

Co-creation of Knowledge with Customers

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Abstract

The objective of this article is to build the integral framework for dispersed arguments about co-creation of value and to suggest implications for its management in the local business practices by redefining the value-creating activities with customers as continual knowledge creation process in the market.

First, in overviewing the existing literatures, I will point out that the concept of “co-creation of value with customers” has been used to indicate at least two different phenomena. To cope with these multiple possibilities of co-creation of value, I start from focusing attention on the missing dimension: knowledge creation. On the basis of the framework of organizational knowledge creation, I suppose the frame work for the process of knowledge creation in the market. In addition, I elaborate the theoretical frame work by examine the actual structure of continual knowledge creation based on the evidences from the case study of the new market formation process.

Key words co-creation, knowledge creation, S-D logic

Introduction

Prominence and Intricacy of Co-creation of Values with Customers.

In recent years, a new perspective of marketing which is different from the traditional view of the relationship between company and its behavior in markets has emerged. The

traditional perspective has conceptualized the downstream customers as passive recipient of inputs added value by upstream suppliers in a value chain (Norman and Ramírez 1993: 65). However, this model of marketing has been challenged by several research streams including service marketing (Gronroos 1978, 2006; Gummesson 1979; Lehtinen and Lehtinen 1983), relationship marketing in B to B context (e.g. Håkansson 1982) and user-centric new product development (Thomke and von Hippel 2002, Ramaswamy and Gouillart 2010).

These several tributaries of change are converged into a new dominant logic for marketing, called the Service-Dominant logic (Vargo and Lusch 2004, 2008, Lusch and Vargo 2006). Defining service as the application of specialized skills and knowledge (operant resources), Vargo and Lusch regard service as the fundamental basis of exchange while goods are regarded as service appliances through which customers judge the benefits. Not just the suppliers, the users are also classified as providers of service. Because the value is not realized until users learn what to do in practice with the offering from suppliers, the application of operant resources (e.g, knowledge and skills) of users are also necessary. This leads the idea that the consumer is always involved in the production of value in the use of the product, and that the company can only by itself make value propositions. Therefore from the perspective of service-dominant logic (S-D), an important challenge for companies is to facilitate and manage its interactions with customers in order to mobilize their operant resources to enhance value creation.

However, while the diversified phenomena of co-creation of value are converged as the new paradigm called S-D logic, there is a lack of a definition of the ontological basis of value creation. Ballantyne, Williams and Aitken (2011) pointed out that there is the 'ongoing and unresolved duality between objectivist and relativist ontological positions that manifest in S-D logic as multiple perspectives on value' (p.180). As a result, the value have been treated as a concept that can be perceived and constructed differently by various actors (Grönroos and Voima 2013: 136).

In this article, I point out the concept of value creation with customers has been used to indicate at least two different phenomena in existing literatures; creating value-in-use by the users during usage context and utilizing customers' knowledge by the company as a source of competence or innovations.

On one hand, Grönroos (2008, 2011; Grönroos and Voima 2013) defines of value creation strictly as the user's creation of value-in-use. When value is defined solely as value-in-use, the users instead of the supplier dominates the value creation. So the comprehensive production process by the company (e.g., design, development and manufacturing of resources, back office) is no longer part of value creation (Grönroos and Voima2013: 137). However, even value is created solely in usage, interactions with the customer make the value creation process potentially accessible to the provider. So they use the term value co-creation to describe a joint process in which the service provider may engage with the customer's value creation and, through joint co-creational actions, influence the customer's creation of value-in-use (Grönroos and Gummerus, 2014).

On the other hand, the literatures focusing on customers' increasing role as co-producers of the company use the term co-creation in the latter sense, utilizing customers' knowledge by the company as a source of competence or innovations. For example, Prahalad and Ramaswamy (2000) argue that customers are fundamentally changing their role from passive audience in value creation to active players which can be "a new source of competence" for the company. The competence that customers bring is a function of the knowledge and skills they possess, their willingness to learn and experiment, and their ability to engage in an active dialogue (Prahalad and Ramaswamy 2000:80).

Hilton et al. (2012) point out that Vargo and Lusch (2008a) also distinguish co-creation from co-producing which describe the involvement of customers in the creation or delivery of products or services, and modified their foundational premise 6 (FP6) from "the customers is always a co-producer" to "the customer is always a co-creator of value" to emphasize this

distinction, but others remain to use the terms interchangeably.

As a result, the lack of shared definition of co-creation of value seems to cause difficulties in further theoretical developments as well as in applications for business practices. Theoretically, it results the absence of a framework to grab the whole picture of value creation process with customers even after the declaration of Service Dominant Logic(S-D logic) as a new paradigm in marketing by Vargo and Lusch (2004). Also, in terms of managerial implication, what is possible for a company to facilitate and manage the co-creation of value with users has not been clear enough.

Theoretical Framework

To cope with these multiple possibilities of co-creation of value, I will start from by focusing attention on the missing dimension that is creation of knowledge. The significance of operant resources as the source of competitive advantage (Vargo and Lusch, 2008a, 2008b) has raised interest in the nature of intangible resources such as knowledge, skills, and labor (Arnould et al. 2006; King and Grace, 2008; Layton, 2008).

However, even though these researchers on co-creation of value have argued utilizing the knowledge of users as the operant resource applied for value creation, they seem to have overlooked the importance of creating knowledge through interactions with users. As McInerney and Day(2007) point out, while a process oriented view of knowledge acquisition and expression stresses learning and development, knowledge have been understood as quasi-physical entities that are somehow “hidden ” and need to be made visible in some “public” fashion that wasn’t possible before. But in this article, I will propose to formulate value co-creation process with customers as the process of “knowledge creation” rather than “knowledge utilization”, of which existing dispersed arguments about co-creation of value can be understood consistently as part.

Among the discussions about co-creation of value, there are few research which makes

mention of the importance of knowledge creation, except for Ballantyne and Varey (2006). In the value creation process, they distinguish three value-enabling activities: relating, communicating and knowing. These three value-creating activities are not separate but interdependent, as favorable relationship quality could be built on common 'rules of engagement' developed as a consequence of learning together entails knowledge renewal for each party (Ballantyne and Varey 2006).

The argument about generation and renewal of knowledge by Ballantyne and Varey is based on the knowledge creation model through interactions between tacit knowledge and explicit knowledge by Nonaka and Takeuchi (1995). The importance of knowledge renewal has been emphasized in organizational studies, especially since Nonaka (1994) and Nonaka and Takeuchi (1995) formalized a process to explain how organizations create new knowledge to deal with a changing environment. They assume that knowledge is created through a conversion process between tacit knowledge and explicit knowledge (Polanyi 1996) and that while new knowledge is developed by individuals, organizations as "communities of interaction" play a critical role in articulating and amplifying that knowledge.

This organizational knowledge creation process consists of four modes of knowledge conversion: socialization, combination, externalization and internalization. In the process, the interaction between the four modes of knowledge conversion enables the interchange between tacit and explicit knowledge, in which tacit knowledge held by individuals is mobilized and amplified in a spiral process. The argument made in this article is that this model of organizational knowledge creation can be amplified as the knowledge creation model in the market in which tacit knowledge of different parties is mobilized to create value.

In fact, according to Ballantyne and Varey 2006, tacit knowledge is know-how or competence which is applied directly in creating value, in the terms of Vargo and Lusch (2004), operant resource. Similarly, explicit knowledge is an operand resource which can be codified and transferred to another party (Ballantyne and Varey 2006: 340). In addition,

organizational knowledge creation theory implies that a spiral process of knowledge creation sometimes reaches out to the inter-organizational level, engaging customers, competitors and suppliers (Nonaka 1994: 20, 27), within the “evolving communities of practice” (Brown and Duguid 1991: 49). However, as only the possibility was pointed out and the logic of knowledge creation in the market has not adequately developed yet.

In order to look into the actual process of these continual knowledge creation in the market and elaborate its theoretical frame work, I will illustrate the case study of the market formation process of herb and aromatherapy in Japan. In the case study, we will see how a manufacturing and sales company, TREE OF LIFE has constructed the extended network of stakeholders and the product values through dialogical knowledge creation process in the market in the early stage of the market when the company couldn't rely on neither of its customer base, that is existing relationship, nor clear benefits of the products.

Case introduction and method

The Aroma Environment Association of Japan (AEAJ) announced that the size of growing market for herb related products and services in Japan exceeded 2.6 billion US dollars in 2011. Japanese consumers have adopted the culture of herbs into their daily lives during the last few decades by using various consumer products like skincare creams and air fresheners that contain essential oils, aroma spa treatments as well as dried herbs and essential oils for home use, even though few people had heard of herbs till the end of 1970s.

To trace how this relatively new market has formed, I focused on the effort to create the market by TREE OF LIFE which is the manufacturing and sales company of a large variety of herb and aromatherapy related products. I will describe the whole process of market knowledge creation and consequent market formation based on the data from several interviews with the president and employees of TREE OF LIFE, observations of their interactions with herb users and published documents related to the company (e.g., half-yearly

brochures, company history book and articles in newspapers and magazines).The data collection was continued until theoretical saturation (Glaser & Strauss, 1967, pp.61-62, 111-112), the phase in which no new data appear in terms of the interaction between the company and customers.

Communicative interaction to develop relationships

In 1977, Tadashi Shigenaga, the founder and current president of TREE OF LIFE started his business with selling imported dried herbs in a corner of his father's pottery shop in Tokyo. But it wasn't successful as there are very few people knew about herbs at the time and even the store staff refused to display them, saying "nobody will buy mere dead leaves." Even the major consumer goods companies which imported Ricora's herb candy and Unilever's shampoo brand TIMOTEI and made them a hit only with a massive promotional effort in 1980s also failed to open up the herb market in Japan. While these products succeeded as a candy or a shampoo, people didn't know a variety of the utilities nor the usages of herbs yet. Consequently Unilever stopped sales of TIMOTEI at Japanese market in 1994 until the relaunch in 2013. In other words, the benefits of herbs for customers remained uncertain at the time. The value propositions offered by the companies failed to result in the favorable relationship with users.

After continuing process of trial-and-error to inform the benefit of herbs to customers, TREE OF LIFE found a trigger in 1980 when they adopted a cartoon story in which the heroine likes to make hand-made potpourri (a mixture of pieces of dried flowers and herbs kept in a bowl to make a room smell pleasant) and gave rise to a making potpourri boom among elementary and middle school girls. It increased the number of new customers and sales of herbs at outlets and mail-order business of TREE OF LIFE and notified Shigenaga that herbs would sell well spontaneously only if consumers realize how to use it in their daily lives. The focus of the company shifted from increasing the sales of herb products to helping users construct a lifestyle with herbs.

Since then, they started to release the new ideas of herb usage and new products in almost every year, including house blended herbal teabags in 1983, herbal bath and herb soaps in 1984 and herb dyeing in 1986. Shigenaga explained that all of these ideas were discovered through actual usage situations of users. For example, they got the idea of herbal bath when a staff realized the aroma remaining in the used herbal teabags and put it in a bathtub as a trial. What prompted their study of herb as dyeing material was a complaint call from a user who left herbal bath overnight and found bathtub was dyed.

In the end of 1980s, TREE OF LIFE decided to transform their main business model from wholesale to direct sale after observing their client retailers explaining to customers and handling the products in wrong ways due to their lack of knowledge about herbs. This decision resulted in establishing direct contacts with customers, 120 directly-managed herb stores all over the country in 2013. After all, as the benefits of herbs are mainly related to their aromatics, the customer experience in the retail outlets with pleasant aromas turned out to be the powerful channel to communicate the benefits to the customers. In each herb stores of TREE OF LIFE, visitors can experience the “herbal life” with his/her five senses when he/she is offered a cup of free trial herbal tea in the comfortable space with pleasant smell from aroma diffuser and healed by watching the flicker of aromatic candles. The staffs always keep in mind to treat the visitor warmly and to share their knowledge and experience of herbs as the same herb fans rather than to give a promotional explanation about the products. As a result, more and more consumers learned the benefits of herbs by experiencing it and became customers of TREE OF LIFE.

Cultivation of knowledge and skills of users

Even after TREE OF LIFE succeeded to create the market of new usage of herbs through the communicative interaction with customers in the outlets, the possible size of herb related market might have been much smaller, consisting of a limited number of the customers, unless the company extended the relationship to a wider circle of people and encouraged

user-to-user learning.

In the late 1990s, TREE OF LIFE familiarized the use of herbs by linking it with aromatherapy, a home remedy that uses essential oils abstracted from herbs and flowers. What promoted the popularization of aromatherapy was the foundation of the Aromatherapy Association of Japan (predecessor of AEAJ) in 1996 and introduction of the certification exams for amateur and professional aromatherapists on the initiative of TREE OF LIFE. In the same year, the company also established an educational institute named “Herbal Life College” and began a series of lectures about a broad range of herb usages and technical knowledge required to pass the certification exams. The purpose of the college is to enlarge the learning circle between herb users by providing the job opportunities for certificated users. In the words of Shigenaga:

After we built the certification system for aromatherapy advisors and instructors, it was critical to set up the field where they can apply their knowledge of herbs. We employ the users who passed the exam as our store personnel and lecturers of Herbal Life College. In Herbal Life College, the certificated users educate the other users who also might become lecturers after passing the exam, enlarging scale and diversity of the learning cycles. By supporting them to learn from each other and exchange their knowledge and skills, we could expand the range of customers, accurately the lovers of herbs and aromatherapy. (Shigenaga 2013 (interview))

Consequently, Herbal Life College has grown to 18 branches (in 2013) providing 2500 courses throughout Japan. Today, the qualification exam for aromatherapy is known by 40% of people, and over 300,000 people take it every year (AEAJ; www.aromakankyo.or.jp/english/aeaj.html).

To promote the learning cycles among herb users, TREE OF LIFE also encourages its employees as the professional users to deepen their knowledge and experience of herbs and aromatherapy and to publish them as books. For example, Sasaki Kaoru who is the

professional aromatherapist and general manager of the culture business division of the company has learned the history and usages of herbs around the world and published dozens of books on herbs.

Occasionally, a new usage of herbs that is unexpected by the company emerges from the interaction between users. Since most of the lecturers of Herbal Life College are self-selected professional users who have diversified interests, they often introduce new usage of herbs into the lectures based on their own expertise; for example, yoga with aroma by a yoga instructor, cultivation of beautiful herbs by a master gardener, aroma massage for a baby by a child development specialist, and how to make DIY skincare products safely by a chemist who used to work for a major cosmetic company. These enlarged user-to-user relationships as lecturer and learner underpin the stable growth of herb & aromatherapy market and functions as communities in which new values-in-use are continuously created by users.

Dialogue to externalize user's knowledge of value-in-use

As mentioned above, TREE OF LIFE has provided educations and certifications to enhance users' capability to make use of herbs. Actually the market size of essential oils for aromatherapy exceeded 50 million dollars in 1997, five times compared to 1995 (Fujikeizai 2000: 145). Of course this market growth didn't only conclude the profits for TREE OF LIFE but also the increased number of new suppliers of herbs which import European essential oil brands in the late 1990s. Even among the certificated and expert herb users, while some may join the staffs and the lecturers of TREE OF LIFE, the others may do their own business as suppliers by opening their herb shops or developing herb related products and services.

But TREE OF LIFE doesn't regard them as its competitors. Rather, it willingly offers its business experience and know-how to the new entrants and supports to increase the suppliers of herb related products and services. The company also provides kits for making hand-made herbal products like herbal soaps, bath salts and foot and rip creams as well as methods of making them for amateur users who are interested in making their own products, in spite of

the fact that such DIY products may cannibalize the products produced and sold by TREE OF LIFE.

These actions of TREE OF LIFE may seem to be irrational at first glance but turn out to be reasonable when recognizing the fact that it is the only company which internalized the whole value chain including procurement of raw materials from abroad, abstraction of essential oil from the materials, development of new products to sales at own retail outlets and education at Herbal Life College. In sum, as long as the new entrants engage in only a part of the value chain to provide herb related products and services, such new suppliers are prospective business partners for TREE OF LIFE which can provide the materials and professional services for them. In fact, TREE OF LIFE operates the mail-order whole sale club to provide requisite materials and equipment for the other suppliers including herb shop owners, aroma massagers and manufacturers of herb related products. TREE OF LIFE can provide 2500 original products in 2013, including 170 different essential oils, more than 300 dried herbs and the essential oil extract equipment for professional-use. The company also offers a variety of supports for those who open their own herb shops including developing the business plan, providing the store fixtures, suggesting the assortment, educating sales people, advertising and dispatching of store staff, subject to purchase from TREE OF LIFE. Shigenaga explains the collaborative stance of the company:

While companies usually regard the other companies as competitors when they are in the same trade, we see them as the kindred spirits and the potential customers to jointly popularize herbs and aromatherapies. I found many concepts in the marketing terminology of the twentieth-century relating to wars, strategy, target and share...these all assume the game to grab the territory. But I think the true goal of marketing is to live together by providing our competence to the others and complemented by the others and to share in the benefits of constructed valuable culture. (Shigenaga 2010 (interview))

Combination to generate new knowledge

These autonomous value providing activities by new entrants who were originally users are beneficial for TREE OF LIFE not only because they can be its prospective customers in B to B, but also because the emerging values-in-use embodied as their new products or services can be a source of market knowledge for TREE OF LIFE to enhance its capability to develop and improve their value propositions. The Herbal Life College is also regarded as the platform to accumulate the knowledge about emerging values-in-use of herbs as TREE OF LIFE can identify promising ideas by evaluating the popularity of various lectures provided by certificated users.

TREE OF LIFE also accumulate the insights about the new values-in-use of herbs realized by users through numerous dialogue with the end users in its directly-managed herb stores. These knowledge about emerging value-in-use obtained through dialogical interactions with users are shared broadly through the organization and are combined with the existing knowledge of the company to regenerate value propositions. For example, the staffs in each herb stores make notes of what they have noticed from interactions with customers in weekly reports and share them with the managements and the employees across the boundaries between departments. In addition, there is also the annual employee suggestion program in TREE OF LIFE through which every employees can submit a suggestion to improve their operations and an idea for new products and services. If a suggestion is approved by the reviewing committee, its proposer can engage in the project to realize the suggested idea beyond borders between positions.

These creation and utilization of market knowledge enables TREE OF LIFE to constantly release new categories of herbs usage and related new products every half yea. For example, they released an “oral-aroma” category consisting of tooth pastes, mouth washing and other oral care products made of herbs in 2012 (according to their half-yearly brochure *Lifeware Book* in the spring & summer of 2012).

After releasing new value propositions, the whole process will be repeated expanding the scale and variety of stakeholders involved in the learning cycle. Even though sometimes value propositions generated by TREE OF LIFE or another supplier may fail to develop favorable relationship with users and to result in value creation, such outcomes will be fed back to the company as a part of knowledge creation process in the market.

Discussion

Findings from the case study

The continuous process of interaction between TREE OF LIFE and herb users described above seems to have the requisite qualities for co-creation experiences pointed out by Prahalad and Ramaswamy (2004) (see Figure 1).

TREE OF LIFE has interacted with users continuously aiming to absorb values-in-use realized by them, to offer them further value propositions and to cultivate their knowledge and skills, rather than mere extraction of economic value by transaction. The company-customer relationship is also more multidimensional than mere transaction based, and co-creation experiences are prevalent in various relationships with end users, business partners, employees and lecturers of the Herbal Life College.

Furthermore, sometimes customers dominate the interaction with the company by sharing the value-in-use they created in the dialogue, joining the company as an employee and applying for a lecturer of Herbal Life College. As a result, the most crucial task for TREE OF LIFE has been developing and maintaining the quality of customer-company interactions rather than pursuing cost efficiency or quality of products.

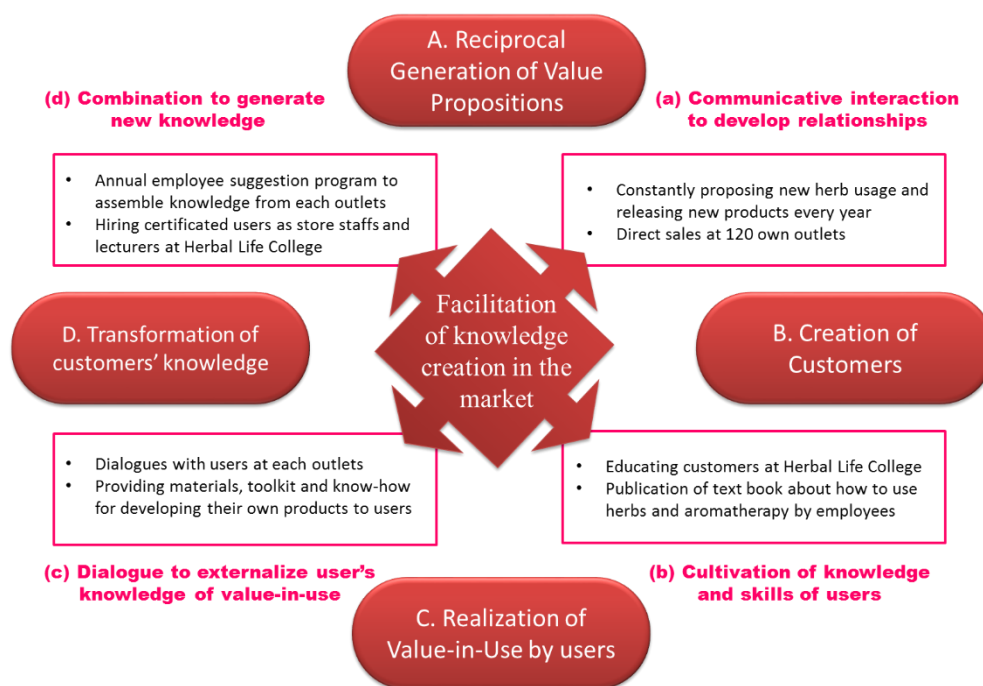
Figure 1. Migrating to co-creation experience (Prahalad and Ramaswamy, 2004).

	Traditional exchange	Co-creation experience
Goal of interaction	Extraction of economic value	Co-creation of value through compelling co-creation experiences, as well as extraction of economic value

Locus of interaction	Once at the end of the value chain	Repeatedly, anywhere, and any time in the system
Company-customer relationship	Transaction based	Set of interactions and transactions focused on a series of co-creation experiences
View of choice	Variety of products and services, features and functionalities, product performance, and operating procedures	Co-creation experience based on interactions across multiple channels, options, transactions, and the price-experience relationship
Pattern of Interaction between firm and customer	Passive, firm-initiated, one-on-one	Active, initiated by either firm or customer, one-on-one or one-to-many
Focus of quality	Quality of internal processes and what companies have on offer	Qualities of customer-company interactions and co-creation experiences

In addition, the case study shows four distinctive activities to facilitate such co-creation of value with customers. The figure 2 summarizes the evidences from the case study and illustrates what TREE OF LIFE has done to facilitate the management of co-creation of value with users as knowledge creation process in the market.

Figure 2. Activities to facilitate knowledge co-creation



(a) Communicative interaction to develop relationship

Some existing literatures which focus on co-creation of value with customers seem to assume the pre-established relationship with customers as the basis of their discussions.

However, in most cases especially where the product value is vague or the market is changeable, building favorable relationship as the supplier and the customer in itself is desired outcome of marketing activities. In the case study, TREE OF LIFE initiated this process by offering the new category of herbs usage and related new product which embody the benefit of herbs. TREE OF LIFE enabled the customers to learn of the benefits of herbs by making them experience the benefit at directly-managed herb stores instead of the one-way advertisement by mass media.

(b) Cultivation of knowledge and skills of users

While there are relatively few literatures which focus on post-purchase behavior, when considering the customers as value creators, it is crucial for the supplier to have an interactive “platform” with customers to favorably influence their usage process (Gronroos 2011) after the transaction is achieved. TREE OF LIFE sets up Herbal Life College as such a platform, educates users and facilitates user-to-user learning. As a result, the herb users integrated the value propositions provided by the company with their existing resources (e.g., knowledge, skills, expertizes and personal aspirations), interacted with the other users, and created various values-in-use beyond the company’s intention.

(c) Dialogue to externalize user’s knowledge of value-in-use

These value-creating practices of users are “production called consumption” which usually invisible to the suppliers (de Certeau, 1984), because they occur solely in the users’ sphere, as their practices in everyday life. Besides, the created new values-in-use may not be figured out by traditional marketing research including focus group interviews and questionnaires, as they are not always perceived even by the users themselves. So TREE OF LIFE tried to expose these tacit knowledge of users by providing tools and a field to facilitate value creation by themselves. In fact, the company offers the opportunities to give a lecture at Herbal Life College to the certificated users with various expertize and materials and know-how to professional users who want to be a supplier of herb related products and services. TREE OF

LIFE also transformed the customers' unconscious needs and realized value-in-use into words through dialogical interactions with users at the outlets.

(d) Combination to generate new knowledge

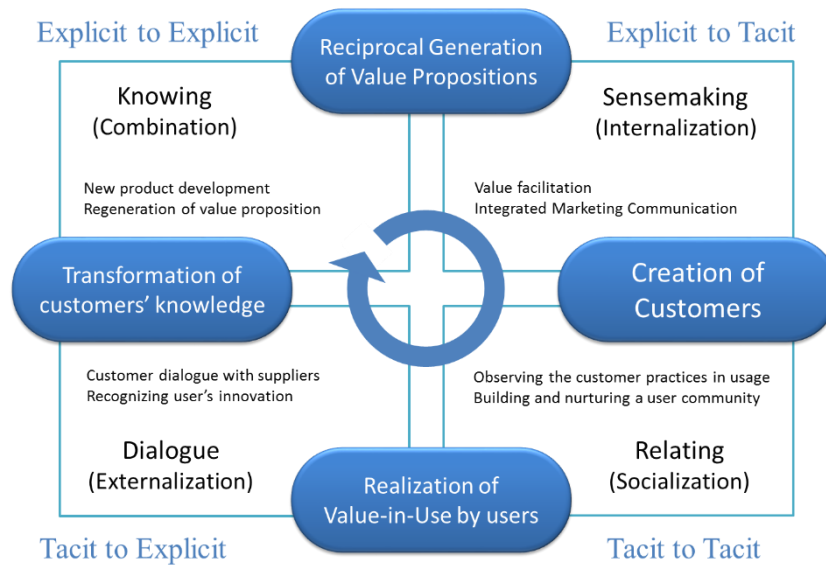
These knowledge of users obtained through various customer contacts are shared and accumulated in the company by way of weekly reports from the herb stores and the annual employee suggestion program, combined with existing knowledge in the company, and fed back to further generation of value propositions. TREE OF LIFE also internalize the knowledge of users by hiring certificated users as our store personnel and lecturers of Herbal Life College.

These creation and utilization of market knowledge enables TREE OF LIFE to constantly release new categories of herbs usage and related new products every half year.

The Dynamic Theory of Knowledge Creation in Market.

Then, I will generalize the findings from the case study to develop the model of market knowledge creation shown in Figure 3. The model consists of the same four modes of knowledge conversion as organizational model, but the evolving community of practice for market knowledge creation spans including at least two evaluators, the provider and the customer. The continuous value creation will be achieved when these four modes form the cyclical process through which the supplier interacts with the users in terms of dialogues between tacit and explicit knowledge (operant and operand resource).

Figure 3. The Extended Model of Knowledge Creation in the Market



Though the process of knowledge creation in the market can start from any phase in the cycle, in traditional marketing, the process often starts from the phase of “knowing (combination)”, in which the supplier (re)generates value propositions and develop new products based on the market knowledge created by transformation of customers’ knowledge into the form of concepts.

Then, the supplier of the generated value proposition will engage in direct and indirect interactions with prospects to develop favorable relationships with them as the supplier and the customer. The value propositions, whether products or services, need to be converted into benefits in terms of users’ individual goals so that the transaction will occur. In other words, the explicit knowledge embodied in the supplier’s value propositions must be internalized into tacit knowledge of users by “learning by doing” (Nonaka and Takeuchi 1995). This process can be called “sensemaking (internalization)”.

As the value creation is defined as the customer’s creation of value-in-use (Grönroos 2008, 2011; Grönroos and Voima 2013), the remaining two phases are value creating practices dominated by customers rather than traditional marketing practices dominated by the suppliers.

In the phase of “relating (socialization)”, the customers combine the benefit of value

propositions provided by multiple companies with the other operant resources, the social, cultural, and physical resources to achieve their individual, relational, and collective goals (Arnould, Price and Malshe 2008, Epp and Price 2011). Through integrating their resources, consumers contribute to their own value realization (Hilton et al. 2012: 1506). Since this process is influenced by a wider customer network or ecosystem consisting of other customer related actors (e.g., family, friends), value creation by the customer could be achieved autonomously, beyond the supplier's control (Grönroos and Voima 2013: 142). Users share their experiences with other users and create new tacit knowledge (operant resource) including new value-in-use unintended by the supplier and know-how and skills to make use of the value propositions by the suppliers.

The value creation with customers has also been defined as utilizing customers' knowledge and skills by the company as a source of competence or innovations (Prahalad and Ramaswamy 2000). Ramaswamy (2008: 10) proposes that if the company can foster the dialogue with customers by providing them with access to each other, shared information, and risk-benefits proposition, it will be possible for the company to generate and refine new ideas rapidly and to accumulate learning about what customers want. This phase can be called "dialogue" corresponding to "externalization" mode in organizational knowledge creation in which tacit knowledge are articulated into transmittable explicit concept through dialogue or collective reflection.

After externalized through dialogue, accumulated knowledge of customers will be fed back to the company and combined with existing knowledge to create new value propositions. This process of creating explicit knowledge from explicit knowledge is referred to as "knowing (combination)", which has long been highlighted by the literatures on new product development and market orientation (e.g., Day 1994, Kohli and Jaworski 1990, Slater and Narver 1995, 1999).

All of these four phases compose the circular process in which the customer's value-in-use

is enacted through dialogical interaction between the provider and the customer and between tacit and explicit knowledge. When value creation with customers will be amplified, for example in the process of new market formation, this spiral process of interaction between tacit knowledge and explicit knowledge of the customers and the providers will enlarge involving more and more suppliers as well as customers.

Conclusions

Theoretical and managerial implications

Based on the evidences from the case study, we derived the knowledge creation cycle in the market consists of four value-enabling activities, sensemaking, relating, dialogue and knowing. It is beneficial for both theory and practice to redefine the problem of how to creation/co-createthe value as how to facilitate learning to create new market knowledge.

Theoretically, it can contribute to resolve the problem of the lack of a framework to grab the whole picture of value creation process with customers. As previously noted, the concept of co-creation of value with customers has been used in two different ways. In addition, while Vargo and Lusch(2004) have declared Service Dominant Logic(S-D logic) as a new paradigm in marketing, it is not clear if co-creation of value with customers can fully substitute traditional marketing, and if not, what is the relationship between them. I argue that these seemingly discrete views for the definition and management for co-creation of value with customers correspond to the different phases of the integrative cycle of market knowledge creation.

In terms of managerial implication, what is possible for a company to facilitate the co-creation of value with users has not been clear enough to guide the course of action. In this article, I proposed four value-enabling activities as the course of action for the supplier.

Possibilities for the future research

In this article, I proposed the framework of knowledge creation process in the market in

which existing dispersed arguments about co-creation of value can be organized as part of integral learning process. I also identified specific marketing activities to promote the learning process based on the actual case of TREE OF LIFE. This new perspective of marketing as repetitive learning process to create knowledge in the market can contribute to developing both theory and practice related to co-creation of value with customers. It also indicates several directions for future researches.

The evidences from the case study imply that when we recognize the goal of marketing as continual knowledge creation with the other actors in the market rather than as sporadic sales achieved by beating competitors, the relationship with other companies as well as users would be altered. TREE OF LIFE doesn't regard the other suppliers or new entrants in herb and aromatherapy market as competitors, but as partners to co-create the value of herbs. This corroborative view was also pointed out by Norman and Ramírez (1993), in their analysis of value-creating system within which different economic actors (suppliers, business partners, allies, customers) work together to co-produce value, from the perspective of strategy.

The nature of marketing which presupposes the co-creation of value with the other actors seems to get closer to the definition of internal marketing (Ballantyne, 1997: 354), defined as follows; Marketing is a relationship development process in which actor autonomy and know-how combine to create and circulate new market knowledge that will challenge activities which need to be changed to enhance quality in market place relationships. In this article, I have just started to examine what the marketing as the process of knowledge creation could be based on the case study, which is open to further elaboration.

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