. For productive value generation firms and their customers are forced to choose maximum probable pay-off, along with building rapport to handle threats while dropping the effort necessary to fully comprehend the new value since the market adjusts its moral forces (Kambil, Friesen & Sundaram 1999).

### 3 CO-CREATION OF VALUE

#### 3.1 Access of Co-Creation in Value Creation

Since the dynamic force of market has been changing, there is a shift of paradigm in example and realization of value generation in the recent couple of years. According to the current marketing writings and academics, service providing firms, customers or clients drive various initial parts in value creation mechanisms. As lately value creation has been described by the theory of Service Dominant Logic (SDL), that the customer or client is constantly co-creating value as an active participant along with the firms and not only target of that value, because the consumer assembles know-how and other ingredients through the process and thus the value proposition is influenced by the labour of customers' efforts.

According to this observation, the customer is crafted in the value proposition and in the end is accountable for the value inserted to the process (Ordanini and Pasini, 2008). For instance, in service delivery process, if the customers do not provide absolute information regarding their business risks, strengths and weakness, the quality of service might be obligated to provide below standard not because of the inefficiency of service provider but the lower degree of client involvement (Ordanini & Pasini 2008, 290). The discussion about facility distinction depends on the involvement of customers in the discussion process, especially in a B2B perspective, impacts in a manner which defines the final service deliverance and at the same time the degree of atonement (Ernst 2002, 4).

Gradually the conversant characteristic of customers and their progressive cognizance of pulling off power are acting as key revolution negotiators for the facility provider company to assume an inherent dealing on the customers. It is also necessary that the service delivering company appoints highly experienced negotiators which will help a particular customer to become a co-creator of value with the company. Company and the customer both produce value jointly (Prahalad & Ramaswamy 2004 b, 7).

Rendering to service dominant logic (SDL), the customer is offered a solicitation of knowledge and capabilities by a firm or service provider, which creates the foundation of any economical interchange (Vargo & Lusch 2004a). Company and customer possess their inimitable capabilities, phenomenon and contributions and these resources from mutual wings are placed united to work in a coordinated manner and therefore the value is co-created mutually. A visualization of the idea is given in figure 4.

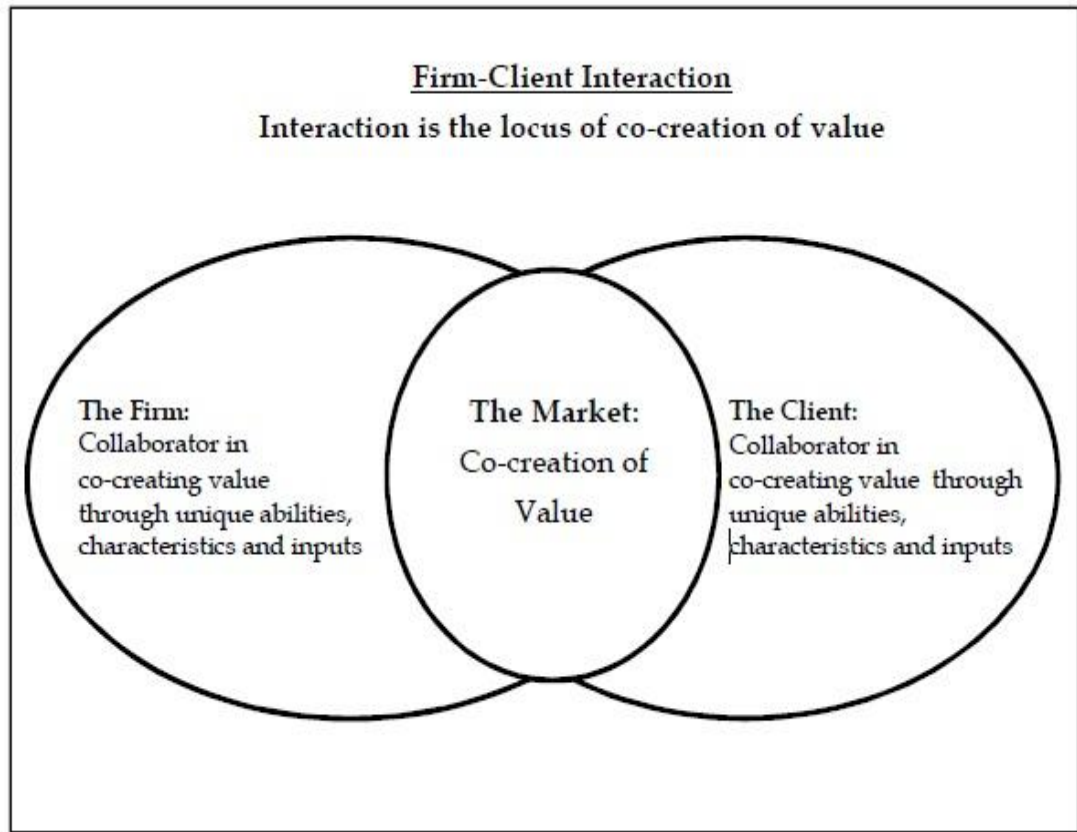


Figure 4 Access of co-creation in value creation (Adopted from: Prahalad & Ramaswamy 2004 b, 11)

The main thought of S-D logic (Vargo & Lusch 2004a) is, marketing inherited a simulation of interchange that is embedded in economic science. The dominance of SDL was focused on the interchange of products with produced production. Products-dominant logic is focused on physical elements, rooted value and deal. On the other hand, service dominant logic also acknowledges customers as well as providers are resource integrators, reliable along with notion of co-creation of value (Cova & Salle 2008, 270).

The supposition of viewing individual and society as different entities is abolished. In the tangible universe, they are comprehensively interrelated, so it is necessary to consider that the communication among themselves is producing value mutually (Ueda, Takenaka & Fujita 2008, 55). To generate the value accurately from a facility and to realize the similarity, it is necessary that customer and facility provider acts mutually to transmute some phase, for example, material products, information products or linkages and procedures that is obsessed or governed by the customer (Hill 1977; Gadrey 2002).

The transference from firm-centric vision to a co-creation vision is not only regarding unimportant shifts to the old-fashioned method, because co-creation is not the diffu-

sion or farm out of actions to customers and nor a customization of goods and facilities, nor is it a writing or acting of customer chronicles about different contributions the companies (LaSalle & Britton 2002; Schmitt 1999). Now the idea of co-creation is all about facts of communication among the firms and the customers that helps to forecast for mutual value creation and abstraction (Prahalad & Ramaswamy 2004 a). Furthermore, from the conventional to firm-centric stand the co-creation idea varies on the companies' tactic that firms have left downstream to the customers:

*“They’ve moved beyond the factory gate to tap into the valuable economic activity that occurs throughout the entire product life” (Wise & Baumgartner 1993, 133).*

Service dominant logic drives the direction of marketing from a “market to” approach where clients are encouraged to, directed, and apprehended to a “market with” approach where the customer and the facility provider are negotiators in the whole value creation procedure (Vargo & Lusch 2006b). According to Lusch & Vargo (2006a, 283), companies survive to transform their unique aptitudes into complicated facility that offer anticipated resolution.

Mutual value creation generates an actual resolution as a complete scheme by joint communication among miscellaneous collaborators is co-creation of value. In co-creative procedure, the components are negotiators that create a conclusion which is dissimilar from mere emergent system (Ueda et al 2008, 53). The notion of combined value generation has shown in figure 5.

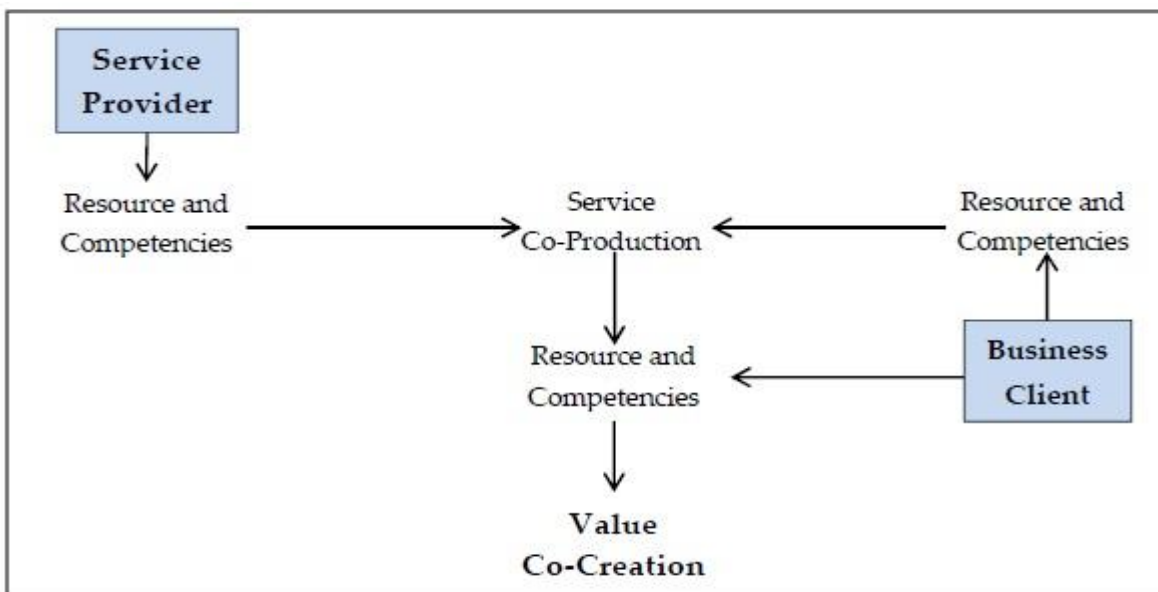


Figure 5 Combined value creation rendering to Service Dominant Logic (Ordanini & Pasini 2008, 291)

Rendering to the figure, in a co-creative procedure the negotiators result an interactive outcome to develop through company by their self-structure and furthermore they communicate with each other. (Ueda et al, 2008, 53). The final value is generated mutually aside the communication of knowledge's and capabilities of service deliverer and customers.

During the access of value co-creation in value creation procedure, the complexities of communication among companies and customers are: Dialog (negotiation), Access (right to use), Risk benefits (risk reimbursements) and Transparency (limpidity) widely known as DART. These have been developed as the foundation for communication among customer and company as visualized in figure 6 (Prahalad & Ramaswamy 2004 b, 9):

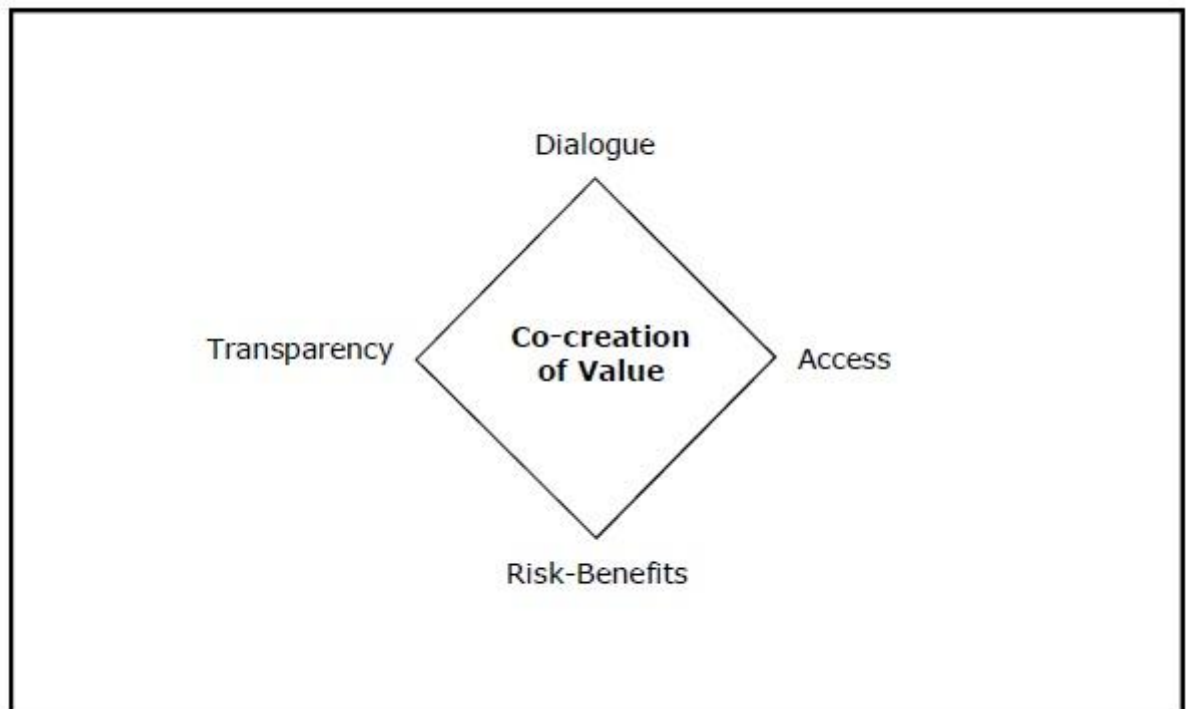


Figure 6 Complexities of communication for a co-creation of value (DART) (Prahalad & Ramaswamy 2004 b, 9)

In the co-creation concept, negotiation is a vital element from the perspective that market can be treated as a set of communications among the customer and the companies (Locke, Levine, Weinberger & Searls 2001). Negotiation safeguards interactivity, greater collaboration, competency and ability to perform combindly with the service deliverer and the customers. Nevertheless, involving in negotiation can be complex for customers if they do not have the same degree of right to use and limpidity to information linked to their service deliverer. This is how right to use and limpidity act as

main roles to safeguard evocative negotiation. More significantly, negotiation, right to use and limpidity can drive to a perfect assessment of client's risk reimbursements of any result and this is how service is accomplished (Prahalad & Ramaswamy 2004 b, 9).

### **3.2 Value Co-creation Approach**

Value co-creation approach consists of procedure, actions, tools, communication and task which forward the process of co-creating value. Learning the procedure of value co-creation emphasizes the precondition to visualize the connotation among the service deliverer and the customer as longitudinal, vigorous and collaborating sequences of actions and proficiencies executed by service deliverer and customer inside a structure. The knowledge likewise needs escalating the co-creation tackles and exercises, those are somewhat explicit, careful and somewhat grounded on monotonous and insensible conduct (Payne et al 2008, 85).

The co-creation of value also includes the merchant generated ranking value intentions upon customer is somewhat liable and indomitable during ingestion of products or services (Payne & Frow 2005; Payne et al 2008). Mutually service deliverer and consumer have the breakthrough to produce the value over tailored co-created propositions. The expected aim of value co-creation is to help companies in emphasizing customers' outlook in filtering the forepart routine of establishing consumers' demands and desires (Lusch & Vargo 2006b; Payne et al 2008).

Business customers are generally contributing a few points in the service development during the value co-creation procedure (Bendapudi & Leone 2003). Since an indiscriminative standpoint, the first initiative that is adopted by customer is to choose the facility provider and then to get ready for their self-task in the facility. Once the facility is provided, customers accomplish their main tasks beside regular communication with service deliverer, technology and other clients. At the end, the value is apprehended while the facility is co-created, customer might give feedback and they frequently endure execution of the responsibilities to enhance the profits of facility (Tax et al. 2006, 31).

The value co-creation procedure is distributed into three unified sub-sequences to be exact: (i) customer procedures, (ii) contractor procedures and (iii) encounter procedures (Payne et al 2008, 86). The figure 7 will demonstrate the piece by piece processes of the value co-creation procedure and the relationship among them.

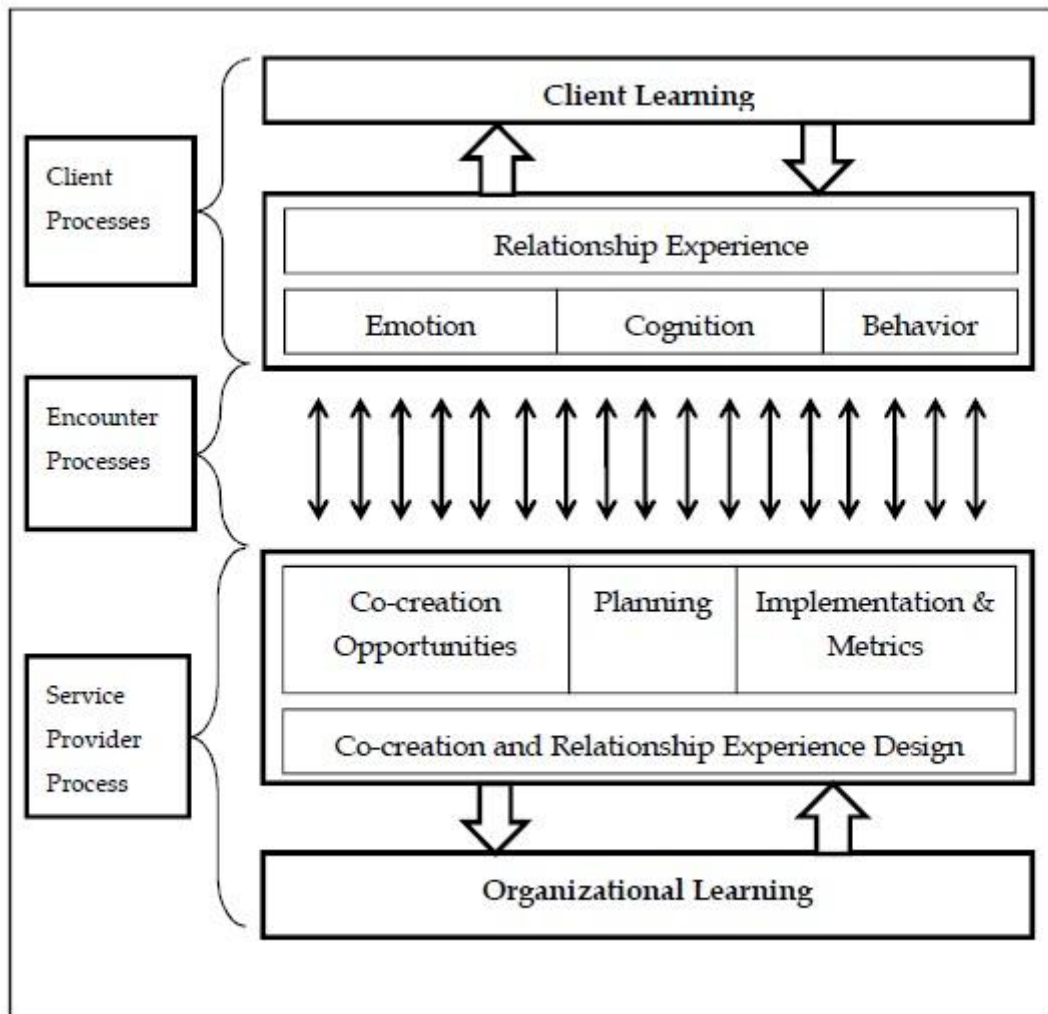


Figure 7 A theoretical framework for value co-creation procedures (Payne, Storbacka & Frow 2008, 86)

An interconnected sequence of processes and the algorithmic characteristic of co-creation are shown by this framework. The encounter among the customers and the facility deliverer and emergent result of the corresponding value generating procedure is denoted by the arrows in this figure. To show the significance of collaborative nature of meetings, the arrow has shown in both directions.

The arrows among the customers and clients learning identify that the customer involvement in a learning procedure founded on the knowledge the customer faces in the relationship. This customer learning has influence on the involvement process of client in a future value creation with the service deliverer.

Likewise, the linkage of arrows among the service deliverer procedures and structural learning elect when the facility deliverer study's the customer intensively, additionally a lot of options turn out to be available for the facility deliverer to design the devel-

opment of the association of experience and increase participation of customers for value co-generation (Payne et al. 2008, 86).

Firms might conceive different types of stakeholder, for example: customer (payer), a consumer (who consume the service), a proficiency provider, a co-producer or co-marketer (Storbacka and Lehtinen 2001). According to Normann and Ramierz (1993, 69):

*“the key to creating value is to co-produce offerings that mobilize customer”.*

According to figure 7, the part of customer can be granted as an order of actions completed by customers to perform a specific purpose inside value co-creation procedures. Most important phenomenon of the customers' aptitude to create value with service deliverer in the extant of data, technology, cognition skill and more operand resource that accessible and usable to them (Normann 2001).

Next is a supplier procedure that helps co-creation by the plan and distribution of related resources, experiences and competence. It includes an analysis of co-creation capacities and planning, assessing and demonstration of value co-creation predictions with customers. This as well involves hiring customer resolutions, dealing customer confrontation and rising metrics to analyze whether the company is embedding exact value offerings (Payne et al. 2008, 88). Within the service delivering procedure, developing a connection with customer as well brings major impact on the overall co-creation process of customer (Ravald and Gronroos 1996) since value is produced and distributed when the affiliation between them progresses (Gronroos 1997).

The meeting procedure involves a series of mutual communication and operation among the customer and the service deliverer. This meetings among the customer and service deliverer might be regarded as interchange of presentations, of which the sides engaged interchange resources (for instance: finance, goods, time, action, information etc.) along with cooperative claims in which they mutually does accomplishments (Payne et al. 2008, 90).

Finally, the result and determination of value in the value co-creation procedure happens with the contribution of the beneficiaries (Holbrook 1987). More compactly value co-creation procedure identifies facility procedure to co-generate value as an accumulation of assets (i.e., human resources, technological, information etc.) merged to other schemes by value offerings (Spohrer, Maglio, Bailey & Gruhl 2007; Spohrer, Vargo, Caswell & Maglio 2008). Co-creation of value from a facility procedure exploits its self-capitals and the capitals of customer to produce value mutually (Vargo et al 2008, 149).



### 3.3 Distinction between Conventional and New Value Creation Approach

During the next paragraphs, the distinguishing among the ancient and contemporary value-creation method, grounded on the concept of Prahalad and Ramaswamy (2004c), are shortened and also visualized in figure 8.

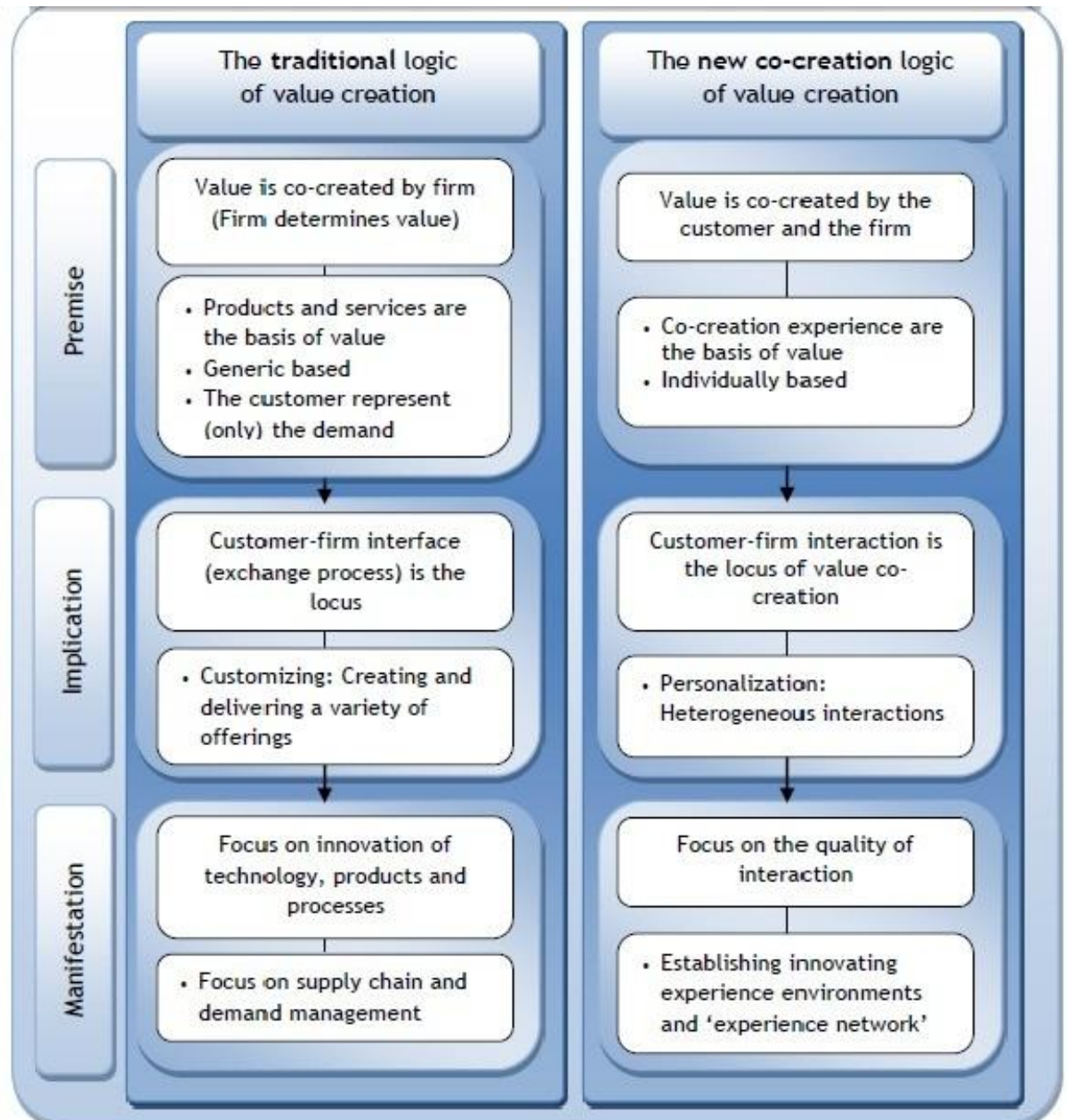


Figure 8 Distinction between traditional and new value creation approach (cf. Prahalad & Ramaswamy, 2004 c)

According to figure 8, the ancient method generates the company's value over a core value creation method, which is positioned distinctly commencing the market. The value is generated by the interchange on the market. Hereby, the emphasis deceits on the efficient match among the stream from a company's value chain and the consumers demand. (Prahalad & Ramaswamy 2004 c)

As a result, the customers are stunned and disappointed by the product diversity available for them. On the other hand, inside the new value co-creation method the emphasis deceits on the co-creation knowledge that is generated through the co-creation among the company and the consumer. The company cannot generate value in absence of the involvement of the entities. This is how, the entities and their co-creation knowledge's are in the focus. This principle confronts to new consequences: the interactions. (Prahalad & Ramaswamy 2004 c)

As consumers are heterogeneous, the value creation procedure must put up diversity of consumer engagement potentials and emphasis on the quality of the communication points. Hereafter, the base of communication among the firm and its consumer are important instruments as important to be capable to create a variety of know-hows (experiences environments).

Prahalad & Ramaswamy (2004 c) advise creating the network of know-how that provides the option to the consumer to co-create and to have a specific experience.

### **3.4 Co-production Approach**

To discover the value co-creation characteristic, it is crucial to apprehend the notion of co-production in services beforehand.

According to Ojasalo (2010) co-production from the goods dominant logic could be positioned in between the traditional products business approach and the value co-creation approach. Usually the process of production is demarcated as successive functional activities interconnected in a chain (Achrol & Kotler 1999), where an action is driving to the succeeding action (Porter 1985). Numerous actions, which possibly tangled in the production process, for instance, intellectual property of starting and planning, source collecting or handling actions drive to the creation of productions. Accordingly, co-production suggests that consumers contribute in the presentation of numerous creating actions (Etgar 2008), whereby the firm is usually in custody of the general supervision of the procedure and its result. In result, firms and consumers have dissimilar characters regarding the production of facilities and their ingestion (Prahalad & Ramaswamy 2004 b).

Generally value is created mutually with the consumers through consumer contribution in the service firms. Co-production facilities could be noticed if the consumer is contributing any kind of sources required in the production procedure. Rendering to Arnould et al. (2006), the delivery of information can be measured as abridged substitute approach for attaining consumer contribution inside the co-production procedure. This particular approach requires only peripheral consumption of the customer and his/her possessions. Therefore, the consumer carries appropriate evidence about his choices to companies which then ensue in creating the appropriate goods rendering to these conditions and ultimately dispatch them to the consumers who have contributed this evidence. It is advantageous that it does not need consumer exertion in adopting new services, nor accepting the craving of consumer's presentation in the procedure. Nevertheless, the danger of mismatching the consumer choices due to misreading or wrong communication of consumer facts is extraordinary (Etgar 2008).

### **3.5 Differentiating Co-creation and Co-production**

Despite the fact that consumers could be comprehended as dynamic parties in the production procedure also, the limitations of co-production are lone distinct by the service providers (Zeithaml, Wilson, Bitner, & Gremler 2006). Hereafter, Ojasalo (2010) debates that the participation of the consumer is pre-planned handled and carefully measured. The consumers are compelling a sensitive role, in which they are allowed to give criticism and reply to questions dispatched by the service provider but are anyway not allowed to form any kind of service design (Ojasalo 2010).

Rendering to Ballantyne and Varey (2008), the co-production continues with pre-determined strategies which outcomes are clear in progress. On the other hand, the aim of co-creation is to generate rather new and unpredicted and it comprises knowledge from each other and rather novel together.

### **3.6 Identifying the Challenges within the Co-creation approach**

This subchapter includes best of the debated challenges inside the concept of the Business to- Customer (B2C) area, while the object is to augment the value co-creation. This is how, this chapter is necessary to follow the research determination of the thesis venture. Hereby, the purpose of this subchapter is to deliver preliminary indications for

researching real challenges (see figure 9) and complex situations that are constraining the improvement of value co-creation of the case discussion forums.



Figure 9 Relevant challenges in the co-creation approach in practice within B2C market

According to figure 9, once relating the co-creation notion, the contest for firms is to expect and to reply to consumers requirements (Ojasalo 2010). Because the customer beliefs various mechanisms of the provider's value proposition in various states, correspondingly denoted multiple priorities (Ojasalo 2010). It denotes the contest is the *heterogeneity*. Hereafter, firms must think widely various consumers perspectives and demand and select how to reply to them. In order to address the miscellaneous postulates of their consumer base (Prahalad & Ramaswamy 2004 b), companies need to listen to consumers and choose what to follow or not. This procedure will need sophisticated decrees; this is how the co-creation procedure will need complete knowledge on both sides (Prahalad 2004).

A different contest is to substitute common faith and *consumer loyalty* with the aim of engaging the consumer. In doing so, a complex factor is the aptitude of the provider to shape trust, along with keeping potentials (Kowalkowski 2011). Denoting to Prahalad (2004), the combined discussion with consumers is not only for assisting the awareness sharing feature but rather for augmenting the level of awareness and faith. With the aim

of gaining faith and having fruitful co-creation relations, firms must be conscious about transparentness as a vital characteristic of the co-creation affiliation (Prahalad 2004). To obtain faith, firms must examine new altitudes of entree and transparentness in their connections with consumers (Flint & Mentzer 2006). For this reason, the enquiry about the range of consumer entree in the process is beneficial and feasible for both sides (Prahalad & Ramaswamy 2004 b).

During value co-creation process *Customer activation* contains important role. As discussed earlier in previous and current chapters (i.e., chapter 2 & 3), co-creation is completely about involving and allowing the consumers rendering to their distinct needs to stimulus the value creation procedure. Thus, Norman & Ramirez (1993) pointed that activating consumers to communicate in their individual value creation procedure could require some exertion, which can be a great experiment for the firms. Consumers could, conversely, learn how to practice, sustain, restore and adjust the offer to their distinct needs (Vargo & Lusch 2004). Thus, one main characteristic is the consumers capability to generate value with the quantity of information, awareness, expertise and other assets that they can entree and practice (Norman 2001).

The acquirement of *competences and operational efficacy* is obligatory for the distribution; supplement and assessment of what has been assured could be a contest, in specific to confront consumer's demand for multifaceted offers with a focus on value-in-use. As a result, service providers are required to attain an appropriate arrangement among their value offerings and current functioning resources (Kowalkowski 2011). Still, to process detailed discussions with the consumer could be a very inefficient process. The contest is to discover a path to keep operating efficacy throughout the rigorous communication with each consumer (Prahalad & Ramaswamy 2004 a).

Till now, the service-logic is only partially applied in exercise. Real business models with emphases on the outside-in-view are absent. Hereafter, one of the contests for the prospect shall be to generate business models and instruments that positively assimilate the service provider's procedures with the consumer's procedure of value generation. Instead of shaping the client fit in the service delivery process, the facility provider must find an alternative way to the value generation process of client. Only when the service provider will acknowledge the clients' *expertise in practical implementation*, the service provider is capable to deliver resources and procedures more efficiently to assist the consumer value generation (Grönroos & Ravald 2011).

As stated earlier, firms assume a risk in allowing *information admission*, since they panic to provide the consumer a sophisticated degree of control. Overall, discussing about risks, rendering to Prahalad (2004), co-creation can intensely decrease rather than increase the risk of the provider, because the consumer's venture of know-how and time

decreases the provider's work to project consumer needs. Consumers are a key source of information concerning what they need and anticipate from a service, since they are specialists on their own ingestion procedure (Ostrom et al. 2010). Additionally, connecting consumers in an initial phase of co-creation and uphold an incessant discussion with them can decrease the risk of consumer's denial of the end invention.

Generally, because of the few consumers surviving in the *B2B-market*, there is a larger interdependence among provider and consumer than in the B2C market. Hereafter, Ojasalo (2010) states that the value co-creation methods could have an even more significant and valuable effect in the B2B market.

As discussed earlier about the setting of customer value, the new logic of value involves that next to the value generation approach for end consumers, the whole value-creating methods must be measured as well. This is because of the fact that the demand for diverse and multifaceted offers is aggregating, and a lone firm is hardly able to deliver entirety anymore.

Hereafter, there is a growing requirement for more multifaceted affairs, particularly in the B2B context. In this context, it is an even more vital undertaking to contemplate about the reconfiguration of the characters and affairs between the ancient groups of various economic players (suppliers, business associates, and consumers) and legislative carry out with the intention of structuring a combined business structure.

This worth that maximum time the value happens not in consecutive restraints but relatively in complex groups of consumer's providers, associates and business associates. These groups generate value by corresponding numerous competences of the contestants in a further effectual way, and in this way circulate the generation of value in new methods (Normann & Ramírez 1993).

## 4 RESEARCH DESIGN

### 4.1 Research Approach and Method

The value has been learned comprehensively in the area of marketing and it became clear during the era of constructing the conceptual learning of value and value creation. For the decades conventional notion of value creation has dominated but now steadily trailing its supremacy because of the rising of value co-creation notion. For this reason the task was to construct a study which could reveal several exciting features of value co-creation. To do so, qualitative research methods were adopted by researcher to achieve knowledge of the dilemma and then to reveal the answers of the question.

Theoretically, qualitative research looks to reveal the answer of a research question, systematically customs a predefined set of activities to response the research question, gathering proof and answers that are not unwavering in the progress and finds results that are appropriate away from the close limitations of the study (MacQuess, Mack, Woodsong, Guest & Namey 2005, 1). According to Poovey (1995, 84), *“There are limits to what the rationalizing knowledge epitomized by statistics can do. No matter how precise, quantification cannot inspire action, especially in a society whose bond are forged by sympathy, not more calculation”*.

Research in the area of social science and applied fields recognizes qualitative research methodologies are essential mode of enquiry, for example, education, social activities, community enlargement and administration. Its classifications occur in high range and a lot of marvelous wordings lead to their theories and methods (Marshall & Rossman 2010). In comparison with quantitative research, the character of research is slightly unlike in this research torrent, because the capability of theoretical knowledge of researcher's and the methodical skills are not enough to advance the research. Beside these capabilities, the researcher is required to be prepared with sensible imaginative capabilities. Qualitative method specifically assists the researcher to realize outlook, meaning, actions and cultural view behind the characteristics as shown in figure 10.

Qualitative research can draw the strong attention in detail, the competency to encirclement both verbal and non-verbal behavior, to penetrate fronts, reveal denotations and find the delicacy and difficulties (Pratt 2006). On the other hand, in quantitative research, operations are contextualized within the circumstances and momentum, and theory is developing from the empirical data and consequently there is 'closeness of fit' among theory and data (Woods 2006).

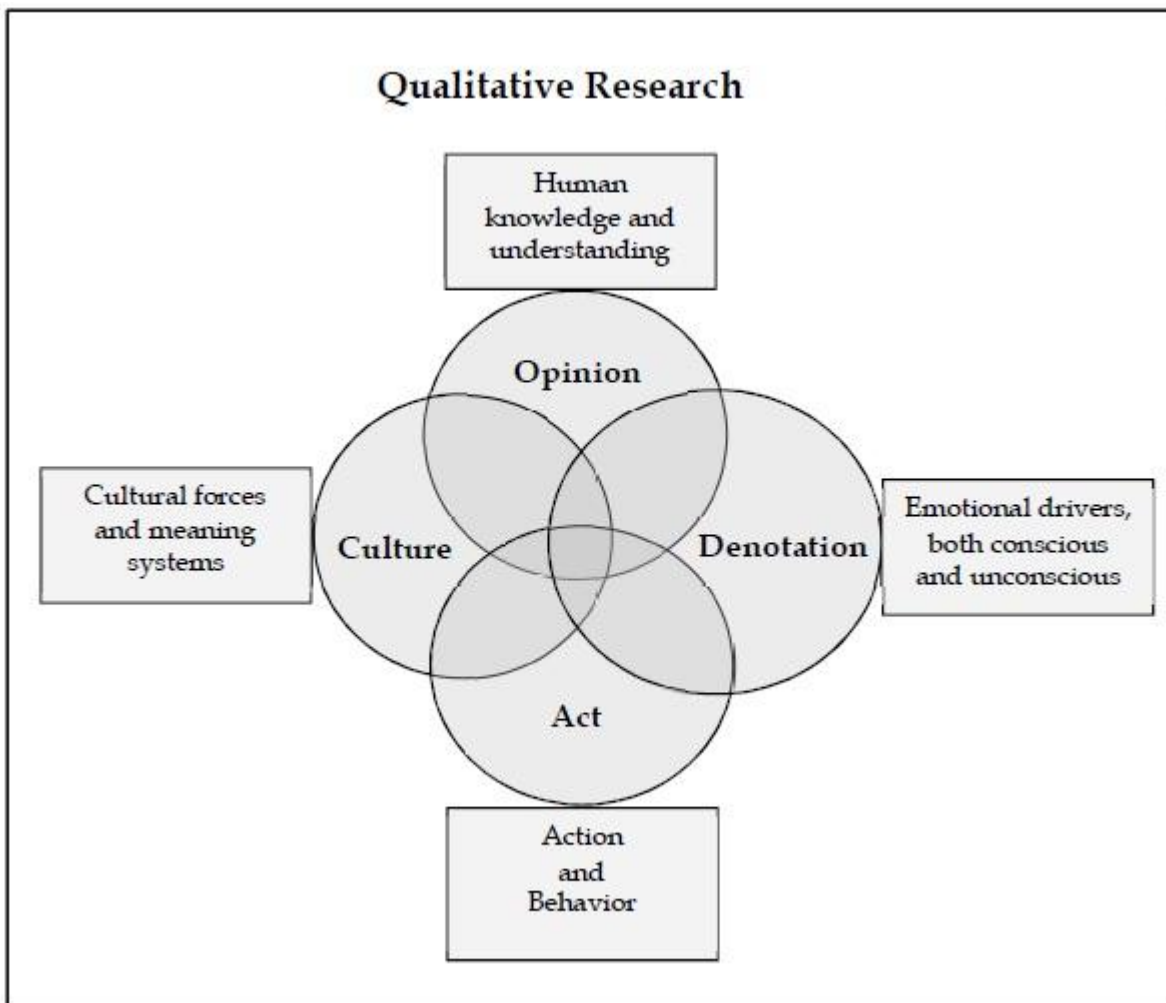


Figure 10 Focal points of qualitative research (Edited from QSR international.com<sup>4</sup>)

The aim of qualitative research is not to make arithmetical simplification, but to completely recognize and define an activity and offer hypothetical feasible analysis and resolution (Yin 2003, 10). According to figure 10, recognizing the view of the subject consist realizing and possession of acquaintance by the subject and investigating their deliberate attention. Meaning denotes to cognizant and incognizant emotional drivers of the people and thoughtful activities taken by the subject and their self-actualization about it. Belief is within which the spectacles is shaped and encompasses shared denotations, norms and codes. As this research was carried on real events, understanding the views and performs and considering behavioral motivates molded the hypotheses for

<sup>4</sup> Retrieved from <<http://www.qsrinternational.com/>> in the year of 2011.



this learning, and this is how qualitative research delivered a profundity of understanding in the spectacles (Woods 2006).

The study can also be recognized as an outcome from *qualitative multiple case study* of empirical study. Usually the focusing and understanding part of a case study research approach reflects the dynamic existence within multiple settings. Data assemblage approaches for example stores, meetings, surveys and comments are usually combined in the case studies (Eisenhardt 1989, 534). As a part of this research plan, case study was particularly very suitable and it permitted the collecting of complete and detailed information on service/product deliver-customer relationships and its dependent variables (Hirsjarvi, Pirkko & Sajavaara 2001, 123). Because of the tentative nature of empirical study, this case study also measured as well fitted for the determination of understanding occurrences that were not very known in before ( Nieminen 2003, 58-59; Hirsjarvi et al. 2001, 128).

Moreover, multiple case studies allowed detailed information of all the related cravings in the environmental setting of the case connotations from a general viewpoint. As this paper was seeking an answer of research question that was asked with “how”, seemed as proper choice of using the qualitative multiple case. Alongside that for studying inter-organization, social and multifaceted procession phenomena, multiple case studies seemed to be most fitted, which acted an important role in the introductory framework of this learning (Yin 2003, 12-14). These issues were found to be specifically related in this research as the interrelations in the introductory framework were multifarious in nature. However, it appeared to be more meaningful to try to appreciate a chosen number of reasonable cases and then trying to seize collective results from a large number of choices (Nieminen 2003, 58-59).

More importantly, the researcher did not mix up any simulated trials, somewhat related on ‘*natural experiments*’ which were proceedings that’s actually happened logically in real life context. Prominence of value co-creation with customer and the importance of customer contribution in the value co-creation procedure are well accepted by business institutes and scholars. Nevertheless, because of the availability of challenges in the procedure, succeeding the ‘natural experiment’ method to perceive the communication among the service deliverer – customer relationships must deliver insights of difficulties and their likely resolutions (Nielsen 2010). Angrist and Kruger (2001, 74) stated that, a signature practice in qualitative study is consuming the ‘natural experiment’.

The method of deduction or the method of induction or an amalgamation of the two can produce the answer to any issue. An induction method defines where the investigator investigates certain phenomena and reaches at decision through array acknowledg-

ment and testing proposition. On the other hand the method in which the investigator reaches in conclusion of present theories is called 'deduction' method (Burney 2008). A combination of both of these methods has been applied in this research and a graphical presentation is shown in figure 9.

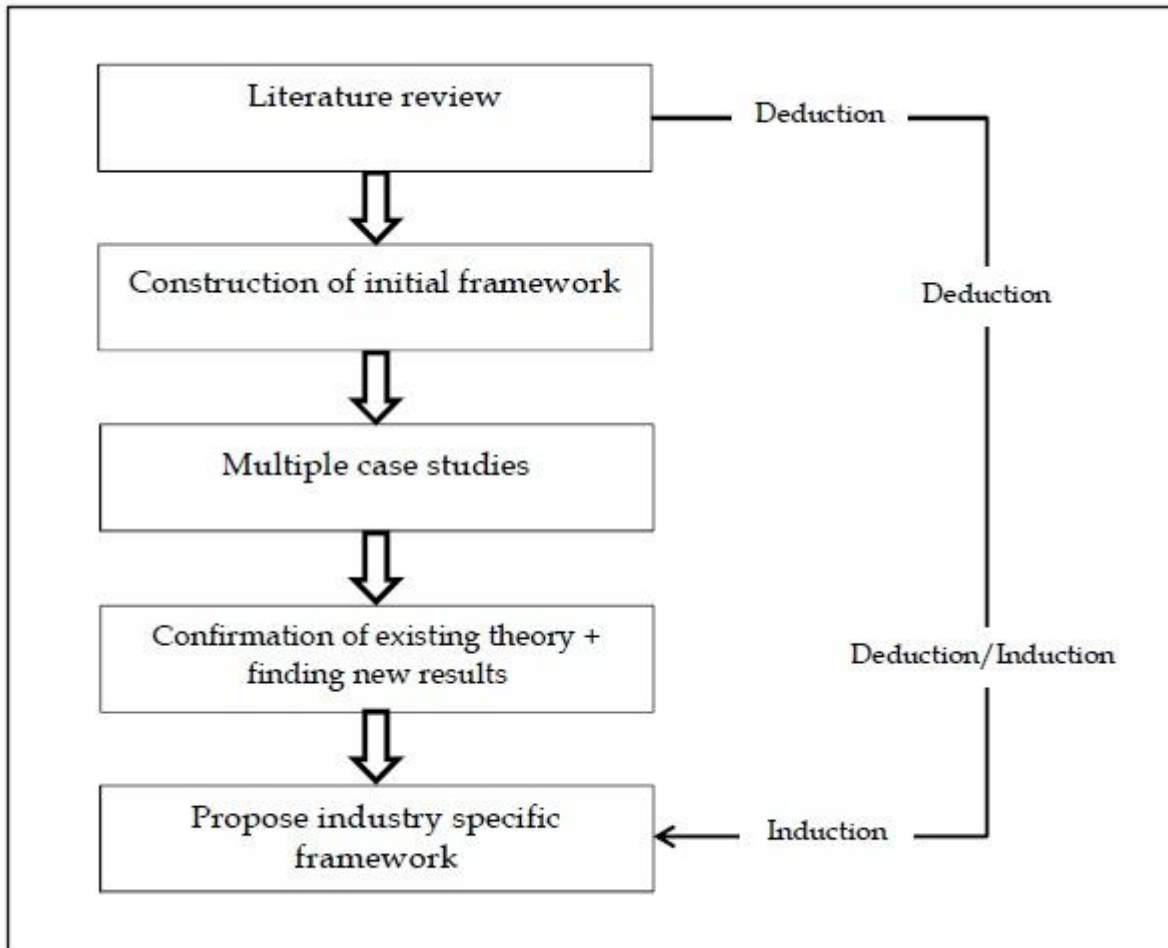


Figure 11 Research methods applied in this study (Akpinar 2009, 24)

According to figure 11, the first phase of the procedure the task was to review the existing literatures. Value co-creation notion and business model was understood and conceptualized deeply during this phase while studying the literature. Existing literatures helped to know and understand the business of gaming industry, their significance in society and the important roles they play in the world economy.

The thoughtful and the experience earned from the literature review were then functioned to cultivate the introductory framework. In the framework it was tried to shield the feasible value co-creation challenges and their possible resolution in gaming business context. The introductory framework used of functionalizes the research question.

During the third stage the research was the empirical learning, the objective was examine the introductory framework vs. reality. The empirical study of this thesis was to

see the forms of value co-creation challenges against it and the probable solution by the gaming industry.

In the next stage, the fundamental idea if the current theories were confirmed to a high note, which recognized deducting reasoning output. In the same phase the current theories of value co-creation challenges and their solution was reshaped in gaming context. Furthermore few new challenges were also recognized and solutions were established rendering which reflects the reasoning of inductive process.

And lastly the fifth and final phase of this study was to establish a more accurate industry oriented framework for helping value co-creation in gaming industry. The method reflects value co-creation from a right perception and proposes committed actions and methods to co-create value. Inductive reasoning was denoted by this phase.

## **4.2 Conducting the Case Studies**

As it is apprehended from the research question, this research is looking for industry of gaming world to find the answer. The gaming industry encompasses wide range of gaming categories. But the research is attempting to focus in something which is well known by all, preferably available in online and all the facilities of modern gaming entertainment. More importantly in a gamers community where gamers can express their gaming experiences and other related issues it with the console manufacturers and game publishers along with other gamers.

For this particular thesis project researcher had chosen online community or forum which is widely known as web 2.0 interfaces. In another way the websites which are updated through user generated contents is known as web 2.0 interface tools. For example when someone visits an online news site and leaves feedback or comment under the thread of specific news is a web 2.0 interface tools. Now-a-days web 2.0 interface tool has become popular for online customer marketing survey. User generated content is becoming more popular day by day as companies can analysis their customer choices, liking, disliking, wish list etc. which ultimately lead them to interact with customers more directly. It became possible for a large number of customer groups to participate in new idea generation, product/service development for companies because of web 2.0 interface tools. (Sigala 2012)

The selection of sector was impacted by a number of elements in this research paper. As the study is conducted based on web 2.0 interfaces, it was more logical to consider games like multiplayer online playing games due to the accessibility in a wide range of games experience and community from the whole world. It is important to note here

that, in this sort of particular online multiplayer games, two or more players can participate from around the globe in a same proceeding of games through online. And the range of gamer's community in that case is huge.

In case of gaming companies there are two major issues under business model focus. Firstly the vital matter is the subject of regularization against the adjustment of value offerings. Second issue is the amount of customer participation in value co-creation process. When a game is developed, the platforms of value co-creation are already embedded in the value proposition (Sigala 2012). A very good example of such kind of platform can be the world changing social networking is Facebook. The case discussion forums for this dissertation are Microsoft Xbox discussion forum and EA Sports discussion forum.

The process of case discussion forums selection in this particular thesis was based on couple of different elements. The information availability of such case discussion forums online is the first of them. More importantly the analysis of the case discussion forums will be based on the secondary data available from the gamers' community discussion forum. Web community forums are usually assailable for all. For this reason it is easy to access the required information. It involves very low cost or no cost in some cases at all. Because of easy access it saves a lot time for the researcher and more importantly for a new comer in scientific research, secondary source is the easiest.

Netnography is the right word to justify the data collection and research processes of this project. In the later part the method of Netnography is discussed thoroughly in order to justify the adaption of this unique method in the data collection stage. Secondly the choices of games selection were specially made upon prior knowledge of playing those games by the researcher. Researcher himself avails a Microsoft Xbox 360 console and a famous game published by EA Sports. Thus researcher can be treated as an active customer for both of the companies and as well as an active member of community forum of both companies. Thus being an active customer and member of community forum can be considered as one of the motivation of writing this thesis. Thirdly, using the knowledge that researcher gained from the writing of bachelor dissertation in the same area of social science also motivated. More about detailed data collection is discussed in data collection part.

#### **4.2.1 Data Collection**

In the recent time a lot of people are using online groups for example newsgroups, forums, blogs, social networking sites, video casting, image sharing groups and virtual

worlds and the internet is an imperative source of research. Netnography, or in another words the conduct of ethnography research through internet, is specially designed to study online culture and communities. Recently Kozinets (2010) revealed the essence of netnography in his book "*Doing ethnographic research online*". Kozinets explained how to conduct an accurate and ethical research online in this book. In order to conduct a netnography research as a part of research plan, this study followed the guideline from Kozinets (2010) book.

#### ***4.2.1.1 Netnography***

Netnography is an excellent method of research for professional researchers and also is very helpful for the newcomer to research (Kozinets 2010). According to Kozinets (2010), virtual groups possess the erudite feelings, appraises and traditions that function to dictate, lead and drive the activities of a special community. The use of the internet has inspired people a lot to use extremely advanced interactional twists that allows and sanction the establishment of society or a group. Virtual ethnography denotes a number of associated online research approaches relate to the learning of the groups and philosophies created through virtual social communication platforms. Noticeable between these ethnographic methods are "netnography" (Kozinets 2010). The term netnography derived from the term ethnography, online and virtual ethnography. Online and virtual ethnography refers to the virtual fieldwork that monitors from the outset of ethnography as a pliable technique.

In any forms of name, all ethnographies of virtual philosophies and groups range the old-fashioned concepts of field and ethnographic study, along with ethnographic cultural analysis and depiction, from the reflection of co-located, face-to-face communications to technologically facilitated communications in virtual networks and groups, and the online culture shared among them (Kozinets 2010). Kozinets (2010) suggested that ethnographic research can be evocatively applied to computer-facilitated communications, a proclamation that some have disputed, but which is gradually getting recognition. Nevertheless, other investigators have accentuated a more participative method, in which the investigator fully contributes as a member of the virtual groups. This latter method is nearer to old-fashioned ethnographic principles of participant reflection, protracted appointment, and deep involvement. Netnography upholds the values of old-fashioned ethnography through facilitating a Geertzian sense of "thick description" through the "immersion" of the investigator in the happening of the online philosophy or groups (Kozinets 2010).

Conferring to Kozinets (1998, 1999, 2002), netnography is “*a new qualitative research methodology that adapts ethnographic research techniques to study cultures and communities that are emerging through computer-mediated communications*” (Kozinets 2002, 62). In comparison with other approaches, netnography is time efficient, hypothetically less mistakable, and cheap. Denoting to shared ethnographic processes Kozinets (2002, 63) applauds the succeeding procedural phases and processes for netnographic studies:

1. Entrée: Research question formulation and documentation of suitable online forum for study.
2. Data Collection: Copying from the computer-referred communication of virtual community followers and observations of the community and its followers, communications and meanings.
3. Analysis and Interpretation: Grouping, coding exploration and contextualization of unrestrained acts.
4. Research ethics: “(1) The investigators must reveal their existence, associations, and intents to virtual community followers during any investigation; (2) the investigators should safeguard privacy and secrecy of information’s; and (3) the investigators should pursue and integrate feedback from followers of the online civic being researched. (4) The investigator should take a careful locus on the private-versus-public intermediate issue. This method involves the investigator to contact civic members and to attain their consent to use any exact placements that are to be directly quoted in the investigation” (Kozinets, 2002 65; Kozinets and Handelman 1998).
5. Member checks: Exhibitions of few or all final investigation report’s discoveries to the followers who have been observed in order to plead with their remarks.

#### ***4.2.1.2 Description of Case Discussion Forums***

Researcher has selected 2 different web 2.0 interfaces of gamer’s discussion forum from each case company. They are presented separately under the name of case companies in different table.

Table 1: Microsoft Xbox discussion forums

	Community 1	Community 2
Community name	Xbox Discussion Forums	Official Xbox Facebook Page
Web Address	<a href="http://forums.xbox.com/xbox_forums/default.aspx">http://forums.xbox.com/xbox_forums/default.aspx</a>	<a href="https://www.facebook.com/xbox?ref=br_tf">https://www.facebook.com/xbox?ref=br_tf</a>

Table 2 : EA Sports discussion forums

	Community 1	Community 2
Community name	EA Sports Discussion Forums	Official EA Sports Facebook Page
Web Address	<a href="http://help.ea.com/en/">http://help.ea.com/en/</a>	<a href="https://www.facebook.com/easports">https://www.facebook.com/easports</a>

Above tables (i.e., 1 & 2) is the detailed information about used discussion forums for this thesis project. *Microsoft Xbox* (see table 1) is one of the leading console manufacturer in gaming industry. Researcher personally uses Microsoft Xbox 360 and thereby became interested in the search of value creation process. Researcher is an active member of Xbox community forum and Microsoft Xbox official Facebook page. Due to the unavailability of population data of Microsoft Xbox community forum it is not possible to mention the figure here but official Facebook page has over 4.2 million fans (Official Xbox Facebook Page). Xbox users are the member of this forum. Xbox discussion forum is segmented according to the topics and users can start discussion by choosing appropriate topics. Both of these discussion forums are moderated and represented by official Microsoft Xbox representatives.

Table 2 is about *EA Sports* who is one of leading game developers and publishers in gaming industry. One of researcher's favourite games is *Fifa 13* that he plays mostly; it was developed and published by EA Sports. Besides being a fan of EA Sports, researcher is an active member of EA Sports discussion forum and their official Facebook fan page which has more than 21 million of fans (Official EA Sports Facebook Page). EA Sports discussion forum has similar functioning like Microsoft Xbox discussion forum. Users just have to choose topic to continue any kind of discussion among the

community. To become a member EA sports discussion forum someone must buy a copy of game. Both Microsoft and EA Sports discussion forums are user generated content web portals.

During the data collection period researcher had selected all the discussion threads from the respective discussion forums of case companies. It is important to note here none of the discussions were selected from Facebook. But researcher had visited and observed both very closely during the progression that might have influenced researcher in the discussion analysis part.

#### ***4.2.1.3 Criteria of Data Collection***

Selected online communities are officially recognized discussion forums by the case companies where both of the companies monitor and moderate these web communities through their representatives. Moreover all of these web communities contain more than million users which is quite impressive number of population for healthy data collection and analysis. The presence of official representative supports the authenticity and quality of collected data.

Researcher had emphasized on the quality of communication, responses from involved parties than the number of participants. It is important to note here that, during data accumulation process researcher found discussion threads and responses are sometimes clumsy and unnecessary though the participants in the thread were high in number. To overcome this problem researcher had gone through reading and understanding to justify the quality of discussion.

For each case discussion forum researcher had chosen 5 discussion threads to analyse. Only 5 discussion threads were chosen because of the time limitation of the project and to make the analysis part more reflective and descriptive. During the data collection process it is observed that the discussion forums are segmented based on discussion topics such as; general discussions, hardware, networking and many more. As a result discussion threads were very organized and easy to find according to needs. Researcher tried to pick 5 discussion threads where the numbers of participants were significant and qualities of conversations were profound from widely discussed topics. It is important to note here that to ensure good quality analysis, number of chosen discussion is vital. High number of discussion can cause unintentional repetition of discussions and ambiguity. However the announcement of conducting an investigation among the online communities was avoided in this project to assure the natural involvement of participants.



#### 4.2.2 *Data Analysis*

This research project is founded on the qualitative data exploration approach, of which objective is to scientifically comprehend and gain comprehension from the accumulated data. The task is to find logical interpretation from the huge quantity of data, by dropping the size of material, classifying important shapes and building an outline to interconnect the core of information's.

Rendering to Marshall and Rossman (1995) the purpose of data exploration is to edict and configures a mass of accumulated data. The main analysis distinguishes the entire splinted data in integral parts. That means the investigator divides, shrinks, categories and reconstructs the data by using the investigative method.

Miles and Huberman (1994) differentiate among the subsequent components within the qualitative information exploration:

- Data reduction
- Data display
- Conclusion drawing/verification

Miles and Huberman (1994) pronounce information decline as the first component of qualitative data investigation, whereby the information, which appears in the transcriptions, will be scientifically chosen, abridged, vague and transmuted. The aim is to create sense from the bulk of verses. In this stage, the investigator creates groups or clusters and recognizes themes and designs as a footing. Data dropping is a method of investigation that improves genres, emphases, removes and arranges information in a way that legal justifications can be drawn (Miles & Huberman, 1994).

Information exhibition is the second step according Miles and Hagerman's typical of qualitative data investigation. Information exhibition accumulates the data in a systematic way which would permit decision drawing. So as to exhibit information, many dissimilar methods could be castoff, for instance, mediums, bar, graphs, tables or networks. The goal is to accumulate systematized data into an instant, available, solid form so that the expert can realize what is going on and draw reasonable suppositions (Miles & Huberman 1994).

The third and final investigation action is the decision making and authentication. From the primary stage of data accumulation, the qualitative expert initiates to choose the sense of certain data or discussions. Obviously, during the commencement these kinds of inferences could be absolute incomplete and unclear which will lead to ambiguity and biasness. Based on that, clarifications are continuously natural and idiosyncratic. The investigator should be exposed and sceptic in investigating the information to confirm that first unclear impressions and opinions are not deceptive towards any

incorrect suppositions. Therefore, the investigator should sensibly determine alternative clarifications as well. The senses developing from the information have to be verified for their rationality, which means their credibility, durability and compatibility (Miles & Huberman 1994). These three analysing actions shall be viewed in a constant collaborative cycle, rather than as an order, with fix command, of successive phases (Miles & Huberman 1994).

During the data analysis part researcher had followed the prescription given by Miles and Huberman (1994). While analysing the collected data from discussion forums, researcher reduced the unnecessary data then displayed and analysed them in subchapter 6.1 and 6.2. And finally, the conclusion and summary is drawn respectively in chapter 7 & 8 based on the findings from case discussion forums analysis.

#### **4.2.3 Operationalization**

The operationalization of the research question was formed on the basis of existing literature. The operationalization was covered in three phases. In the beginning the main research question was separated in three research sub questions. Then in the next phase each of sub questions were divided into their operational equivalents. The theoretical framework was very much influenced by the sub research question and operational equivalent whereas the analyses of case studies were done in the light of operationalized question. The table of operationalization of the main question is shown in table 3.

Table 3 : Operationalization table

The Research Question	The Research Sub-Questions	The Operational Equivalents	The Operationalized Question
How is value co-created in the gaming industry?	What is value co-creation in the gaming industry?	What is the conventional understanding of Value?	What is gaming industry?
			What is the conventional value chain of gaming industry?
			What is the shifting dynamics of gaming market?
		What is value co-creation in gaming industry?	What is the co-creation approach of value creation in gaming industry?
			What is the distinction between conventional and new value co-creation approach in gaming industry?
			What is the difference between co-production and co-creation approach of gaming industry?
	Who participates in value co-creation in the gaming industry?	What is value in the gaming industry?	How value is embedded in gaming industry?
		Who participates in the value creation game industry?	What is the role of console manufacturer?
			What is the role of game developer/publisher?
			Who plays and why do they play the games?
	What are the procedures that are involved in value co-creation in the gaming industry?	What are the challenges involved in value co-creation of gaming industry?	What are the difficulties from consumer's side?
		How the parties are involved to overcome identified challenges in value co-creation processes of gaming industry?	What are the difficulties from company's side?
			What consumers can do?
			What companies can do?

In order to operationalization of the main research question among huge amount of data from case discussion forums needed to be coded to understand them more easily. The procedure of categorizing chunks and information is named coding. Throughout this procedure, the information will be classified by identification or tagging appropriate words, so as to classify a part of information which goes to or symbolizes a more general phenomenon. Codes function as shorthand manoeuvres to tag, discrete, accumulate and consolidate information. No important parts of the record will remain unclassified. Afterward, the investigative action, named generalization, clusters earlier recognized groups into more common theoretical concepts. Therefore it is typical to redefine or adjustment the groups or codes throughout the research investigation to safeguard its rational sense (Ghauri & Gronhaug 2005).

Comparison, as an alternative investigative action, is typically used in the early phase though classifying the information. The investigator documents overall resemblances in the explicit experiential examples of the information and tags those that epitomize the similar group. Comparison purposes to find out alterations and resemblances within the information (Ghauri & Gronhaug 2005).

In this study, during the initial phase researcher had applied these rules and formed a preliminary list of codes. During this early procedure, researcher had recognized four categories, which were built on the literature study and in the meantime of augmented discrete knowledge of the co-creation method. These sets are titled as 'Console Manufacturer', 'Focal Gamer', 'Other Gamers' and 'Game Publisher / Developer'. Further narrative and subordinated codes of each section is described in appendix (1). Initially researcher introduced "consumer" in chapter 5 by combining both "focal gamer" and "other gamer" since the characteristics of both are similar. The codes were formed through the investigation because new visions and new methods of understanding the data arose. Hence, when researcher realized that a code had become unsuitable, he altered, added, redefined, removed or renovated the code.

Besides creating the codes, researcher has formed a table of discussion based on the discussion thread found from case discussion forums. The heading of the table is formed based on the literature review of value co-creation. These includes 'discussion', 'who introduced', 'process', 'value for companies' and 'value for customers'. Based on the discussion table researcher had analyzed and identified co-created value during company to customer (B2C) and customer to customer (C2C) interaction and relationships. Example of discussion table is presented in appendix (2).

#### 4.2.4 *Trustworthiness*

One of the practical challenges for a researcher during the whole research progression is to make sure the audiences of the scientific flora of the investigation, in the light of its importance and trustworthiness (Hagerstrom 2010). Relationship among the outcome and actuality should be the major objective in all research (Hirsjarvi et al 1991, 128). Instigating diverse assessment principles increase the limpidity of the investigation and deliver prospects to find its strength and limitation. The postulation of a qualitative hypothesis is reflected by four theories are: (i) credibility, (ii) transferability, (iii) reliability and (iv) dependability (Lincoln & Guba 1985; Marshall & Rossman 1989).

In this study *credibility* was proven by representing that the investigation was accompanied with the safeguarding aptitude that subject was precisely documented and defined (Lemmetynen 2010, 65). During the data collection part it was mentioned, that the web communities of case companies for this research were chosen with careful consideration. The selected web communities are officially recognized, monitored and moderate by the case companies.

The strength of a qualitative investigation is represented by *Transferability*. The metier of a qualitative investigation places in the malleable and direct communication between the examiner and defendant (Sykes 1990). Odman<sup>5</sup> (in Bergum 2009) supports the uses of various sources, creating chain of indication in this investigation by choosing secondary substantial for this purpose. Transferability was attained in this investigation by choosing and gathering secondary data from various web communities which are different in their proposition but comparable in the light value co-creation procedures. Moreover it is predictable that finding of the research might be helpful for the entertainment business industries as well.

For a durable scientific qualitative perpendicular to measure any investigation, *reliability* is most important fact. In an observational study reliability of collected data is most important knowing that the investigator can manipulate the accuracy of information. Understanding is another vital part of the investigators work (Bergum 2009, 70). Qualitative investigators can react to the claim for reliability by possessing over notes that record the reasoning behind the design decision (Marshall & Rossman, 1989). The reliability of this study is established through detailed description of opera-

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<sup>5</sup> Original Text: Odman, Per-Johan (1979) *Tolkning, forstaelse, vetande: Hermeneutik I teori och praktik* (Intepretation, understanding and knowledge: Hermeneutics in theory and practice) Almquist & Wiksell, Stockholm.

tionalization of research question. The raw data of discussion from both web communities are saved as electronic files for future annals.

The final construct to evaluate an investigation is *dependability*. It refers to the investigators efforts to account for altering sceneries in the phenomenon being considered – for example, altering in the design oriented by gradually advanced understanding of the scenery (Lemmetyinen 2010, 67). In this research timing of the study need to be taken in the consideration as well as all the data was collected during March 2014, when the gaming industry is flourishing and enjoying business competition largely.

## 5 VALUE IN VIDEO GAME INDUSTRY

Video game industry is structured by a prototypical platform where a video game console manufacturer performs as a platform of two different end users, game developers and consumers. Thus a console manufacturer allows two end users to interact through its platform generating externalities for both sides of the market. The demand side incidental network effects relate to the effect that a title of game has on a value of console to the consumers and at the same time the benefit is receiving by a game developer when a supplementary consumer is added in the owner base of console. The size of the cross group externalities is determined by the console performance of attracting the other side. In contemporary gaming industry there are three major market players (see figure 12): (1) the console manufacturer, (2) the game developers or publishers and (3) consumers. A consumer pays for the console and gaming software in order to play games.

Nevertheless, rendering to play a video game by a consumer, the game publisher of game has to pay a royalty fee to be permitted as publisher by console manufacturer to make his game friendly with the console. Royalty fee is not a fixed one-time fee rather the developer has to pay a fixed amount for the each copy is purchased by a consumer and at the same time a onetime fee for software development kits (SDK) (see figure 12).

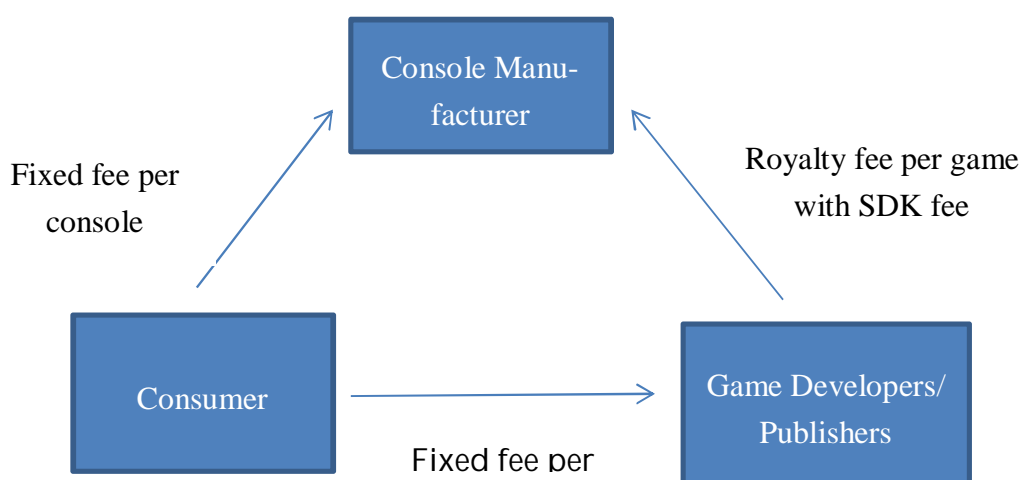


Figure 12 Video game market structure (conceptualized)

Figure 12 portrayed the general video game market structure. It has a simple description of who pays whom for what. Consumer is paying a fixed fee per console to the console manufacturer and entering in the customer base of console manufacturer. On the other hand Game developer is paying a royalty fee per game and one time SDK fee

to be enabled to develop games compatible for the console produced by console manufacturer. And at the end consumer is paying a fixed fee per game to the game developer to enjoy the ultimate gaming experience. To understand the market and value of gaming industry readers have to acquire knowledge about the business strategies and business models of the major players of this industry as well as about consumer's behaviour towards the market. During the later part each of these players is described in brief.

## **5.1 Console Manufacturer**

From the beginning of this century the gaming world has observed a major introduction, the beginning of Microsoft in 2001 onto the business of gaming console. Microsoft has attracted more than other existing platform to the game publishers by this time. The other competitors such as smartphones, Nintendo Wii, Sony PlayStation are also competing for getting attraction by the game publishers. The developments of new platforms like smartphones, new online services such WiiWare by Nintendo Wii, Xbox Live by Microsoft Xbox or PlayStation Network by Sony PlayStation and lot more video game tournaments have brought the challenge within the first decade of this century. All of these features have a major influence on the value chain on the strategies of both conventional players and the new arrivals. (Daidj & Isckia 2009, p 23)

### **5.1.1 Console Market**

A steady market growth has been observed for all the divisions of the sectors, which was supposed to reach €48 billion at the end of 2008. Instead of the transition of two console generation in 2005, the sale of house console and supported software kept the market moving forward. The development of games console industry requires a major financial supply in order to transit between the generations. Console manufacturer and game publisher both like the transition of console generation because of its delicacy. (IDATE 2003)

Since 1973, when Atari launched their first console, the console market is moving through monopoly, duopoly and oligopoly even if the oligopoly be likely to become lead. However the coming back of Nintendo in home console industry after 1980 changed the course of market and created immense competition for all the market players (Daidj 2008).



*"This industry uses the model of the business of razor and razor blades, selling subsidized hardware to win in the software. Unlike other mass media, it does not generate revenue from advertising; it is generated by proprietary hardware and no interoperability, which is a factor that is crucial to competition" (Tomaselli, Di Serio & De Oliveira 2008, 16).*

The general business model that console manufacturer use to sell their products is the model of "razor and blades". The entire console manufacturer sells their commodities comparatively in low price (even sometime lower than the manufacturing cost) to ensure that the base of the customer on this platform is higher. The profit part depends on the complementary software selling and monthly subscription from online platforms.

### **5.1.2 Platform Industry**

A console platform is developed by the combination of several tangible and intangible properties (i.e., hardware, software). The design of these properties may found from open sources or not. For example, the sources of structuring these properties are grounded on the usability of available criteria enabling the ability among several elements that are outsourced and functions properly in multi-platform. In another example, the structuring of these properties is depended on the copyrighted standard, increasing incompatibility the platforms. Available gaming console in the market today are like those traditional generations – are copyrighted systems. Simply there is no interoperability among the systems.(Gawer & Cusumano 2002; Baldwin & Clark 2000)

For example, a game is developed for Sony PS3 is not compatible with Nintendo Wii or Microsoft Xbox. Same is true for each of the console system with other console systems. Gawer & Cusumano (2008) had expressed their opinion on this:

*"An industry platform involves not only one company's technology or service but also an ecosystem of complements to it that are usually produced by a variety of businesses. As a result, becoming a platform leader requires different business and technology strategies than those needed to launch a successful stand-alone product".*

Console manufacturer industry is highly positively motivated by high network externalities which have a great influence on the industry and participants' choices, remarkably with those related to the business models. There are two types' network externalities noticeable: direct and indirect externalities. When the atonement (utility) of a commodity is limiting from using a commodity or service and that is happening because numbers of entities are already using the commodity or service is denoted as direct externalities.

Indirect externalities are those when the requirement for a commodity depends on the demand of other available substitutes in the market and the first commodity is always dependent on demand of other substitute commodity. The presences of these externalities are accustomed by the survival of two corresponding goods forming a 'system' goods or a platform for example game consoles. (Daidj & Isckia 2009, 26)

A good number of scholars have identified the characteristic of two-sided markets of gaming industry. The similarity between two-sided market and network effect market is the existence of externalities and dissimilarity is majorly due to the intersection of network. Two-sided market is also similar to the hassle of multi-commodity based companies due to the function of valuation system. The effect of network is disseminated from one group of agents to other (inter-group externalities), from one end to other end of market, instead of concentrating on particular group (intragroup externalities) (Daidj & Isckia 2009, 26). In this sort of market, the broker's (producer's) part is rather difficult due to the shortage of capability to manage the requirement of more than one customer group proficiently. The foremost obstacle is to appeal both groups, assuming that their contribution rest on the others' presence. (Caillaud & Jullien 2001; Armstrong 2002; Evans 2003; Rochet & Tirole 2006, Armstrong 2006; Cortade 2006)

When a new brand new gaming console is launching, the common choice to move forward in that situation is to get hold decisive amount of user in one end of market. Producers try to keep the price low down as much as possible even if they are not getting the minimum production cost during launching stage, hoping that will trigger the growth of user base and external network of user base. The other option is to finance in the other side of market to generate more sale. This is the typical strategy what the console manufacturer adopt when start delivering the SDKs<sup>6</sup> and other APIs<sup>7</sup> to the outsourcing publishers. For example, Microsoft DirectX and Microsoft Direct3D libraries do the multimedia programming and 3D applications for the Xbox 360 and computer. Sony performs the same thing by SN Systems (SN system is the subsidiary for Sony) or its conglomerate with NVIDIA Corporation. Both of these companies handle the developing phase of kits for Sony's PlayStation3. (Daidj & Isckia 2009, 29)

The ideal price for mutually patron clutches is the one that equilibrums demand among both clutches. In another verses, value can favour a clutch over another in two-sided markets, rendering to the reputation of the indirect externalities engendered by this clutch. If group X produces greater externalities for group Y then group Y produces

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<sup>6</sup> SDKs – Software Development Kits

<sup>7</sup> APIs – Application Programming Interfaces

for group X, then group X can be sponsored and profited from lesser prices (Parker & Van Alstyne 2002). This is the example among gamers and publishers: by dropping the console's unit price, the manufacturer believes to upsurge the user base and draw in a larger amount of publishers. Thus gamers are 'sponsored' in excess of publishers. Accordingly, the selection of a valuing model shall be made after realizing the effect of a price module on both side of the market.

## **5.2 Game Developers/Publishers**

Video game publisher is usually the one who innovates, creates and develops internally or by outsourcing the developing externally. A video game publisher can have the both role of video game developing and publishing simultaneously. Along with this a video game publisher is also responsible for manufacturing and marketing of the end product including market research as well as promotional activities. (Edwards 2005)

A long time ago, realistically not that long ago, it was very common for a game used to be acknowledged, designed and developed by an individual or a small group of persons with very low budget. Nevertheless, this has all transformed by the grace of rapidly-growing influence of new generation of consoles that possess greater computing power, disc space and memory for publishers to use. The major requirement is to use more finance on marketing and obtaining the permits for developing and publishing these games to safeguard the titles trade to create it all wealth a publisher's work. Game making is very costly and afterwards it requires to be sold as many units as possible in order the recover the expenses. (Edwards 2005)

### **5.2.1 Development**

One of the major issues of game publishing is the dealing with its development. Confering to different group of publishers, the approximate budget of the game publishing industry for upcoming console generation was more than any time i.e., Sony's PlayStation 3, Microsoft Xbox 360 is assumed to be approximately \$ 10 million as paralleled to \$3-5 million for the PlayStation 2, Xbox and GameCube. (Edwards 2005)

An enormous portion of this cost is repaying to the geniuses who is making the game, for example; the programmers, musicians, artists, designer, manufacturers and examiners. Moreover the whole squads need to create games for the latest consoles two times more in quantity when equated to the earlier version of console. Especially when

it is compared with the quantity of modelers, animators, and other artists are being used currently, reader can understand the reason for increasing the challenges and the cost of making games for the latest version of console generation. (Edwards 2005)

### 5.2.2 *Licensing*

To be able to develop and publish the game, developer needs to get the license from the console manufacturer for the platform. This is the beginning of the relationship between console manufacturer and game developer. This is a proper phenomenon of B2B marketing. This is the area where money is paid out for publishing a game is through licensing. Licensing is required not only to release a game on a console but also for the intellectual properties use in the game.

Firstly, licensing is very much mandatory when publisher is approaching for publishing video console game i.e., the Xbox 360, PS3, Revolution, and many more. To publish a game in any of these platforms of video console game, the publisher has to emolument a royalty fee to the console manufacture whether it is Microsoft, Sony, or Nintendo. Then these platforms allow the publisher to publish a game for their platform. (Edwards 2005)

According to the deal between the game publisher and console manufacture, the game must comply with all the standards provided by the console manufacturer. Based on that console manufacturer will decide to accept the game and to be published. The amount of licensing fee differs and depends on the console manufacturer, along with any pre-conditions provided to game publisher. Generally approximate range would be somewhere in between \$3 to \$10 per unit. In contrast if a console maker is publishing the game by themselves, in that case they do not need to pay this licensing fee. This is the reason why the console makers are frequently capable to publish games in very low cost than third party publishers. (Edwards 2005)

On the other hand, another form of licensing has to purchase for the right to use intellectual properties for example plots, characters, sounds, celebrities, or products in the game. For example, EA Sports is paying licensing fees to the Microsoft to get the license of publishing game for Xbox and also paying to FIFA to use their logo and formats in FIFA game sequels as well as EA Sports is also paying to Lionel Messi to feature him in their last edition of FIFA 13 games. Moreover EA Sports is also paying royalties to any of the music artists for using their songs in the game (conceptualized).

The increasing demand of games to retail more copies ever than earlier, owed to the increased expense of making them and the circumstance that the stem price for games

comparatively remained unaffected from 5 or even 10 years ago. Many game publishing companies became popular due to the fact that they owned a renowned intellectual property for example Lionel Messi, The Lord of the Rings, The Matrix, or Spiderman, as a harmless way to help assurance of some sales (conceptualized).

The owners of these intellectual properties know the importance and increasing value of them. This is why now-a-days publishers are trying to innovate and create their own intellectual characters. They hope that their intellectual property will be famous and they can even sell those properties to gain more profit. They are very much successful to make it happen over the time as we see a lot of movies in current time are filmed based the favorite games. (Conceptualized)

### **5.2.3 Marketing and Distribution**

Marketing is the most expensive part when it comes to the aspects of game publishing in public. Marketing process starts from the beginning of games development process and frequently stayed till after the game is published. It includes all the acquisition of promotions in terms of canvas ads and online promotions, TVC, radio commercial and newspaper and magazines ads, and outlet promotions, displays and advertisements. (Edwards 2005)

The marketing expenses of all described above is very high and it is evident that, generally the marketing cost of a games is almost equal or even double of making the game. For sure, the most expensive of these is the TVC but also recognized as the most attractive way of getting the games in the list of huge public market. (Edwards 2005)

The ultimate expenditure of releasing a game that will probe into is the circulation of the game, and that's the progression of getting the game retailed to wholesalers and then to merchants from where customers can buy it. Wholesalers normally pay approximately \$30 per unit and with the costs of receiving the products to the warehouse, any co-op advertising or marketing, and return of good possibilities being approximately \$14 per game, the publisher is going to typically get \$16 for each copies sold. The major part of this procedure, nevertheless, is for the publisher to have very good connections with the wholesalers and merchants due to the narrow market size and unless a company's connection is good, the wholesaler or merchants do not want to purchase-in as many units, which denote the sell-through cannot be as good. Many time, money and effort are put into assure that publishers are in good relationship with these distributors, nevertheless the frequent nethermost line is that if the game keep selling they will buy it more or will be forced to buy other's game. (Edwards 2005)

### 5.3 Consumers

Consumers of gaming market have been divided further in two types namely “focal gamer” and “other gamer” due to convenience of analyzing table. But in general both types of gamers contain similar characteristics and do not have any significant dissimilarity other than the convenience of identification of gamers.

The development of the game market has concurred with a huge expansion of the relevant consumer community. Initial console generations attracted usually to children and male minors; succeeding generations appealed also young men for example PlayStation and then also feminine consumers and families for example, Wii, and also the Kinect controller of the Xbox 360. The middling age of console game customers in the United States is 37 years, among which 42% of players are females. About three-fourth of USA households spend money on games nowadays (Special Report Video Game). Besides the spontaneous players, alliances of professional players have established, permitting players to contend on a global level. Few contests are transmission live through internet protocol or on TV for example ESPN. Professional gamers even employ out their services to train high-ranked individuals and squads (Cheung and Huang 2011). The upsurge of smartphone games is probable to revolute the demographic structure of players near future, where they will not require separate platforms. The diligently universal nature of smartphones and comparatively small prices for games make almost every customer a potential gamer.

According to the exact intellect of Hirschman and Holbrook's (1982) description, games are hedonic products: Their practice requires emotional responses, crafts fantasy, and is multisensory. Voss, Spangenberg, and Grohmann (2003) classified games as extraordinary hedonic, low practical products. Various researchers from different disciplines, as well as media psychology, communications, and computer science have examined customer inspirations for playing games from the beginning of the first console generations (Boyle et al. 2012; Vorderer and Bryant 2006, 91–194). According to Malone (1981), basic inspiration notions to computer games and recognizes three basic inspirational categories namely: fantasy, challenge, and curiosity. Succeeding studies added psychological concepts of stimulation, contest, diversion, and social interaction (Poels et al. 2012; Sherry et al. 2006), behaviours and addictive propensities (Hartmann, Jung, & Vorderer 2012), in-game sovereignty and capability (Ryan, Rigby & Przybylski 2006), and reflectance and self-efficacy (Klimmt & Hartmann 2006) as inspiring forces. Researchers have also considered explicit user clutches like children (Ferguson & Olson 2012), women (Lucas & Sherry 2004) and types of games for example mobile games (Okazaki 2008), sports games (Kim & Ross 2006), where predominantly

MMOGs have added outstanding attention. With a study of about 3,000 MMOG gamers, Yee's (2006) article analysis lead to three broader inspirational categories respectively attainment, societal, and involvement (Debeauvais et al. 2012). Shin (2010), illustrating from a study of 298 MMOG gamers, discoveries that the pleasure resulting from playing the game energizes their continuing contribution, and others pressure the inspirational role of encounter (Teng et al. 2012) and social communications (Cole & Griffiths 2007) stimulate online gaming participation.

Though these studies lean-to light on gamer inspirations, further awareness integration is necessary for emerging a complete understanding of customers' contribution in games. Such incorporation should account for modifications and resemblances through platforms and game types. Bearing in mind the growing importance of virtual products, it would be supportive to examine if within-game buying choices are triggered by motives alike to those that motivation the choice to play the game at all. Park and Lee (2011) propose that such choices are prejudiced by character ability, pleasure, graphic expert, and financial gains.

Malone's (1981) encounter motivation also narrates diligently to the extensive psychological notion of flow, a mental condition described by invigorated focus, full participation, and extreme attention to an action (Csíkszentmihályi 1997). Video games propose an ideal background for flow (Sherry 2004), which has been exposed to effect players' social objectives (Jin 2011). Reviewing flow for various Wii games, she discovers the drivers of flow to vary through game natures; 3-D presence is extremely relevant for driving games, but the gamers self-presence and attentive devotion are the main inspirations in RPG (role-playing games) (Jin 2011). Flow is indecisive; it has been apprehended accountable for adverse things of gaming such as time alteration and difficulty flouting away from playing deprived of disruptions by others (Rau, Peng & Yang 2006) and game compulsion (Chou & Ting 2003).

Numerous features of flow persist in gaming are unfamiliar (Hoffman & Novak 2009). In between them is the link to customer involvement, a condition of attendance in an imaginary biosphere that is implicit by flow (Green & Brock 2000; Takatalo, Nyman & Laaksonen 2008) and that has been contended to be the greatest anticipated condition by gamers (Huntemann 2000). When dipped in a game, customers feel spiritually conveyed into the simulated atmosphere and recognize with the avatars they regulate, basically 'becoming' them (Huntemann 2000; Klimmt, Hefner & Vorderer 2009). Coulson et al. (2012) spectacle that customers form sensitive affections to virtual avatars; Bélisle and Bodur (2010) noted that avatars may imitate the character of the customers who made and regulate them.

Researcher had recognized that the involvement motivates media amusement (Green, Brack & Kaufman 2004; Przybylski, Rigby & Ryan 2010), but readers are required to understand how involvement transmits to satisfaction. Recognizing such an inception would have perfect suggestions for game manufacturers, as would determine whether involvement motivates satisfaction for all games or just specific types. Furthermore, it is not absolute what causes involvement (Qin, Rau & Salvendy 2009). Bearing in mind the intersection between flow and immersion, readers are required to determine which notion is more appropriate for accepting game playing performance, and investigation and exercise would also profit from legal actions of flow and involvement in gaming backgrounds (Jin 2011; Qin, Rau & Salvendy 2009).



## 6 VALUE CREATION STRUCTURE IN VIDEO GAME MARKET

Before we move forward to the case studies analysis, this researcher would like to draw an important outcome of the value creation chain in modern video gaming markets. As we already have noticed in figure 12 from chapter 5, that the contemporary video gaming market has 3 major players, namely console manufacturer, game publisher or developer and consumer. A drawback of this thesis project is revealing the value creation structure of this market. In the traditional understanding of value creation we see the customers are co-creating value for the same product or service where a single company is providing the platform (product or service). The nature of value creation is meant to be limited between a single company who provides the platform (product or service) and customers who consume the same product or service and achieve satisfaction. But after analysing the video gaming industry we see that value creation is also taking place from business to business (B2B) where console manufacturer and video game publisher also co-create value for each other and together building the joint platform for co-creating value by consumers (see figure 13) . To play a game, consumers buy a console from a console manufacturer and video game from game publisher or developer and by combining both console and video game, the consumer is receiving satisfaction of playing and enjoying video games. In this sense it may not be possible to separate console manufacturer, game publisher or developer and consumer from each other.

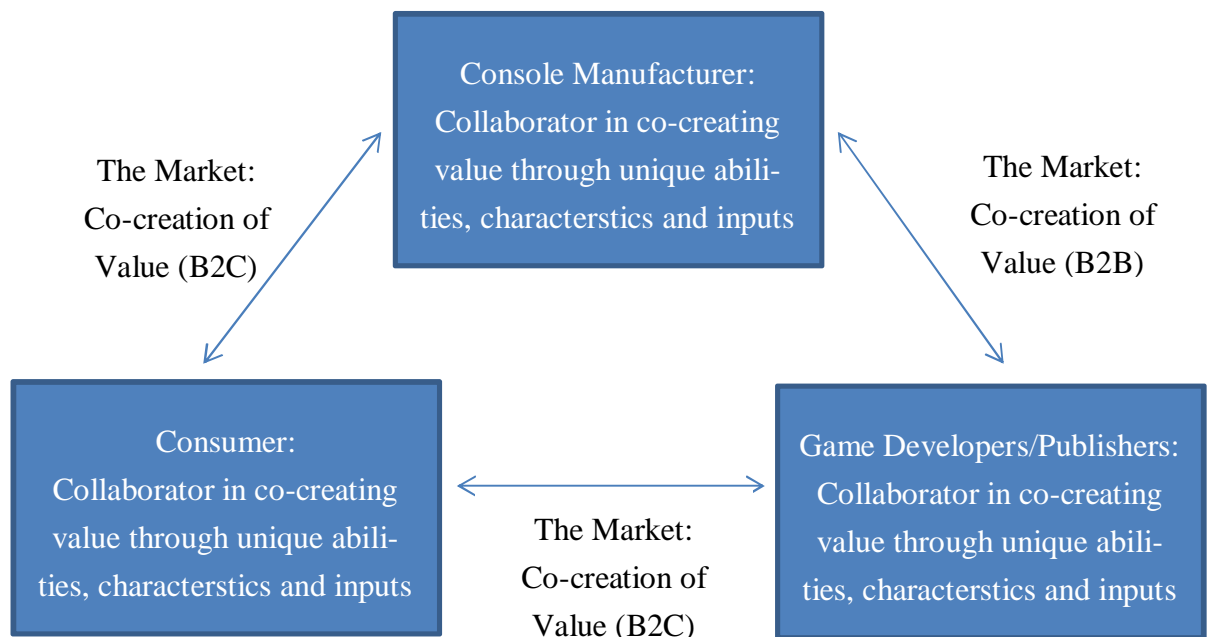


Figure 13 Value creation structure in video game market (conceptualized)

Figure 13 illustrates the value creation structure of the video game industry. According to this figure, console manufacturers provide a platform of consoles to the consumer and consumer creates value by using the console to play game. Similarly game developers or publishers provide the platform of gaming software and consumers creates value by playing the games on the consoles. In the background, game publisher have to pay a royalty fee to be permitted as a publisher by console manufacturers to make his game compatible with their consoles. Royalty fees are not a fixed one-time fee, rather the developer has to pay a fixed amount for the each game that is purchased by a consumer and at the same time a onetime fee for software development kits (SDK). The interesting thing will be to analyze how exactly these two major players are co-creating values for each other. But considering the scope and limitations of this thesis project, the researcher is only focusing the value creation process between console manufacturer and console buyer (consumer) and game developer and game purchaser (consumer).

To compare other similar kinds of probable value co-creation processes we can consider the example of the audio music industry. Illustrated simply, a consumer buys a CD player from CD player manufacturer and purchases audio music from music companies. Thus he pays for both of them and enjoys the music. It is important to notice that the CD player manufacturer and audio music producer do not have any mutual business client relationships in the background like those in the video gaming industry, but the video game publisher/developer is a direct client of console manufacturer. Each of the console manufacturing companies has their clients under special agreements to make their console friendly video games.

## **6.1 Xbox Discussion Forum**

### ***6.1.1 Inquiry for Knowledge Acquisition***

Findings suggest that gamers are able to co-create value while seeking knowledge about games that is preferred by other gamers in “Discussion A”. During the first discussion a girl asked for help to the community forum after she tried to find suitable games for herself (see figure 14). So it is revealed that when she asked for help, other heterogeneous gamers suggested different name of games which they have played and enjoyed. The example of satisfaction of playing a game is shown here by other gamers. A lot of heterogeneous C2C interaction has been observed and their observation about games has been reflected in this case. Gamer’s knowledge is unique thus the satisfaction for

particular game is unique for each individual gamer. This knowledge of each gamers is valuable resource and as well as capability to attract other gamers on behalf of service provider.

Focal gamer : "Here's the issue, I want to buy a new game for Xbox 360 but after three days of searching I haven't found a single game that interests me..... but I'm hoping you guys may have some suggestions (: regardless, thanks for your time! I don't know if this will help but I was a HUGE Kingdom Hearts fan and I also loved the Harvest Moon series"

Other gamer: "Well since you like Fable, I would look into Kingdoms of Amular :"

Other gamer: "I would probably recommend the Dragon Age series or the Borderlands series."

Figure 14 Inquiry for knowledge acquisition co-creates value

Consumers are a key source of information concerning what they need and anticipate from a service, since they are specialists on their own depletion procedure (Ostrom, et al. 2010). Research shows that, Xbox is allowing their gamer group to share one gamer's knowledge to other gamers through the web 2.0 interfaces. Thus the information is also accessed by the gamers as Prahalad (2004) noted accessing information access in co-creation can intensely decrease than increase the risk of service provider because the consumer's venture of know-how and time decreases the provider's work to projection consumer needs. Undoubtedly the platform of interacting with other gamers is provided by the companies as Vargo and Lush's (2004) debated that the services provide customers with value when they are consumed. This tells us that, firms have to guide the customer first then prompt customers to identify and understand.

### **6.1.2 Sharing Personal Achievements**

Gamers have several roles to co-create value and one of them is when they win against some other players or win a challenge. Winning a challenge is directly a value that is achieved and created by the focal gamer (see figure 15). Gamer's like showing off his/her achievements and interact with other gamers about the achievements. In "Discussion B" the focal gamer has announced that he won a challenge and earned huge bonus points. Noticeably, gamer's play game not only to spend their leisure time but

also to achieve personal landmarks which ultimately give them the satisfaction of game playing.

Focal gamer: "So over the weekend I got 1000G on Fable anniversary; the only real reason I did this was because Xbox said (jokingly) see you on Monday with 1000G?

.....**I'm not looking for a challenge. I've got plenty to do and my fiancée would kill me being as I just spent the weekend getting 1000G on Fable.**

..... Couple of rules:

You can "re-roll" this is for if you don't have a game anymore, but please DM the guy who challenged you so we don't clog up the thread....."

Other gamer: "Not a bad idea"

Figure 15 Sharing personal achievements facilitate idea generation

Subsequently when they share their achievement about the game playing that also co-creates value. In this case this particular focal gamer came up with an idea of by proposing a couple of rules of game challenging with other player after winning the challenge and also shared with forum. Any kind of personal achievement that satisfies a consumer after using the service or product is reflection of co-creation. However research shows this type of personal achievement not only co-creates value but also facilitates idea generation for new services development. This type of idea generation does facilitate open service innovation system. When gamer shares his knowledge about particular gaming it also inspires other gamers to get involve and share their knowledge as well.

Moreover, co-creating value is not only about getting self-satisfaction after service is consumed or using product but also having the appreciation from other user or consumer. When someone gets an appreciation for the purpose what he/she did or suggested it automatically increases level of gratification for availing the product or service. In this case the idea was appreciated by other gamer's as well which symptom is co-created value inspired by them (see figure 15).

### 6.1.3 *Volunteer Criticism*

Unlike other discussion thread, "Discussion C" is far more complex to analyse but still a great example of how value is co-created while a loyal gamer of Xbox has reacted after purchasing new generation Xbox One. Since criticism is part of feedback that most

business firms are looking for after one unit of the product has been sold. This customer has shown his loyalty for Xbox by purchasing the new generation Xbox one after which he failed to keep the trust of product features which he has mentioned very precisely in his discussion (see figure 18). There was a lot of expectations for the gamers who was looking for Xbox one to be something more upgraded as it says in their product information page “easy, fast, perfect, Immerse yourself in the, become familiar with, all-in-one entertainment system” and so on (Meet Xbox One). But practically it might not be same for all and so this thread shows the reflection those customer who did not find the product as it was expected (see figure 16).

Focal gamer: “o before anyone starts on me for hating let me say this. I purchased the Xbox One Expecting great things AS ADVERTISED, and have had nothing but headaches since. I like the idea of this nex-gen console and the graphic capabilities, but the sole reason I purchased it was because it was ADVERTISED as an all in one entertainment center. Meant to make gaming and tv a seamless experience... yeah that [Mod Removed]! Here is my reasons for giving up on Xbox One

1. When calling Xbox Support for a technical Issue with the Tv App, no one had a clue on how to resolve any issue .....

Other gamer: “Have to agree sadly. Long time and happy Xbox user. This gen has really turned me off.

I chose to live with the fact that the other system was more powerful because of all this hardcore integrated TV stuff.....”

Figure 16 Volunteer criticism supports value co-creation

Gaining trust is one of the biggest challenges of customer satisfaction for the companies. In doing so, a complex factor is the aptitude of the provider to shape trust, along with keeping potentials (Kowalkowski, 2011). Rendering to Prahalad (2004), the combined discussion with consumers is not only for assisting the awareness sharing feature but rather for augmenting the level of awareness and faith. With the aim of gaining faith and having fruitful co-creation relations, firms must be conscious of clearness as a vital characteristic of the co-creation affiliation (Prahalad, 2004).

During the progress of this discussion thread a lot of other gamers contributed their views and values about their dissatisfaction about Xbox one. Undoubtedly these gamers are the icon of loyal customers who grew their trust to the product before released which immediately has diverted after the purchase. Loyalty and trustworthiness is great

extent of co-created value for the customer. To obtain faith, firms must examine new altitudes of entree and clearness in their connections with consumers (Flint & Mentzer, 2006). Thus, the enquiry about in what range the consumer entree is beneficial and feasible for both sides (Prahalad & Ramaswamy, 2004 b).

Unique knowledges about the product have also been shown in figure 16 and sharing those knowledges as well. A lot of C2C interaction and debate took place while the discussion poised. This thread can be recognized as a classical example of C2C value co-creation.

#### **6.1.4 Growth of Xbox Gamers Network**

During the online era, almost every entertainment can be found internet. Xbox live is such a platform for the user of Xbox. This feature enables Xbox users to connect with millions of users through online where they can play games against each other or together, can chat while playing, can share their individual game playing strategy, listening music, net browsing and many more activities. Xbox is a complete package of home entertainment. Finding shows us gamers can co-create while they try to find other gamers online to play with (see figure 17).

Focal gamer: " Whats up people i got FIFA 13 and im just looking for people to play with. i dont want any disrespectful or messed up people just looking to have fun....."

Other gamer: "already sent requests to a few of you but feel free to add me, always up for a challenge! "

Figure 17 Growth of Microsoft Xbox console user's network co-creates value for focal and other gamers

Gamers are always keen to build up their network with other gamers in order to challenge play and accomplish their gaming adventure. At the same time networked gamer group shares their knowledge like gaming strategy, tricks etc. between themselves and thus also co-create value. Maximum games are playable in online with friends or with even unknown players. But the difficulties are to find friendly fair gamers. Platform of finding a gaming partner is already provided by Xbox live service and once gamers find their right partner to play with it ultimately co-creates value for both focal and other gamers because the experience of playing games are same for focal and other gamer. During "Discussion D" research found a similar case where the focal gamer ask to add

him if some other gamer is interested to play FIFA 13 and more than couple of positive responses has been found as well (see figure 17).

### 6.1.5 Parental Controlling

One of the unique and finest features of Xbox is parental controlling system through which parents can control the activity of children's even if they are outside of their sights. It prevents children's from doing any unintentional unethical and harmful activities. It is very simple to use for parents and settings required only a four digit pass code. There are loads of acts and provision under Xbox legal terms and conditions where gamer user id of Xbox live can be banned for unethical activities. Thus parent can control such activities through the parental settings option. In "Discussion E" a similar kind of case has been found where cautious parent took the charge of interaction in Xbox community (see figure 18). Likewise other gamer also took place in during the discussion poised (see figure 18).

Focal gamer: "My son was approached by a player who talked him into getting a 1600 point xbox360 card in exchange for a mod, so what is a mod? Should he be reporting a modded player? Are mods legal on xbox360? If not how are so many players using them?"

Other gamer: "mods are illegal it is a modification to the game which voids your warranty to the game, it can end up in a ban "

Figure 18 Parental controlling feature encourages value co-creation

Most of the parents are not aware about this feature of Xbox because they are not familiar with this application. To use such kind of application parents have to know minimum about computing and gaming. Thus parents have to have knowledge and operational efficiency of such application. When a parent shows such action of being aware in a virtual community forum, sure it reflects the capability of handling parent controlling system. As we see the discussion took place about Xbox modification which is also known as "mod" is and illegal action according to Xbox (see figure 18). The other gamers share their knowledge and some of them pointed very precisely what can happen if someone does mod. When a parent is able to perform this kind of operation to manage his/her child's activity, ultimately the benefit of the using application was co-created by the parent. It certainly encourage their involvement more and more with

gaming activities even further they become focal gamers' as well which is also nice example of value co-creation.

## 6.2 EA Sports Discussion Forum

### 6.2.1 *Service Gap Inspires Idea Generation*

A good thing about online communities from the perspective of company is that they are able to trigger customers for new idea generation. An idea does not need to be radical innovation but even a chunk of information which might be helpful to upgrade the existing service. During the analysis discussion B under Xbox forum researcher saw how personal achievement inspires idea generation of new game challenge. But here in "Discussion A" researcher had found a different phenomenon how service gap inspires customers to suggest firms. Huge numbers of European gamers who live in different European countries are required to pay with card to make a game purchase online. In this case the focal gamer initiated the discussion by making the request of adding Paysafecard as a payment method (see figure 19).

Focal gamer: "Hello EA Team, Im from Europe Germany and we buy there alot with Paysafe-card.(other european countries too) I think if you add that pay solution you will sell alot more games and make the Origin platform a lot more popular. Steam use that PSC Solution too. Please add that..... "

Other gamer: "Safe for you, but not for the owner of the webshop. The problem is, that PaysafeCards are anonymous. You can buy products with a faked name - that's not what companies want you to do..... "

Figure 19 Service gap inspires idea generation to co-create value

Paysafecard is such an option for the European online buyer which is available in most of the European countries. It is likely easier to maintain a globally recognized payment card than to avail different payment card for different purpose. Currently EA Sports only accepts credit cards or PayPal from the customers as secured online method. Being a large game publisher it would not be so difficult for EA Sports to introduce couple of new payment card options in their portfolio. In such discussion, as a resource of information customers are co-creating value of using the service of a firm who will



recognize their existing payment card. This is how a customer can achieve satisfaction of using EA games. Companies cannot afford to accept each and every request from the customers but information about service gap can be checked for the eligibility. During the discussion significant number of other gamers joined in interaction and most of them voted for such payment card. But some also put the facts why it may not be secured for the web shop to avail such anonymous payment option. Thus, in the same discussion thread value was co-created by other gamers by sharing their knowledge and information (see figure 19).

### 6.2.2 *Asking for Customers' Opinion and Creativity*

Findings support that when companies ask customers to show their creativity and suggestion in order to improve existing service co-creates value in "Discussion B". As community manager of the forum initiated the discussion (see figure 20) with the reference of live chat with two EA Sports officials and invited all the members of forum to share their personal ideas, suggestions or even quick Photoshop presentation of their imagination. The idea of involving customer is not only to generate idea but also to put them in such a position so that they can co-create their value easily.

Game Publisher/Developer : "Hey all, During the Live Chat today (Watch the replay here: <http://www.origin.com/origin-9-chat>), we had a question from a user asking if we were ever going to bring out any sort of different colorization or "skins" to the Origin client. As BK (Robert Kissinger) responded, if any of you have ideas, we're more than opening to listen to you, and experiment.

For example, someone mentioned in the comments they wouldn't mind an Origin skin that was themed like The Sims 3.

So if you have any ideas / suggestions, or even a quickie photoshop of what you think could be a good design, feel free to post up a reply below and we'll be watching your suggestions. "

Other gamer: "Ok theme suggestions? Battlefield 3: Blue & Orange , Mass Effect: Red & Blue(?) , Need For Speed: White & Red(?), Crysis: Grey & Green(?) "

Figure 20 Asking for customers' opinion and creativity encourage co-creating value

Significant number of gamers replied accordingly and added their suggestions during the discussion. Gamers are always passionate and love to see their favourite game poster everywhere even may be in the dream. Once they got the chance they made no hesitation they put a lot of suggestions ranging from expert to easy level gamer based on what games they play and wants to see in the theme of web shop site. This chance of

participating certainly boosted up gamers to share their range of choices to the firm. Suddenly their expectation grew up at a high level and those whose expectation will meet up their value will be co-created.

### 6.2.3 *Growth of EA Sports Gamers Network*

According to the characteristics of human being, they cannot live alone. Human beings need company all along the life time. Gamers are not out of this phenomenon. In earlier days of gaming people used to play either alone or with company beside him/her. Because of the several social barrier adults even children's sometime have to spend their time alone and they need company. Now the scenario has changed in the recent days when someone has online gaming facilities and can play with virtual friends from other side of the world and while gamers are looking for virtual gaming partners they become very much interested to meet someone for competitive game playing (see figure 21).

Focal gamer: "I want to test the friends list and see how things work and to also play online with other origin players. "

Other gamer: "I have added you. Weemanply109"

Other gamer: "Hi, i added you both. Also looking for bc2/vietnam , crisis2 players "

Figure 21 Growth of EA Sports gamer's network co-creates value for focal and other gamers

Noticeably when they start adding new virtual friends, their network grows very fast like multilevel marketing business (see figure 21). The range of choosing gaming partner is unlimited and because of that gamers frequently search for new gaming partner. This growth of networks among the virtual gamers co-creates value for both focal and other gamers where the platform of meeting new friends was given by the service provide EA Sports. This is one of the best examples of co-creating value by active involvement of customers in the value chain of EA Sports.

#### 6.2.4 *Trading Opportunities within the Community of Gamers*

One of the most unique features of online gaming is that the player can trade their team, players, points, achievements etc. with other same platforms player (see figure 22). For better understanding, if you play “game A” then you can trade the couple of tradable items with other “game A” players. The feature inspires gamers to do some legal business and money. Unlike other business this trading mostly depends of virtual stuffs. Gamers are always looking to update and exchange players to create best ultimate team. Thus they challenge other gamer to play against him/her. They are very much passionate and enthusiastic while they are doing these activities.

Focal gamer: “Ok so ive decided im gonna sell all my gens bar the MLS, United and MOTM cards. Im open to FUT 13 or FUT 14 coins. Post here or PM me your offers for the players. ”

Focal gamer: “Sold Jagielka ”

Figure 22 Trading opportunities within the community of gamers co-creates value

Trading procedure includes raising a team, which usually takes more time and effort. It is not likely play and trade. A gamer has to achieve specific score for the particular virtual team and virtual team players so that it becomes sellable. The whole procedure looks like real life business even though in most cases it is just adventure and fun for the gamer. So when an actual trading takes place in the market for such virtual team and virtual team players it certainly pleases and satisfies both seller and buyer. The seller is happy to get money and buyer is happy to get his virtual team stronger with his favourite virtual players. Thus this procedure co-creates value for both focal gamers and other gamers. Here in this case focal gamer initiated the “Discussion D” with his intention to sell his virtual team players and other interested gamer bought and bargained (see figure 22). Inevitably these kinds of features inspire gamers and satisfy them about game playing.

#### 6.2.5 *Personal Achievement*

Special type of personal achievement helps to co-create value for the gamers. In earlier discussion (i.e., figure 15) readers have learned how personal achievement helps to co-create value through C2C interaction. Similarly an achievement with special skill (with-

out powerups) does the same for gamer. Here in this discussion the focal introduced his ability to achieve B class win (see figure 23) which is a special skill to win title.

Focal gamer: "Well it's been a long, painful battle but today I finally got my 250th B-Class win without using any powerups at all. Also today I got my 50 A-Class wins without powerups, which also pleases me. So, it can be done "

Other gamer: "cool, but don't forget you must do 2500 powerups too... so why not combine both at same time... "

Figure 23 Personal achievement co-creates value

The difference between earlier achievement discussion and this one is that the gamer only wanted to show his skill to the other gamers without introducing any new idea. Gamers play game not only to spend their leisure time but also to achieve personal landmarks which ultimately give them the satisfaction of playing games. And after that when they share their achievement about the game playing that also co-creates value. Here the gamer earned a lot of appreciation from other gamer which ultimately gave him satisfaction of playing games and also his skill was treated as a recognition to other gamers.

### 6.3 Cross Case Analysis

During the analysis, researcher found a similar and couple of dissimilar approaches by customers and companies in the procedure of value co-creation between two case discussion forums. This sub chapter shows the contrasting between those findings in the light of case discussion forums analysis. In the analysis of Microsoft Xbox discussion forums research shows several assumptions that facilitate customer and company to co-create value. Inquiry for knowledge acquisition, sharing personal achievement, volunteer criticism, and parental controlling are those assumptions. On the other hand research shows couple of different assumptions while analyzing EA Sports discussion forums. These are service gap inspires idea generation, asking for customers' opinion and creativity, trading opportunities within the community of gamers and personal achievement. All of these assumptions show that the interactions, dialogues and discus-

sions between customer to customer and customer to company are vital in order to create value mutually. It is also evident that the involvement of customer in value co-creation procedure is highly active in both of the case discussion forums. In both cases, research shows that companies are exploiting customers, for example, utilizing the resources, knowledge, capabilities and perception's of customers in order to enhance the value creation procedure. At the same time focal gamers' are also exploiting resources, knowledge, capabilities and perception of other gamers' to co-create value mutually. The co-creation of value is observed as a cyclonic procedure in both of the cases where focal gamer uses other gamer's unique knowledge's and capabilities and alters his roles and position in some other discussion threads from focal gamer to other gamer and other gamer to focal gamer later on.

Growth of gamer's network for both Microsoft Xbox and EA Sports is similar. Gamers prefer to build up strong virtual network that enables them to share their unique knowledge, to increase the competitive mode of game playing and express their personal achievement in front of other gamers. Research also shows that the role of gamers (from focal game to other game and other gamer to focal gamer) changes persistently when their network grows and that facilitates value creation for both focal and other gamers.

All the assumptions can also be treated as possible challenges for the value co-creation procedure of gaming industry. Assumptions in this study were made initially on the basis of identified challenges that was discussed in sub chapter 3.6 and then visualized in the light of case discussion forums analysis.

As researcher chose only 5 discussion threads from each case discussion forum, out of which researcher found only one similar assumption and couple of dissimilar assumptions. Keeping that in mind, it can be said hypothetically that with a wide range of discussion threads analysis might have result more similarities and dissimilarities among the case discussion forums.

## 7 CONCLUSION

The purpose of this study was to identify the procedures of value co-creation that persist in the current video gaming industry. This is why the researcher observed and analysed multiple discussion forums of leading video gaming industry players. Chapter 2 and 3 discussed a theoretical interaction framework and the findings from chapter 6 should help contribute to creating an operational framework. Chapter 6 is based on the assumption of value co-creation procedure that is embedded in the C2C and B2C interactions, communications and dialogs.

This chapter will illustrate individual standpoints of the researcher and several decisive propositions of this research project on the basis of gained theoretical knowledge as well as on the research of case studies. Moreover, the researcher would like to suggest couple of managerial recommendations that might enhance the approach towards value co-creation in business reality.

### 7.1 Theoretical Implications:

After evaluating the various standpoints explored throughout this research, the researcher finds firms to be collaborators in the value generating process, which supplies legal power, necessary resources and platforms for the clients to co-create value. The researcher also sees the customer as a collaborator in the value creating process who is an active participant in the process. However, as a platform of relationships web markets are found to be a centre point of value co-creation and interaction of customer to customer (C2C) and business to customer (B2C), and the locus of value co-creation. Consequently, the existence of conventional value generation processes (see figure 1) is denied by this research.

According to Ordanini and Pasini (2008), the customer is embedded in the value proposition and in the end is accountable for the value inserted into the process. Therefore the customer is seen as a major influential actor in the value co-creation process. The controlling power of value co-creation process is also highly influenced by the customer. However, the researcher has an impression that the individual customer or group of customers are totally unaware about their co-creation during the whole process and receive the benefit of value co-creation as a psychological satisfaction. As Galinai<sup>8</sup> had

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<sup>8</sup> Galiani, Ferdinando (1751) Della Moneta

mentioned in Dixon 1990 “*it is certain that nothing has a price among men except pleasure, and that only satisfactions are purchased*”. Based on these observations, the researcher would like to consider the customer as an incognisant active participant of value co-creation.

The hierarchy of the value co-creation processes in the video gaming industry is derived from the challenges of the value co-creation approach and discussion forums data analysis. Overall three general sets and seven topics were found that explore the phenomenon of customer to customer (C2C) and business to customer (B2C) interaction/debating for value co-creation through user generated contents.

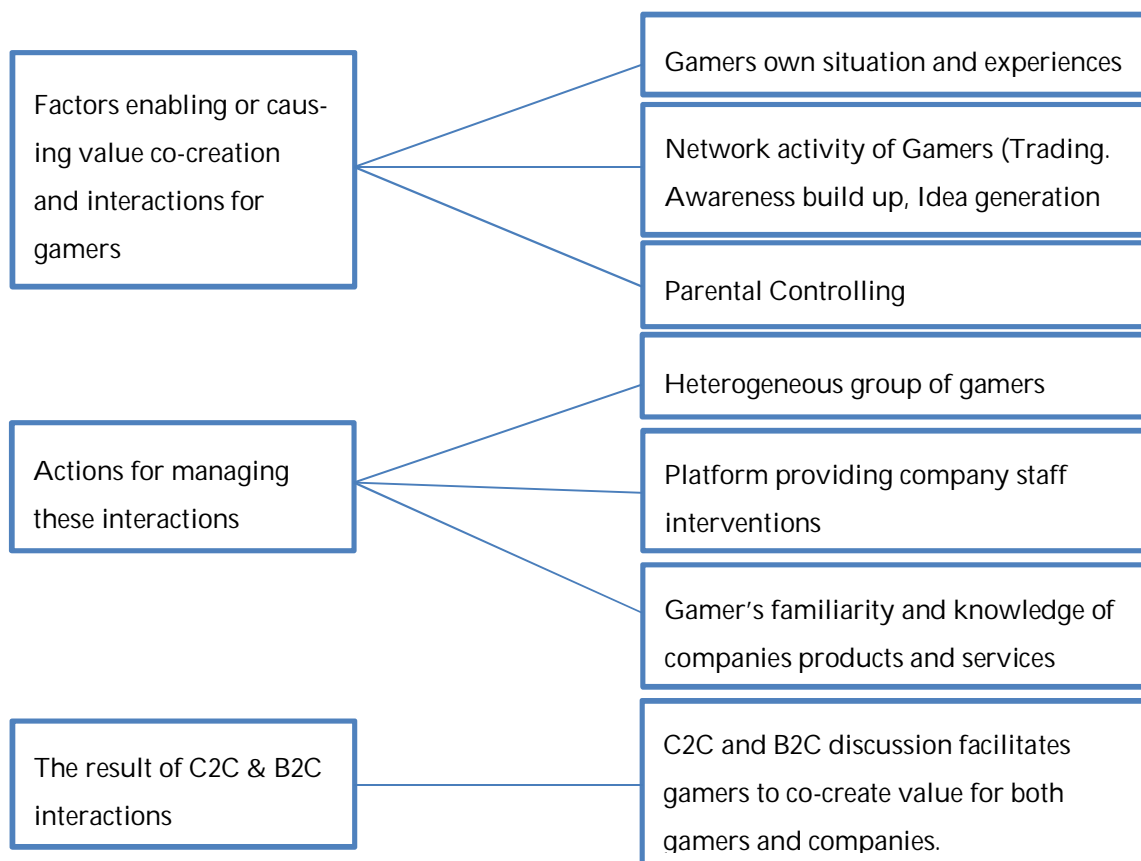


Figure 24 Hierarchy of value co-creation processes in video gaming industry (conceptualized)

According to figure 24, there are various factors enabling or causing value co-creation and interactions for gamers' i.e., gamers' daily life experiences, network activities with other gamers and parental controlling. To manage co-creation and interaction companies are taking various actions i.e., managing heterogeneous groups of gamers, staff interventions, using the knowledge of gamers about the company's product or ser-

vice. Finally, these (C2C and B2C) interactions, dialogue, and debates are facilitating gamers to co-create value for both gamers and companies.

In another way, the hierarchy of value co-creation processes in video gaming industry describes how gamers contribute and interact in co-creating value along with companies. The topics deliver various realistic and conceptual implications for using and handling gamers in social networks for augmenting customers' value co-creation processes, and at the same time for further intensifying this research field. This study emphasized existing theory to describe the phenomenon.

A value co-creation process hierarchy framework (conceptualized) is derived from the analysis of the case discussion forum and cross case analysis. This framework is a probable answer for the entire operational equivalent question asked in the operationalization table. This framework is divided into three stages. The first stage indicates different factors that cause value co-creation and interaction for gamers, the second stage shows what kinds of actions are required to manage those factors and finally the result of C2C and B2C interaction.

This research has identified numerous challenges of the value co-creation process that have an immense effect in shaping the value generation model of the gaming industry. This research also identified the impact of direct and indirect influential factors of value the co-creation process i.e., the user base of the console platform and their network, and the gamer base of game publishers and their network. Based on the gaming industry analysis the researcher has conceptualized the value creation structure in game market.

Rendering to the observation of the gaming industry, the researcher has conceptualized the value creation structure of the video game market which was shown in subchapter 6.1 through figure 13. The researcher has an impression that the value creation structure of the gaming market is different than others. According to the structure, the console manufacturer and game publisher/developer both are propose networked entertainment through the game playing experience to the gamers and, simultaneously, provide legal power, necessary resources, and platforms to the customer to co-create value. All of these players have strong relationship with each other in the value creation structure.

## **7.2 Practical Implications:**

From the research of case discussion forums, it has been realized that business to customer and customer to customer value co-creation are multifaceted concepts. However,



the researcher would suggest the case companies could focus more on attracting customers towards the web discussion forums in order to engage them in C2C and B2C interactions to solve their problems and attain customer perspectives on their daily life experiences of using the service or product. This may enable companies to lower down their costs of after sale services, and benefit from being able to provide more efficient service.

According to the observation of the case discussion forums, it has been found that there are very few promotions or no promotions at all, to involve the customer groups in online discussion forums. But as it is understood from the case studies, online discussion forums are the most effective and easiest way to provide any kind of primary solution. Online discussion forums can be treated as like a “First Aid Box” of any kind for gaming issues. Customers are more comfortable to look for any primary answers to their daily life gaming issues, inquiries, and help in the discussion forums, but critical issues must be escalated to the experts when is not possible to solve an issue in discussion forums.

A netnography method was used for this research. Thus the researcher gained knowledge about the virtual customer groups. As the research shows, online customer groups are heterogeneous and involve different characteristics. Managers are required to manage their online customers very carefully. An online customer is different from physical customer form when it comes to customer networking activity. Active online customers usually have a wider range network activity than physical customers. Thus companies can exploit these groups of customers for marketing purposes if they strategically handle them.

As stated above, online customers groups are heterogeneous; it is very difficult to interact with them from a firm’s point of view. Especially, when companies are triggering their customers to co-create value, interaction is the locus point. To overcome this challenge in order to have quality B2C interactions firms can employ highly skilled negotiators. However, customers are the key for negotiation and it depends on whether they will participate in the negotiation process or not.

The discussions above were the general suggestions for both case companies. According to the case discussion forum observation, the researcher would like to propose few recommendations for the *Microsoft Xbox discussion* forum that might enhance the interactions among the participants of value co-creation.

Companies must motivate their user base to enquire and share knowledge with each other through discussion forums. Findings suggest that there is an ample opportunity to co-create value for the companies and customers through knowledge sharing. Thus:

- *Proposition 1: Inquiry for knowledge acquisition by the focal gamer leads to C2C and B2C interaction and co-creates value.*

The personal achievement of gamers leads to idea generation which ultimately facilitates customers to be involved in the value innovation process. When a gamer shares his personal achievements about particular gaming it also inspires other gamers to get involved and share their achievements as well. Thus:

- *Proposition 2: Sharing personal achievement by the focal gamer facilitates value co-creation through idea generation and knowledge sharing.*

Gaining trust is one of the biggest challenges of customer satisfaction for the companies. A complex factor is the aptitude of the provider to shape trust along with keeping potentials. Findings show that the trust of a customer leads him to be loyal, and if the expectations deviate in large range he become a volunteer critic. However, during the criticism a customer participates in the value co-creation process and thus the third proposition is:

- *Proposition 3: Volunteer criticism by the focal gamer possibly involves other gamer in interaction and co-creates value.*

One of the unique and finest features of Xbox is its parental controlling system through which parents can control their children, even if they are of sight. This feature is very easy to use but the knowledge of traditional parents is limited regarding gaming devices. Thus, this feature motivates them to gain knowledge about gaming devices. Achieving such kinds of knowledge, and using them in virtual communities, helps them to co-create value and thus it seems that:

- *Proposition 4: Parental controlling features motivate parents to co-create value through gaining knowledge about gaming devices.*

On the other hand, there are a couple of recommendations for the *EA Sports discussion forum* as well. A common way of generating new ideas by the customer is identifying the service gap in an existing service. The service provider might not always take the identified service gap as a potential solution for the problem but in reality this is a very crucial decision for the firm to make. Not all identified service gaps are necessary to take action upon, but this identification process of customers brings them in quality interaction with other customers and companies. The co-creation of value by customers in this case is a source of recognition of service gaps by the company. If the company reacts positively and fills the gap with the desired service, then the co-creation of value for those group of customers will take place along with company and thus:

- *Proposition 5: Service gaps inspire customers to generate new ideas and to co-create value along with companies.*

The general way of involving a customer group in the discussion process is inviting them for their opinion and creativity by the company. All the natural components of value co-creation for both parties are present here i.e., B2C and C2C interaction, knowledge sharing by customers, dialogue, debate and innovation. Both parties are involved here as collaborators of the process and thus it should be noted that:

- *Proposition 6: Asking for customers' opinions and creativity encourage customers to co-create value along with company.*

One of the most unique and prominent features of online gaming is that the gamer can trade their team, virtual players, points, achievements etc. with the same platform players. This feature inspires gamers to do some legal business and make money. This feature includes extra value to the role of gamers. Inevitably this kind of feature inspires gamers and provides them satisfaction to co-create value and thus:

- *Proposition 7: Trading opportunities within the community of gamers co-creates value.*

Special types of personal achievement help to co-create value for the gamers. Research has already found a similar kind of notion (i.e., proposition 2) but the difference here between the earlier achievement discussion and this one is that the gamer only wants to show his or her skill to the other gamers without introducing any new ideas. Thus:

- *Proposition 8: Personal achievement can co-create value for a focal gamer even in the absence of new idea generation.*

The last proposition is applicable for both case discussion forums as research found that the increase in the gamer's network for both Microsoft Xbox and EA Sports is similar. A gamer prefers to build up strong virtual network that enables him to share his or her unique knowledge to increase the competitive mode of game playing and express his or her personal achievement in front of other gamers. Thus it seems that:

- *Proposition 9: Growth of a gamer's network co-creates value for both focal and other gamers.*

This study aim's to contribute to the existing literature of marketing and management more specifically on the grounds of general management, new product development and virtual customer environment. This study is able to connect these concepts together in a novel way. The theoretical implications and managerial implications suggest that further investigation in this field may promote greater interest that could lead benefits both academically and commercially.

## 8 SUMMARY

The aim of the study was to examine the procedures of value co-creation in gaming industry on the basis of customer and company relationship through user generated content. As a platform of relationships, the researcher used the web 2.0 tool interface. Data was collected from the social networks [http://forums.xbox.com/xbox\\_forums/default.aspx](http://forums.xbox.com/xbox_forums/default.aspx) and <http://help.ea.com/en/>, and the netnography method was applied for analysing them. Findings show that customers and companies both co-create optimum levels of value while they interact with each-other and within the customers as well. However mostly the C2C interaction, discussions and dialogue threads that emerged around the main discussion facilitate the co-creation of value. Toward these ends, companies should exploit and further motivate, develop and support the interactions between customers participating in value creation and thus the main research question this study tries to answer is:

- **How is value co-created in the gaming industry?**

The research problem has been answered through three sub question, which are:

- What is value co-creation in the gaming industry?
- Who participates in value co-creation in the gaming industry?
- What are the procedures that are involved in value co-creation in the gaming industry?

The framework of value co-creation sets the consumer at the focus point of value creation theory. It terminates the inherited notion that companies only create value within the firm and deliver the same to their consumers in exchange of money or something equivalent. Reasonably, it is suggested that companies can only compromise value propositions to their consumers. And the value is co-created when the offering is combined and interacted with consumers' resources, knowledge, capabilities and perceptions. This new context of marketing has changed the perspective of companies towards consumers. Typically clients were considered an inert receiver of ultimate value but now their participation in value creation changed into being an active role.

Companies must not see virtual groups as a platform for consenting users to simply leave feedback or idea generation to the firm. Firms need to consider their customer as active participants in the value creation process. However, there might be challenges for firms to allow customers access to information and knowledge of firms. Firms should also inspire customers to support knowledge sharing, transfer and distribution of their

resources and capabilities. The findings of this study show us that firms can offer the value proposition to a consumer but it is the consumers who shape, co-create, amend and enhance the value proposition to create optimum level of value from it. The findings also suggest that firms need to increase customer participation in social network sites to create value by customers naturally by involving them more in the discussion forums through knowledge sharing, new idea generation, personal achievement, creating awareness etc. However, it might be challenging for companies to do so, as it requires a lot of improvement to their current approaches. A suitable method can be investigated for further development of procedures to identify the challenges and processes to increasing participation of customers in social networking from the perspective of companies. Due to scope and limitation, the researcher has over looked customer client relationships between two major players of the gaming industry, i.e., game console manufacturer and game publisher/developer. It would be very worthwhile to conduct a further research how value is co-created between these two players.

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## APPENDICES

### Coding of Data

Set	Set Definition	Set description
Console Manufacturer	Video Game Market Player	All data which belong to the console manufacturer : thoughts and information as well as internal insights about the company itself (e.g. Microsoft Xbox)
Focal Gamer	Video Game Market Player	Any discussion of event that is initiated by the gamer. Any consumer or customer can also be treated as focal gamer.
Other Gamer	Video Game Market Player	Any discussion where other participants contributed than focal gamer who initiated the discussion. Any consumer or customer can also be treated as other gamer.
Game Publisher / Developer	Video Game Market Player	All data which belong to the Game Publisher / Developer : thoughts and information as well as internal insights about the company itself (e.g. EA Sports)
Community	Gamer Community	All data which belong to Gamers groups: thoughts and information as well as internal insights about the company itself (e.g. Xbox gamers forum, EA Sports gamers forum)

### Example of Microsoft Xbox Community Forum

Discussion No.	Discussion	Who Introduced	Process	Value for Customer	Value for Companies	Web Link
A	"Here's the issue, I want to buy a new game for Xbox 360 but after three days of searching I haven't found a single game that interests me....."	Focal Gamer	C2C & B2C Interaction	Knowledge sharing, acquisition and distribution	Word of Mouth / Active supportive customers network	<a href="http://foums.xbox.com/xbox_forums/general_discussion/f/341/t/1525229.aspx">foums.xbox.com/xbox_forums/general_discussion/f/341/t/1525229.aspx</a>
B	"So over the weekend I got 1000G on Fable anniversary; the only real reason I did this was because Xbox said (jokingly) see you on Monday with 1000G? ....."	Focal Gamer	C2C Interaction	Personal achievement, Idea Generation / Creating new game challenge	Collection of raw Ideas, customer choice / preference	<a href="http://foums.xbox.com/xbox_forums/general_discussion/f/341/t/1684446.aspx">foums.xbox.com/xbox_forums/general_discussion/f/341/t/1684446.aspx</a>
C	"So before anyone starts on me for hating let me say this. I purchased the Xbox One Expecting great things AS ADVERTISED, and	Focal Gamer	C2C Interaction	Loyal customer, Volunteer Criticism / Trust and	Gathering valuable criticism , Identification of	<a href="http://foums.xbox.com/xbox_forums/xbox_feedback/f/2604/t/1670550.aspx">foums.xbox.com/xbox_forums/xbox_feedback/f/2604/t/1670550.aspx</a>

	have had nothing but headaches since. I like the idea of this next-gen console and the graphic capabilities, but the sole reason I purchased it was because it was ....."			Belief	product issues	
D	"Whats up people i got FIFA 13 and im just looking for people to play with. i dont want any disrespectful or messed up people just looking to have fun . ....."	Focal Gamer	C2C Interaction	Growth of Network	Active growth of customers network	foums.xbox.com/xbox_forums/xbox_360_games/e_k/fifa_soccer_13/f/2557/t/345903.aspx
E	"My son was approached by a player who talked him into getting a 1600 point xbox360 card in exchange for a mod, so what is a mod? Should he be reporting a modded player? Are mods legal on xbox360? If not how are so many players using them?"	Parents/ Other Gamers	C2C Interaction	Parental Controlling /Action against unethical activites	Getting Positive Infoldment of parents	foums.xbox.com/xbox_forums/xbox_360_games/a_d/codblackops/f/313/t/219408.aspx

### Example of EA Sports Community Forum

Discussion No.	Discussion	Who Introduced	Process	Value for Customer	Value for Companies	Web Link
A	"Hello EA Team, Im from Europe Germany and we buy there a lot with Paysafe-card.(other european countries too) I think if you add that pay solution you will sell alot more games and make the Origin platform alot more popular. Steam use that PSC Solution too. ....."	Focal Gamer	C2C Interaction	Idea generation	Collection of raw Ideas, customer choice / preference	foum.ea.com/eaforum/posts/list/6451475.page
B	"Hey all, During the Live Chat today (Watch the replay here: <a href="http://www.origin.com/origin-9-chat">http://www.origin.com/origin-9-chat</a> ), we had a question from a user asking if we were ever going to bring out any sort of different colorization or "skins" to the Origin cli-	Game Publisher/ Developer	C2C/B2C Interaction	Customer Creativity / Idea generation	Involving customer in creative action	foum.ea.com/eaforum/posts/list/8923188.page

	ent. As BK (Robert Kissinger) responded, if any of you have ideas, we're more than opening to listen to you, and experiment. ...."					
C	"I want to test the friends list and see how things work and to also play online with other origin players. "	Focal Gamer	C2C Interaction	Growth of Network	Active growth of customers network	foum.ea.com/eaforum/posts/list/7418995.page
D	"Ok so ive decided im gonna sell all my gens bar the MLS, United and MOTM cards. Im open to FUT 13 or FUT 14 coins. Post here or PM me your offers for the players. "	Focal Gamer	C2C Interaction	Trading with Other Gamers within the community	Providing platform for exchanging customer values	foum.ea.com/uk/posts/list/2774073.page
E	"Well it's been a long, painful battle but today I finally got my 250th B-Class win without using any powerups at all. Also today I got my 50 A-Class wins without powerups, which also pleases me.  So, it can be done."	Focal Gamer	C2C Interaction	Personal achievement	Motivated & inspired customer	foum.ea.com/eaforum/posts/list/9930408.page#31626789

