Defining customer value in disruptive business models

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Abstract

Customer value is a relatively complex concept and is very dependent on the perspective that is taken as well as on the context of the value offer. The aim of this thesis is to identify how customer value is defined in more dynamic environments, specifically in the context of disruptive business models. The case company in the thesis is Lynk & Co. They offer hybrid-electric cars in connection with subscription-based car ownership and are therefore considered to have a potentially disruptive business model. The research was conducted through seven semi-structured interviews with employees in different roles at the company. The collected data was analysed with a thematic analysis in order to identify different dimensions to value as well as factors that might impact it in this context.

The findings indicate that functional, cost and experiential values are important to the customers of the case company. Moreover, the results indicate that the social values that the innovation can offer are important. This means that the social context created through for example the customer's network would have a strong impact on what the customer perceives to be of value in a disruptive context. Furthermore, the value perception is subjected to a high degree of uncertainty and lack of context, such as few competitors, with disruptive innovations, which makes it difficult for customers to evaluate value and might mean that other more familiar factors such as the customer's network become more important.

Keywords: customer value, disruptive innovation, subscription-based car ownership

Acknowledgements

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1 Introduction

The aim of this thesis is to identify what factors influence the customer-perceived value of a company in a disruptive context. *Customer value* can be viewed as the result of the customer's perceived benefits and costs. In company business models, customer value may be defined as the value propositions they offer to their customers and what differentiates them from their competitors. Defining this concept has been difficult since there are many perspectives. Additionally, it is based on customers whose views and behaviours are often changing. Moreover, the context of the value proposition and its interactions with other actors in the company's environment further complicate identifying what exactly customer value is and how it can be measured and evaluated for further improvements and developments.

Customer value is central to a company's success since it enables firms to establish a differential position and achieve a competitive advantage (Cooper, 2001). Consequently, it is important for companies to have a value creation strategy that offers value in multiple ways in order to satisfy their customers. This in turn increases the firm's performance and sets them apart from their competitors who have a less developed value creation strategy (Smith & Colgate, 2007). Furthermore, companies also focus on business model innovations where value propositions are changed to improve their position in the market. Product and service innovations are important in order for companies to keep providing and improving value to their customers and thereby maintaining a competitive advantage (Sánchez-Gutiérrez et al., 2019). These typically represent sustaining innovations that add on to the customer's experience and do not challenge the company's current processes. However, when an innovation is more disruptive the drivers of customer value might not apply in the same way as for other types of innovations.

Overall, there is no generally accepted definition of what customer value is and while there are some frameworks for defining customer value, there is often no consistency among them (Smith & Colgate, 2007). Moreover, there is not enough research on how customer value can be defined in more disruptive contexts and how disruptive innovations should then be managed to maintain customer value and subsequently a firm's competitive position in the market. Since customer value is a rather context-dependent concept, it would therefore be important to gain a better understanding of how it is impacted in the context of disruptive business models and what the main components to customer value are in this situation as well as what aspects need to be considered. Therefore, the focus of this thesis will be on how customer value can be identified and defined in these environments. This leads to the following research question *"How can customer value be defined for disruptive business models?"*

The research will be conducted through a case study at the company *Lynk & Co*. They are a relatively new firm operating in the automotive industry. They focus on hybrid-electric cars and offer new types of ownership models for cars, such as subscription-based

car ownership, to promote more sustainable forms of mobility. Therefore, the company's business model centres around the sharing economy with subscription-based value offerings. Hence, the company itself and the environment it operates in are influenced by many new, and potentially disruptive, factors such as that it is a *new company* with a *new business model* based on a still relatively *new technology* also in a *new sector* with the increase in shared mobility and mobility being viewed as a service.

Understanding how the company works with identifying customer value and what their experiences are in practice will provide insights into how customer value can be defined in a more disruptive context. The empirical data will be collected by conducting interviews with employees in different value chain processes at the company. Therefore, based on the existing definitions and frameworks for customer value and by exploring how Lynk & Co works towards creating and developing the value they provide their customers, new insights can be gained into how a definition for customer value under these unique circumstances potentially causing disruption and emerging technologies can be approached.

In the next section, the theoretical background of how customer value has been defined in the past and how value takes place in a disruptive context is described. Thereafter, the methodology of the study is outlined. Following this, the empirical results of the thesis are presented and further analysed and discussed in the section after. Finally, conclusions and suggestions for further research are provided.

2   Theoretical Background

This section provides the theoretical background on disruptive innovations and how the adoption process takes place, as well as an overview on customer value and how it is created and changes in the context of disruptive innovations. Moreover, background will be given on customer value in relation to the research setting such as the sharing economy as well as the mobility industry.

2.1   Disruptive innovations

Disruptive innovations change an industry with new products or services that disrupt existing ones by creating new markets or introducing products to the low-end market by for instance offering them at a significantly lower cost (Christensen et al., 2015). According to Christensen et al. (2004), as companies aim to increase their financial performance by going up-market, they start to lose market shares that can then be filled by new entrants with disruptive innovations, which is also referred to as the 'innovator's dilemma'.

Initially, disruptive innovations have a lower level of value compared to their competitors, and since the innovation is not valued by the mainstream customers, they attract niche ones, who are also often more price-sensitive (Christensen & Raynor, 2003). The new product or service tends to have a lower price or offer another kind of significant advantage, such as a higher degree of simplicity, that with improvements in its other performance dimensions over time, will attract mainstream customers. In terms of value creation, disruptive innovations offer new value propositions that initially target a specific customer segment, which, as the customer base grows, will disrupt incumbent operations and the value they generate for their customers (Siedhoff, 2019).

However, disruptive innovations are relative to the organisation and market as well as the innovation in itself, and it therefore depends on the *context* in order to assess whether an innovation can be considered disruptive or sustaining (Christensen et al., 2015). Nagy et al. (2016) identifies different factors that help indicate whether an innovation has the potential to be disruptive. These can be either external factors to the innovation, such as changes in performance metrics and customer expectations, or internal characteristics that disruptive innovations provide, such as new functionality and technical standards as well as new forms of ownership.

Innovations specifically with radically new functionality correlate with the creation of new markets in the disruptive innovation theory, since they provide completely new solutions to existing tasks or problems. Moreover, new technical standards represent the use of new processes or resources in connection with existing technology which could enable more resource efficiency such as through lower costs. This directly relates to disruptive innovations targeting low-end markets (Nagy et al., 2016). Lastly, the ownership model of the innovation is another aspect that can create low-end disruptions, since the ownership

of a product or idea influences multiple operations and mechanisms in the market, such as the price or the responsibilities towards the innovation and whose they are (Nagy et al., 2016). However, for all of the innovation characteristics the relativity of what is disruptive still applies and therefore the context of the innovation still has to be considered to be able to identify whether an innovation can be considered potentially disruptive.

2.1.1 Niche markets and disruptive innovations

Disruptive innovations either address low-end customers in existing markets or arise in emerging or niche markets. One of the reasons why mainstream customers reject the innovation is because it underperforms in the primary performance dimension that they value (Reinhardt & Gurtner, 2015). Since it performs better compared to competitors in another or new performance dimension, such as price, usability or convenience, the innovation is still attractive to a specific group of customers in emerging or niche markets, which become the early adopters of the innovation. These are smaller markets consisting of a group of customers with similar needs that have not yet been met by competing products (Keegan et al., 1992).

As discussed, as the innovation improves in its performance to a level that is considered acceptable by mainstream customers, it becomes more attractive and more widely adopted. But this improvement takes place in the primary performance dimension, therefore what the mainstream customers value is not considered to change with new innovations (Reinhardt & Gurtner, 2015).

In disruption innovation theory, there is not a large focus on the characteristics of early adopters that influence innovation acceptance and its rate. However, there is research on the innovativeness of customers in general where no distinctions have been made regarding the type of innovation and could also be applied in a disruptive context (Reinhardt & Gurtner, 2015). Early adopters tend to share a higher level of engagement and knowledge about the product or product category in general (Arts et al., 2011), as well as an innate innovativeness, which represents the customer's need to differentiate themselves and subsequently increases their intentions to adopt an innovation (Vandecasteele & Geuens, 2010).

Reinhardt and Gurtner (2015) conducted a study to test the identified characteristics specifically for early adopters of disruption innovations compared to sustaining innovations. Early adopters of disruptive innovations were found to have an in-depth understanding of the product category and its performance dimensions to the point that they could understand the benefits and therefore the value of the innovation. However, early adopters of disruptive innovations tend to have a lower level of involvement with the product category, such as having used similar products, compared to the early adopters of sustaining innovations since the innovation targets a niche or completely new market that has not previously encountered a solution for their uncovered need and therefore no similar products exist. Subsequently for disruptive innovations, the involvement factor is not as indicative of a higher likelihood of innovation acceptance and adoption (Reinhardt & Gurtner, 2015). In fact, a higher level of product involvement tends to cause customers to prefer a sustaining innovation over a disruptive one. The innovativeness of the customer was generally not

found to be significantly different between the two types of innovation, except for the hedonic innovativeness where early customers to disruptive innovations were found to have a higher joy of consumption than early adopters of sustaining innovations. The authors attribute this finding to the fact that disruptive innovations often present a less complex or less expensive option to the customers.

Moreover, in relation to the economic value of innovations, Reinhardt and Gurtner (2015) found that price had a significant effect on the adoption of disruptive innovations. Since disruptive innovations offer some form of newness to customers, the perceived risk is seen to be higher which could explain why customers place more focus on the price of the disruptive innovation, as opposed to early adopters of sustaining innovations.

2.1.2 Move from niche markets to mainstream customers

In line with the innovation theory, innovations diffuse from only being used by early adopters to the more mainstream customers as the perceived relative advantage of the product increases such as through improvements (Rogers, 1995). Based on the existing definitions of disruptive innovations, the customers that these innovations target are represented by low-end or new markets. High-end market innovations are typically considered to be sustaining innovations since their performance and price are often considered to be much higher than existing products (Christensen et al., 2016).

In the innovation diffusion theory, there are different factors that influence the innovation adoption process as well as its adoption rate. These are the relative advantage, observability, trialability, compatibility and the innovation's complexity, which is considered to negatively impact the process (Rogers, 2003). The relative advantage of an innovation strongly influences the adoption process and rate through for example better performance or a lower price which can be considered a relative advantage in an economic context. Furthermore, the observability refers to how observable the results of the innovation are. Trialability is the degree to which the innovation can be tested and 'trailled' before adoption (Rogers, 2003). Additionally, compatibility is related to how compatible the innovation is considered to be with the adopter's existing needs and values. Lastly, the complexity is the extent of the perceived difficulty of understanding and using the innovation (Rogers, 2003). However, it is important to note that innovation diffusion theory relates to innovations in general and does not distinguish between sustaining or disruptive innovations.

Another aspect in relation to innovation adoption is the characteristics of the early adopters of an innovation, which are important to understand in order for firms to anticipate how an innovation will reach the mainstream market (Ho, 2022). Being able to identify multiple aspects of customer value for each customer group such as early adopters and mainstream customers will facilitate the analysis of disruptive innovations. In addition, the context of the innovation in terms of value, such as its value network, is another important factor to consider in order to get an accurate understanding of the customer's perceived value and what exactly influences it (Ho, 2022). Social network theories have also been used to explain the adoption of innovations and how the social aspects between customers play into that. Muller and Peres (2016) also consider that in order for firms to make effective

decisions in regards to their customer base development and retention, it is also essential to understand the market's structural characteristics. For the successful spread of an innovation in a network, the network needs to have high *connectivity*, which represents the number of ties between members, *cohesiveness*, which relates to the influence between the members of the network where a higher value can imply trust, and *conciseness*, which refers to the redundancy in the network that needs to be low for successful growth (Muller & Peres, 2016).

Furthermore, Choi et al. (2010) found that diffusion tends to be more successful in more *cliquish* or clustered networks compared to random networks. In these cliquish networks, there is typically a higher level of interactivity between the actors in the network as one actor's connections tend to also be connected to each other, such as in families. Therefore, targeting these networks makes it easier for firms to establish a customer base, especially when an innovation requires changes to the customer's existing consumption behaviour like a disruptive innovation might entail. However, the redundancy tends to also be higher in networks that are more cliquish and they often have a fewer number of bridges, which connect one sub-network with another to increase the diversity and also the randomness in the network.

Random networks consist largely of bridges and few cliquish sub-networks, which facilitate the speed of diffusion and makes it easier for firms trying to reach a large number of customers (Watts & Strogatz, 1998). However, the risk of under-adoption of a new product increases with random networks when the customer is not able to interact with other customers and they are unable to gain network benefits (Choi et al., 2010). This is particularly an issue for interactive innovations. Choi et al. (2010) also note that in practice companies should work with networks that have traits of both structures, such as *small-world networks*, in order to enable fast diffusion created by random networks and reduce the risk of under-adoption by targeting enough clusters. Small-world networks consist of symmetrical network ties and are highly clustered with short path lengths (Watts & Strogatz, 1998). These networks therefore include characteristics of both random graphs and highly clustered or cliquish graphs, where relatively few bridges between actors in a highly clustered network would need to be changed to create a small-world network. Watts and Strogatz (1998) found that information can spread much faster and easier in small-world networks compared to other structures since the high degree of cliquishness enables reinforcement between individuals and the level of randomness enables higher reachability as well as knowledge sharing and learning new information from outsiders. Therefore, the structure of the network plays a significant role in how information is spread in a network, which can also be applied to the diffusion of innovation.

The growth of a customer base from niche customers to mainstream ones can also be related to niche evolution also explained by network theories. According to Hermans et al. (2013), the conditions for niche emergence and evolution are the convergence of shared visions, learning and experimentation as well as relevant networks being created. These factors can be measured through the network's density. The density grows as the connections between the actors in the network increase. The authors also found that the niche's size and density evolve as trust increases through successful experimentation which will

help involve new actors to increase the network. Successful innovations attract new actors with new resources into the network which are necessary for the evolution of the innovation, which also relies on the convergence of the expectations and visions within the network or niche. The learning and experimentation of new innovations aid in this convergence to subsequently enable more knowledge to be created. However, with new experiments and innovations, the level of trust can also significantly decrease if new innovations lead to a divergence in the shared vision instead which can have a negative impact on the network's growth (Hermans et al., 2013). Furthermore, network composition is also influenced by other actors in its environment that are not considered part of the niche. Therefore, based on this, more wide-spread and successful adoption would require these three conditions in order for the niche to grow.

The literature on disruptive innovations and their diffusion is not extensive and often the type of diffusion discussed concerns innovations or new products in general. Many of the above mentioned theories touch on the characteristics of both the innovation as well as the customers and how they influence the adoption of an innovation, such as the value that the innovation presents to the customers or how the network of customers influence each other in, for example, their perception. This illustrates a link between innovation diffusion and value. In the next sections, customer value and its drivers will be defined and how value is created in different contexts.

2.2   Customer value

Customer value has been defined in different ways depending on the perspective and context. There is a distinction between customer value from the company's perspective in terms of the value that the customer brings to the company, and the customer's perceived value of the firm's offerings (Smith & Colgate, 2007). According to Zeithaml (1988), customer-perceived value is represented by the perceived benefits over the costs of a product or service. What the customer perceives to be of value is subjective and relative to the context of the interaction between customer and the company's product or service with multiple factors influencing the perception (Holbrook, 2005). Therefore, it is important from a firm's perspective to understand what their customers consider to be of value since according to Woodruff and Gardial (1996), the perceived value is not based on the product itself but experienced by the customer interacting with the product. Thus, if a firm's offerings are not perceived as valuable by the customer then they do not generate value. Moreover, there have often been equations between customer value and customer experience as well as customer satisfaction and retention (Woodall, 2003). While they are not the same, the concepts are closely related since they often depend on or affect each other, where customer value will influence customer satisfaction, which then affects customer loyalty and retention.

The majority of the literature identifies four main types of value; functional, experiential, symbolic and cost related values (Smith & Colgate, 2007). The functional aspect to value relates to the characteristics that customers consider useful such as a product's quality or effectiveness. Moreover, experiential or hedonic values are connected to the emotions and experiences that are provoked in the customer when they are exposed to the

product. Symbolic values relate to the meaning customers attach to a product or service, such as for instance how it relates to their self-identity. Lastly, cost values represent the different costs or sacrifices customers have to make in relation to a product.

Furthermore, customer value does not only consist of the tangible aspects of a product or service but also factors such as the brand as well as the company's image and the environment that it operates in (Smith & Colgate, 2007). The different contexts that influence the customer's evaluation of a product's value can be aligned with the value chain processes in the company and with its environment. Smith and Colgate (2007) identify five sources of value in a company that relate to different activities in the value chain. These sources are *information, product, interactions, environment* and *transfer of ownership* (Smith & Colgate, 2007). Information refers to what the firm communicates to their customers such as through marketing or brand management activities like advertisement and product labelling. Moreover, the product itself is a source of value created by activities such as production or market research (Smith & Colgate, 2007). Furthermore, the interactions between the organisation and the customer represent another source of value and is enabled by, for instance, a firm's customer service. The environment in which the product is presented and purchased in by the customer is another potential source of value, where value chain processes such as the management of the facility and its interior design are important (Smith & Colgate, 2007). Lastly, the transfer of ownership, where the customer takes ownership of the product, is associated with activities such as the delivery or contracts. The different types of value mentioned above can then be applied within each source of value, where, for example, customers can find hedonic value from a positive interaction with staff in the store or functional value from informative websites or product labels. Therefore, considering that there are multiple different factors and sources of value, it further illustrates the complexity of customer value.

2.2.1   Customer value conceptualisations and contexts

Customer value can be viewed as a uni-dimensional or multi-dimensional concept. In the uni-dimensional perspective, customer value is considered to be a singular concept instead of an aggregation of different interrelated aspects and can therefore be directly observed or measured through one or a set of items, such as customers rating the value of a product (Sánchez-Fernández & Ángeles Iniesta-Bonillo, 2007). On the other hand, the multi-dimensional view represents a more holistic approach and considers customer value to be affected by multiple components through which value can then be observed and measured. The uni-dimensional and multi-dimensional view of customer value are however not mutually exclusive and offer a more simplified or complex conceptualisation of value respectively (Sánchez-Fernández & Ángeles Iniesta-Bonillo, 2007).

As discussed, customer value is a subjective and situational experience. Moreover, the social context further influences customer value through its impact on customers' perception and assumptions (Koskela-Huotari & Siltaloppi, 2020). Helkkula et al. (2012) consider in their definition of value how the concept is both individually and socially constructed. Customer value is not only influenced by customers' individual perceptions but also the individual's social context impacted by other customers as well as firms in the

market. The construction and evaluation of value has been tied to social networks, where individuals can discuss and share their experiences, which extends the basis of value from past experiences to imagined experiences shared by other customers. Moreover, Helkkula et al. (2012) view customer value as a continuous and iterative concept which changes over time based on new experiences and new contexts to evaluate past experiences with. Additionally, Figueiredo and Scaraboto (2016) also find value perception to be continuous and dynamic as value creation in itself is also a dynamic process, where different actors in a system affect each other in their value perception.

According to Vargo and Lusch (2008), customer value is constructed through networks of multiple actors on the market and in the end the value is determined by the actor that benefits from the product. Furthermore, Seraj (2012) explores value creation in online communities and found that in addition to the social value derived from the interactivity in the context of a community, both intellectual value, which is created through, for instance, knowledge co-creation and sharing, and cultural value, emerging from the culture of the community such as its norms, to be the central dimensions of perceived value in this context. While some of these value dimensions can be connected back to the 'main' value dimensions and sources identified by Smith and Colgate (2007), the contextual aspect to customer value can also lead to new value dimensions being formed or emphasised depending on the different contexts. For instance, the increased environmental awareness of customers and the impact of their consumption on their environment has led to for example the ecological value of a product also becoming a more relevant value dimension (Butler et al., 2016).

Blocker and Barrios (2015) have also identified the difference between habitual and transformative values. Habitual values refer to the "everyday values" that companies offer their customers in order to satisfy their needs as well as maintain order and stability. Transformative values on the other hand can influence the social and cultural context of customer value by challenging existing norms and value perceptions. As a result, this type of value creation can contribute to improvements on a larger scale for individuals as well as the society as a whole. The authors consider value to be constructed in a dynamic social system where actors influence each other with the potential to learn and adapt.

2.2.2 Customer value frameworks

There are multiple frameworks to help companies understand customer value and how to create as well as manage it. One of these is presented by Weinstein (2020), known as the S-I-P-Q model, which considers *service, image, price* and *quality* as the main components of customer value. These factors are viewed to be the main influences on the customer's perception of the value of a product or service. These factors can be related to the different types of values mentioned in Section 2.2, where *quality* can be related to functional values; *price* to cost related values; *image* to symbolic values; and *service* to experiential values such as good customer service. In order for companies to create significant value and strong value propositions for their customers, they need to differentiate themselves from the competition in at least one of these components. Therefore, while companies should aim to have an adequate level in each dimension to provide their customers with

more complex value, they will have to make trade-offs among them to have one or more main strengths to become a market leader in that dimension.

Moreover, a typology for customer value is also suggested by Holbrook (1999), where the author identifies three dichotomies that result in eight types of value, as shown in Table 2.1. These values are considered to be in parallel to each other and take place simultaneously at varying extents in the customer's experience. The dichotomies are, for one, *extrinsic* vs *intrinsic*, which refers to a product being viewed as a means to an end or the aim itself; *self-oriented* vs *other-oriented*, where a product is valued based on the effect it has for oneself compared to the effect on others; and lastly, *active* vs *reactive*, which is connected to the customer's role in the consumption and whether they actively affect the product or are affected by it.

Table 2.1: Typology of customer value by Holbrook (1999)

		Extrinsic	**Intrinsic**
Self-oriented	**Active**	Efficiency	Play
	Reactive	Excellence	Aesthetics
Other-oriented	**Active**	Status	Ethics
	Reactive	Esteem	Spirituality

Overall, there have been different opinions on how some value types relate to the categories they are put in such as excellence, which is associated with the quality of a product or service, being extrinsic or intrinsic. However, the framework by Holbrook (1999) is considered to be an important research contribution to understanding how value is perceived as it illustrates the interactive and contextual factors to value perception (Sánchez-Fernández & Ángeles Iniesta-Bonillo, 2007). Moreover, although according to Holbrook (1999) value is comparative and customers need a reference point in order to be able to evaluate a product's value, it is uncertain whether this is actually a necessary component.

Finally, another value framework was developed by Smith and Colgate (2007) based on the strengths of existing research at the time to help define value creation and identify customer value in a more cohesive manner compared to previous works. The framework builds on the functional/instrumental, experiential/hedonic, symbolic/expressive and cost/sacrifice values across different offers and processes in the company impacting them such as the products, interactions and environment. Companies can map their activities to the framework in order to understand their competitive position as well as identify possible gaps in their value creation strategy (Smith & Colgate, 2007).

2.2.3 Customer value propositions

Due to the differentiation between what customers perceive as value and what firms view to be of value for their customers, it is important to consider how the value represented by value propositions in company business models can be evaluated. Business models define the activities and functionalities that companies implement to enable value creation, propositions and delivery (Chesbrough & Rosenbloom, 2002). Furthermore, customer value propositions define how the business will deliver value to and consequently attract

customers as well as set itself apart from its competitors. When focusing on creating competitive value propositions, companies that are market leaders have typically focused on offering higher customer value based on either operational excellence; for example through cost-efficiency, product leadership, such as through superior or innovative products, or customer intimacy, such as effective segmentation and a strong focus on customer service (Treacy & Wiersema, 1993).

Anderson et al. (2006) identified three types of customer value propositions, "all benefits", "favourable points of difference" and "resonating focus". With all benefits propositions, companies list all the benefits they offer their customers. It is very focused on the company's capabilities rather than what the customer would actually consider to be a benefit or of value. Therefore, it is usually seen as a relatively weak value proposition.

The focus on differentiation and the acknowledgment that the customer has choices is included in the favourable points of difference type of proposition, where the proposition centers around how a company's offering differs compared to the ones from competitors (Anderson et al., 2006). Nonetheless, differentiation does not equal benefits or value for the customer and therefore companies still need to communicate the value that the differentiation brings to the customer. Lastly, resonating focus propositions are only focused on what main aspects sets the company apart from its competitors and their target customer's needs, leading them to form their offering and proposition after what aspects of their business would be most valuable to the customer. These kinds of propositions require the most research and are therefore not always the standard for most companies (Anderson et al., 2006).

In addition, there are three value elements that customers can consider when evaluating different types of value propositions, such as points of parity, points of difference and points of contention (Anderson et al., 2006). Points of parity represent similarities between the offerings of one company and its competitors. Points of difference are the parts of a company's offerings that differentiate them from their competitors and points of contention relate to disagreements between the perceptions of the two former points mentioned between a company and its customers. For instance, a company might view their product as differentiated from its competition while the customer sees it as somewhat equal to other alternatives on the market.

2.3 Customer value for new products in disruptive contexts

As mentioned in Section 2.2, customer value is context-dependent where different factors can influence customer value perception. From the customer's perspective, customer value is the perceived value of a product or service. Therefore, its value is evaluated based on their understanding and perception of its benefits and its costs rather than purely objective measures (Munnukka & Järvi, 2012). For instance, the price of a product is usually remembered in the form of categories instead of an actual number (Zeithaml, 1988). However, when the product is new and relatively unknown to the customer, the product's

perceived value would be more difficult to anticipate since customers themselves might have a harder time evaluating its value given that there might not be other products that they can compare it to, which removes the relative element to the valuation. The comparative element to value has been viewed as a deciding factor in the evaluation of value (Holbrook, 1999), and therefore, it is important to consider how customers perceive value when a product is new or completely different from what has been previously known.

There is not an ample amount of research that directly relates to how customer perceptions are affected when they are faced with completely new products. In a more technical context, the technological acceptance model gives some indicators to what makes customers more likely to adopt a new technology, such as ease of use and perceived usefulness, which positively influence the customer's behaviour and subsequently the benefits and the value they perceive the product to have (Kumar Roy et al., 2018). While this relates directly to technological products, for new products in general and also in a non-technical context, this might translate to the convenience or simplicity of new products to be important factors for customers in order to perceive a new unknown product to be of value.

According to Monroe (2005), if customers are more familiar with a product they tend to rely more on intrinsic attributes, which are more self-oriented features such as emotional and symbolic values. Subsequently, the price and extrinsic attributes, such as efficiency and economic value, would become more important factors when the customer is not as familiarised with the product.

Overall, the value that disruptive innovations provide is different from the one offered by existing products, where disruptive innovations either offer a higher value on a specific aspect of their product or a new value-adding aspect that has not been introduced to the market before. However, it is difficult for companies to influence the customer's perception of the innovation's value, since the products often do not reflect the customers' actual needs (Christensen et al., 2005). Therefore, it is important for companies to anticipate the needs that the market might not be aware of yet (Matzler et al., 2009). These needs might be more clearly reflected by niche or emerging markets that are the early adopters of disruptive innovations.

2.4 Customer value in different systems and industries

Due to the situational nature of customer value, there are different trends among what customers value in different industries and contexts, such as the mobility industry or the sharing economy.

2.4.1 Customer value in the sharing economy

The sharing economy involves products or services that are used as shared resources among multiple people, such as open source software. Based on organisations in the sharing economy, Zhang et al. (2019) found that their customer value propositions mainly focus on technical, economic, social and emotional value. Social and economic value are considered to be high in the sharing economy as consumption becomes more communal,

increasing relationships between individuals, and additionally consumers can profit off the shared product or gain more access to it at a lower price (Acquier et al., 2017).

Moreover, technical values relate strongly to functional values, which are a common type of customer value identified earlier in Section 2.2. Customers are provided with more flexible and convenient solutions that will then improve the quality as well as the service of a product (Zhang et al., 2019). Furthermore, Zhang et al. (2019) identified emotional and social values as the main drivers for repurchasing compared to technical and economic values. Therefore, the customer should feel that it is pleasant and fun to use a sharing economy product or service, particularly in contrast to other types of offerings, thereby enabling them to gain a higher emotional value.

Within the sharing economy, one of the typical types of business models are subscription-based ones. Subscription-based models focus on offering a certain quantity of a product or a product for unlimited use in a specific time frame that is relatively unique and not imitable (Ritter & Schanz, 2019). Therefore, the propositions tend to be more asset-heavy. The relationships in this model are usually dyadic, taking place between a company and its customer. Moreover, under this model, companies typically maintain a large degree of control over the value propositions being created and fulfilled. Subsequently, they are not as susceptible to network effects when creating their value propositions (Ritter & Schanz, 2019).

Given that the value propositions are usually relatively asset-heavy, investment and expansion costs are high, which causes companies to focus on niches in local markets (Davies et al., 2017). Additionally, emerging technologies and other technological innovations tend to be beneficial for subscription-based business models since they enable companies more opportunities for value creation for their customers (Ritter & Schanz, 2019).

2.4.2 Customer value in the mobility industry

With increased focus on sustainability and more efficient means of transportation, multiple new solutions and innovations to products and business models of companies within the mobility industry have been developed. These are consequently changing the industry in general as well as what customers perceive as value. An emergent technology that has been changing the mobility industry in the past decade is that of electric vehicles, in particular cars. Customers value the environmental aspect they provide as they rely on electricity instead of fuels, as well as the lower costs associated with using it (Lashari et al., 2021). Higueras-Castillo et al. (2019) also found that customers are motivated by the value for money of both electric and hybrid-electric cars as well as the emotional and experiential value of using them. However, due to insufficient knowledge about the technology behind electric vehicles, the technological concerns of customers have also increased their perceived risk and are causing the innovation to diffuse more slowly. Furthermore, customer 'range anxiety' due to the short range the vehicle can be used before it has to be charged again has also posed an obstacle to the adoption of electric vehicles (Skippon et al., 2016). In addition to this, electric vehicles are part of a relatively complex system that consists of many different actors and requires an enabling infrastructure to sustain the use of these

vehicles (Ziegler & Abdelkafi, 2022).

Moreover, another impactful service that has emerged is the sharing of different means of mobility. This is one of the main aspects to the idea of Mobility-as-a-Service (MaaS). Within mobility sharing, different types of transportation are offered to be shared on an as-needed basis (Burghard & Dütschke, 2019). While some forms of shared mobility have already existed, such as public transport and taxis, it has now become more accessible to and enabled by private consumers. They can engage in one-way car sharing or C2C shared mobility with their personal vehicles through services such as Uber. Customers find value in shared mobility, especially with car sharing, due to an increase in convenience, parking convenience, better prices, and little to no responsibility for maintenance (Paundra et al., 2017). The economic and functional value provided by car sharing were found by Jo et al. (2018) to be very influential to customers, as well as trust in the service and the social benefits based on the expected reaction from others in relation to using car sharing. However, the perceived risk of using the service was detrimental to the benefits and the value that the customer sees in car sharing.

Furthermore, mobility sharing removes ownership structures, and, aside from factors such as price and convenience, the psychological aspects to owning a vehicle needs to be considered as well. Paundra et al. (2017) found that higher psychological ownership caused customers to prefer owning their own car, and this was also linked to a higher willingness to pay. Therefore, price is not enough to increase their engagement with car sharing and companies need to instead focus on creating the right circumstances that would cause them to use the service. On the other hand, individuals with low psychological ownership were more interested in car sharing and valued the service's improved sustainability and price (Paundra et al., 2017).

Moody et al. (2021) also studied the relation between car ownership and customers' perception of value. According to the authors, customers underestimate the cost of complete ownership of a car compared to other forms of ownership such as shared mobility. This has also been considered as one of the barriers to the adoption of shared ownership structures of cars. The authors however also look at other aspects of customers' perceived value of complete car ownership, where they found that the perceived value of cars is largely based on the value associated with the ownership of the car rather than its use, especially in times when customers experience higher uncertainty such as during a pandemic (Moody et al., 2021). Values that related to the ownership of a car rather than its use were for instance flexibility, reliability and control. Moreover, convenience was considered as one of the most important non-use values that customers valued. Finally, another correlation that the authors found was that complete car ownership was valued lower or as less important by people who did not primarily travel by car as well as people who lived in more urban areas.

3 Method

In this chapter, the chosen research method for defining customer value in connection with disruptive innovations is described. A case study with a qualitative research strategy was chosen in order to gain insights into customer value in the context represented by the case company. Furthermore, the method for the primary and secondary data collection and analysis are also presented.

3.1 Research strategy

The aim of the study is to identify what aspects affect customer value particularly in the context of disruptive innovations and how the value can subsequently be defined under the circumstances of disruptivity. We then assume that customer value is subjective and there are multiple dimensions to it. Customer value is therefore not an objective reality but perceived and constructed by the customer. Therefore, a more constructionist as opposed to objectivist view is taken.

Following this, an interpretative approach is used to conduct the research. Customer value is seen as being relatively situational, influenced by the relationship between the customer and the product, and value can thus be interpreted in multiple ways. This therefore requires a research strategy that can aid in the understanding and interpretation of the subjective nature of value and enable general inferences about it. Thus, a more inductive approach is taken to gain insights into this issue.

Moreover, based on these assumptions and the inductive nature of the research for defining customer value in connection with disruptive innovations, a qualitative research strategy was adopted. A qualitative research strategy enables the collection of in-depth data related to customer value in different value processes at the company and analysis of the meaning of the findings that arise (Bell et al., 2022).

3.2 Research design

As mentioned above, a qualitative research method was considered best suited for this thesis. As the goal is to study customer value in connection with disruptive innovations, organisations that are currently causing disruption in their industry or have the potential to be disruptive as well as the value their customers experience are the focus of this study. This is to identify factors that should be considered in existing value frameworks when faced with these circumstances.

Since customer value is a relatively complex and multi-dimensional concept, the research design needs to make it possible to study its complexity and enable a deeper understanding of it. In addition to this, the necessary disruptivity of the organisation shifts the focus of

the research on aspects that set a company apart from other companies in its industry and specific cases that fall under the right conditions. Therefore, a case study was selected in order to be able to effectively study and capture the complexity of the issue under the particular circumstances (Flyvbjerg, 2006). The focus on a specific case enables the exploration of how customer value is created specifically in that setting and consequently allows a deeper understanding of the concept in the context in which the case is situated.

In Section 3.3, the collection of the primary data as well as its analysis are described. Furthermore, the methodology for collecting the secondary data is described in 3.4, which was performed through a literature review.

3.3   Primary data collection

The primary data was collected through semi-structured interviews with respondents from the case company in order to gain insight into what their customers consider to be of value and how the company works with creating value. Through this format, customer value could be evaluated from the perspectives in the company while maintaining a higher degree of consistency in the data collection as well as flexibility to investigate relevant topics as they arise. In addition to this, a literature review as described in Section 3.4 was initially conducted to gain a general overview of both customer value and disruptive innovations in order to then also construct relevant questions for the interviews.

3.3.1   Sampling

The case company is the automotive company Lynk & Co based in Gothenburg. The company was selected through a purposive sampling strategy as it represents a research setting that includes a potential or on going disruptive innovation in which customer value can then be further studied. The company operates with a different business model compared to other companies in the car industry, where customers can engage in subscription-based ownership of cars. In addition to this, the cars that are offered are hybrid-electric vehicles. Therefore, together with this emergent technology and a new business model, the company's offerings, specifically subscription-based ownership, have the potential to become a disruptive innovation in the automotive industry. Consequently, they provide the relevant context to study further in terms of the customer value that they offer to their customers and how this can be related to disruptive innovations.

The population consisted therefore of the employees at the case company. The selection of respondents was also based on purposive sampling, where participants were chosen based on what insights they had into one or multiple value chain processes that were established as sources for customer value in the prior discussion. The sampling took place sequentially with an initial set of three respondents selected to cover value chain activities in four types of sources of value. Moreover, new respondents were then added to gain further insights into other value chain activities through snowball sampling, so that people with the right knowledge and role could be identified.

It was difficult to set a fixed sample size before conducting any interviews, since it was not

possible to anticipate how many would be needed in order to know if enough data had been collected to achieve theoretical saturation (Bell et al., 2022). In total, seven respondents were interviewed. According to Morse (2004), the broader the scope of the research, the more interviews are required. As this is a single case study; the scope can be considered as rather narrow. Consequently, a smaller number of interviews was sufficient for gathering the necessary data and being able to make empirical generalisations.

3.3.2 Interview setup

The interviews lasted around 45 to 50 minutes and took place digitally as not all participants were based in Gothenburg. The dates of the interviews along with their format and length as well as the role of the interviewee are described in Table 3.1. Moreover, all interviews were held in English.

Table 3.1: Interviews at the case company

Interviewee	Current Role	Date	Format	Length
1	Brand Manager	27/3/2023	Online	45 minutes
2	Club Manager	28/3/2023	Online	50 minutes
3	Head of Customer Engagement Platform	6/4/2023	Online	40 minutes
4	Customer Journey Designer	13/4/2023	Online	50 minutes
5	Head of Test Drives	13/4/2023	Online	45 minutes
6	Head of Customer Engagement Operations	17/4/2023	Online	45 minutes
7	Head of Growth & Retention	21/4/2023	Online	50 minutes

The interviews were recorded with the permission of the respondents. In the interviews, the questions were guided by an interview guide that was prepared beforehand to ensure that the relevant data was collected. The guide was also sent out to the participants before the interviews to allow for more extensive and potentially more valuable answers (Bell et al., 2022). The interview guide can be found in Appendix A.1. Initially, respondents were asked about their role and years of experience at the company. The questions after focused on how value is created at the company and more specifically within the value chain activity the interviewee is working in. Additionally, respondents were asked about the market and the company's customer base to establish for whom they are creating value for. The prepared questions served as a guide and other types of questions such as follow-ups were also asked when appropriate.

3.3.3 Data analysis

After the interview recordings were transcribed, a thematic analysis of the data was conducted. This involved coding the transcribed interviews by separating the data into fragments and giving them labels. There were no specific codes set before the coding process and therefore only open codes were used, which emerged from the data. A code example of a text fragment is shown in Figure 3.1. The codes were then reviewed multiple times
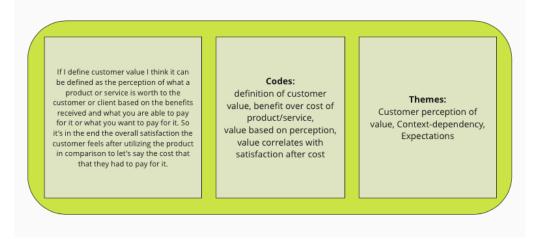
Figure 3.1: Coding example

to make sure that the same type of data fragments were labelled with the same codes and that the codes were still useful for the analysis. Furthermore, the coding took place in parallel with new interviews being conducted in order to make sure that relevant and enough data was collected. After the data was coded, the codes were grouped into themes which were identified through patterns found in the data. The findings based on the themes are discussed in Section 4.

3.4 Secondary data collection

Initially, a literature review was undertaken to get a better understanding of the area and to be able to perform the other activities that were part of the research process. It was important to understand the existing definitions and frameworks for customer value in order to identify what key aspects had been generalised so far. Moreover, it was important to look at disruptive innovations and customer value as well as also in combination with each other from a theoretical perspective to then also identify connections as well as possible gaps in the existing literature.

3.4.1 Sources and key words for searches

The main sources used to search for literature were *Google Scholar* and the databases in the University of Gothenburg library *Scopus* and *EBSCO*. Additionally, referenced literature in articles that were relevant to this thesis were also used to find further useful sources. The key words used for the searches were derived from the research question and consisted of "customer value" and "disruptive innovation" or "disruptive business model".

Searching for the right literature was an iterative process, where the initial searches were based on the key words mentioned above that stem from the research question. As the understanding of the concepts increased, other search terms were used to find relevant sources. Moreover, sources that were specific to the research setting of this thesis, i.e. the sharing economy and mobility industry, were also considered. Therefore, the key words

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were expanded to combinations of: customer value, disruptive innovation, disruptive business model, emerging technologies, new product, early adopters, niche customer/market, value proposition, innovation diffusion, social network theory, mobility industry, automotive industry, sharing economy.

3.4.2 Inclusion and exclusion criteria

In order to find relevant sources, inclusion and exclusion criteria were set based on the research question and aim in this thesis. Since the aim is to identify customer value in connection with disruptive innovations, the criteria in focus were articles related to defining customer value and providing frameworks or drivers for it. Moreover, articles that define disruptive innovation and its adoption process were also important for the research. Additionally, articles that consider customer value in relation to innovations, especially disruptive innovations, were also included. Finally, developments of value in the sharing economy and mobility industry were also considered in the research.

The exclusion criteria on the other hand was based on articles that focus on customer value from the firm's perspective, such as customer lifetime value, as well as articles with primary focus on value creation and capturing only from the firm's perspective. Furthermore, articles on network theories that had no strong relation to innovation diffusion or customer value were also excluded.

In the end, the included literature consisted of articles from journals and proceedings as well as books. The focus was on literature from the last 15 years, however if a source was deemed to be particularly relevant to this research, older ones were included as well. Moreover, articles that were peer-reviewed or from established journals were prioritised to ensure the trust-worthiness of the content.

3.5 Research quality

In order to maintain a high standard of research, it is important to consider the possible limitations that can threaten the research quality and ways to mitigate these. Important quality criteria are the validity and reliability, which are described in relation to this project below.

3.5.1 Validity

By ensuring a structured approach to the qualitative analysis, the research can maintain its internal validity. Moreover, as this is a single case study, the data that is analysed can be more confidently attributed to the effect of a disruptive setting.

Furthermore, a common issue with a case study is the external validity of the findings. Additionally, since the number of the respondents that were interviewed can also be considered relatively small, it can further make it difficult to make generalisations for the entire population that they represent. The issue of the generalisability of the findings

subsequently impacts the external validity of the research. However, in this case the respondents represent an essential role in their corresponding value process and therefore have in-depth knowledge about this as well as the same type of knowledge as another respondent from the company in a similar position would have. Additionally, as this is a qualitative case study, the aim is to identify data that can lead to making theoretical generalisations rather than empirical ones and subsequently the quality of the interviews and their analysis are the most essential aspect to being able to evaluate whether the inferences that have been made are generalisable (Bell et al., 2022). The in-depth insights that are collected in the context of a disruptive business model in this research can then contribute to a higher theoretical generalisability within this area.

3.5.2 Reliability and confirmability

Due to the increased subjectivity and often lack of structure in qualitative research, qualitative studies are often difficult to replicate and therefore negatively impact the reliability of the project (Bell et al., 2022). The reliability of the research is ensured through a high level of transparency in how the research was conducted by detailing the steps taken in the study as well as providing the interview guide and a coding sample. This also facilitates the replication of this study. Furthermore, by including quotes of respondents in the findings and maintaining objectivity in the analysis of the data, the study's confirmability can be ensured. In addition to confirmability, an objective approach also helps increase the internal reliability of the project, especially since the data analysis was conducted by one person and could not be validated by another person.

3.6 Limitations to the study

The focus of this thesis is on customer value in disruptive business models, where data was collected through interviews with employees at the case company. Therefore, the data consists of indirect secondary data of the company's customers with insights based on the company's expertise and understanding of their customer data. However, it was not possible to conduct surveys or interviews directly with customers due to time constraints that made it difficult to reach respondents that would be relevant to this research. Additionally, the concept of electric vehicles, or hybrid-electric vehicles in the case of Lynk & Co, can still be considered relatively new as well as the subscription approach to car ownership, which therefore could introduce the risk of bias and uncertainty in the answers of customers or potential customers when they do not know or understand the concept yet and might be influenced by other factors. Moreover, this is a single case study and therefore it is difficult to make generalisations about customer value in disruptive business models overall, but as mentioned above, it will still be possible to make theoretical generalisations.

4 Results

In this section the empirical findings collected through the interviews are presented. First, the company and its offers are presented as well as what their customer base is. Moreover, how they identify and measure their customers' experience and value is also described. In addition, their customers' perception of value and how it relates to the company is also included. Finally, different impacts on their customer's value are also described.

4.1 Lynk & Co's value offers and services

The company offers different forms of car ownership, where customers can either buy, lease or subscribe to the hybrid-electric Lynk & Co car. Moreover, customers can offer their car up for car sharing. Therefore, any customers who share others' cars without owning or subscribing to one themselves are also considered a customer according to Interviewee 2. The value propositions are based on the aim of offering sustainable mobility with flexibility, as well as simplicity and a hassle-free experience. According to Interviewee 6, people's focus is on mobility and therefore everything else such as maintenance of a car is a hassle and therefore the company will take care of it.

> *"In general people hate cars and all the activities around the car you just want to get from point A to point B. So that's what we call mobility and that is what we should focus on delivering. The rest what we say is hassle, we will take care of that."* - Interviewee 6

The company creates awareness for the brand through marketing and their clubs, which are locations in different cities, where Interviewee 2 says that customers can get a visual idea of the brand, buy coffee and "gear" products of brands that Lynk & Co supports as well as to see the car and do test drives. Moreover, they mention that car deliveries also take place in either the clubs or service partners. Overall, customers are able to interact with the company through the clubs, on social media or with their customer service or "Engagement Center", where Interviewee 6 states that customers can speak with an agent over phone, chat or email about issues and questions. Additionally, the company has a web and mobile app platform that represent another environment for customers to engage with the brand. However, according to Interviewee 6, direct interactions between customers and the company only take place in clubs or through the Engagement Center, which implies that these parts of the company are those that have a direct impact on the customers.

Overall, the company has a very customer-centric business model and processes according to Interviewee 4. As mentioned, the company offers different forms of car ownership as part of their service, which according to the interviewees, enables flexibility for the customers. Subscription-based ownership in particular enables the customer to pay on a monthly basis and cancel the service when they want to. Moreover, the focus is intended to be on mobility, and Interviewee 1 mentions that therefore less car knowledge is required due to fewer choices in terms of the car and its features, which is meant to simplify

the process. In the subscription offer, maintenance of the car such as tire shifts are also taken care of by the company to enforce the simplicity of owning a car. Additionally, the customer's experience with the brand should be hassle-free, where all processes and communication are clear so that in the end, according to Interviewee 3 and 6, the Engagement Center would not need to exist anymore.

Creating a community with their customers is another aim of the company and something that they consider to be of value to the customer as well. Interviewee 2 says that the community focus is to remind the customers that they are part of something bigger. This takes place through, for example, offers such as car sharing but also through the clubs and events that they host as well as the company's *Co:Lab* initiative, which is an online platform for customers to engage with each other about the company's offers similar to a discussion forum, that Interviewee 6 considers to be another important aspect in how the brand differentiates itself and is able to create more community within the customer base.

Another important part of the value that Lynk & Co is able to bring their customers is, according to all interviewees, the company's mindset that is communicated via, for example, marketing and direct interactions with customers. Interviewee 6 says that as the Engagement Center being the voice of the company, it is important to communicate in a way that represents the brand and its values. For test drives, Interviewee 5 also mentions that having a good mindset is an important value that they provide their customers with in order to further increase the service's value.

> *"I do think that our mindset on mobility is something really that I think our customers are valuing high that we are not complicating this car ownership because that is what the industry is quite used to promote."* - Interviewee 5

4.1.1 Firm perspective on customer value

Interviewees 1, 3, 5 and 7 define customer value as some form of solution or improvement for the customer when they interact with a product or service at a company in order to make their lives easier or overcome a problem. Interviewee 1 and 5 also mention value coming from an unexpected need being addressed or solved. Interviewee 7 considers on a general level three dimensions to value and building it. The first dimension is the core product to provide an improvement of a problem or a gain. The second dimension is the service layer which is an extension to the product in order to bring more unique features. The final dimension is the broader, more experience-driven and intangible side to an offer and its value, which Interviewee 1 also considers to be a form of value.

Moreover, Interviewees 2, 3 and 6 view customer value as the benefit or gain of a product for the customer, where Interviewee 6 also draws a connection to the satisfaction the customer experiences after receiving the benefits. All interviewees also frequently mention the context-dependency of value and how it differs for different customers. Therefore, some aspects of the brand and company are attractive to some customers while others do not view these as important.

The company's value propositions are centred around offering their customers flexibil-

ity, simplicity and a hassle-free customer experience. Communicating and offering these main values is something all interviewees aim for in their specific area of operation. For example, both Interviewee 6 and 7 work with customising the customer's experience by offering customer service and the website or app in different languages which is intended to make the customer's experience simpler by avoiding issues outside their understanding.

Moreover, all interviewees consider the company's mindset and brand overall as another form of value that their customers are able to share. According to Interviewee 7, the brand overall reflecting an "aspirational lifestyle" is an important part in the customer's experience representing an intangible form of value to them. Additionally, showing reliability and instilling trust in their customers have also been mentioned by Interviewees 3, 4 and 6 as important values in their operations of designing customer journeys and managing customer service and engagement. As a new brand, creating awareness and building trust are key components according to Interviewee 4. Therefore, the dependency on the context also extends to the specific operation in the company that the interviewee is involved in.

In addition, Interviewee 4 mentions that customer satisfaction is an important aspect to customer value and gives an indicator towards their customers' loyalty and how long they will remain as subscribers. Furthermore, they elaborate that all these concepts, along with customer experience, are highly connected to each other and therefore they can be difficult to separate.

4.1.2 Customer value identification

The interviewees mention multiple forms of data collection and metrics that are used to identify how customers view the experience with the company and their product. The results are also shared across the company on a monthly basis. For instance, Interviewee 4 says the company conducts surveys regularly in relation to different activities in the company such as test drives, car deliveries and a 100 day survey after a customer has been with the company for 100 days. With these surveys, the company is also able to compute a customer satisfaction score as well as the Net Promoter Score, which represents how likely a customer would recommend their experience with the company's service to another person.

However, Interviewee 3 and 4 point out that it is difficult to directly measure the customer value. It is often related to specific company aspects and not necessarily an indicator of what customers actually value. Some operations within the company are also difficult to measure such as the clubs and the value they represent to customers as there are no surveys directly related to it. Furthermore, most metrics and research focus on the customer experience, but, according to Interviewee 4, in order to provide a good customer experience it is necessary to maintain customer value. Nonetheless, the customer satisfaction score is considered an indicator for their customer's loyalty and whether they might, for example, stay subscribed to their service. Therefore, based on this, the company is able to draw conclusions on whether their customer also perceives their offers as valuable.

> "Customer value includes a lot of different pillars. So if you can maintain
> that customer value in the company then you can provide a better customer

experience to the customers." - Interviewee 4

Furthermore, feedback from customers during direct interactions either in the company's Engagement Center or their clubs is also collected by staff to be reviewed, such as the types of customer inquiries, for example issues and concerns, as well as what they consider to be positive, according to Interviewees 2 and 6. Moreover, the more indirect digital interactions of their customers with their platforms, such as which frequently asked question is viewed most often, is another way for the company to identify potential issues that might negatively impact the experience and therefore the value. This also includes monitoring the company's social media and what type of engagement they have from their customers.

Another important form of identifying and working towards their customers' values are personas, which are representations of different customer types and their lives as well as interests. Persona studies are therefore also performed to identify these types, such as through interviews with customers. These personas facilitate the company's understanding of their customers' values and are then used to create activities such as events in the clubs or marketing campaigns. Interviewee 5 also mentions working with sets of predefined questions that also help them categorise customers into experience types and match offers and services accordingly.

In addition to previous data collection methods, the company has also conducted focus groups to understand their customers' intentions. Through these studies, the company is able to understand how their offers and value propositions relate to their customers' or potential ones' perception of the company and the value to them. Moreover, a brand awareness study has also been performed in order to understand how the company comes across to different customers in different markets. According to Interviewee 1, the questions focused on, for instance, what the respondent associates with the company, if they view the brand to have a sustainable mindset and if they were to consider getting a Lynk & Co car. This would therefore give indication on the customer's perception in relation to the brand, but not necessarily what they might value independently. Other forms of market research are also performed according to Interviewee 4, such as a "New car buyers survey" to understand what kind of aspects affect customers' decisions to, for example, buy a car which gives information on the company in relation to the industry and competitors.

On the company's digital platforms, Interviewee 7 mentions usability and A/B testing to understand the effectiveness and value the platforms bring. Furthermore, they collect different types of digital data from the platforms such as the number of people visiting and from which channel, what websites they viewed, the sequences of clicks and visits as well as the conversion rates. These data points can be compared in order to see performances across different markets as well as to identify issues in the value of the platform when there are some aspects that are not performing as expected.

Overall, Interviewee 2, 3 and 7 consider that when you look at the feedback as a whole and aggregate the information from different channels, the company is able to get a good idea of their customers' needs and what they consider to be of value, which the company can then use to align their internal operations with. Furthermore, Interviewee 7 mentions

the importance of comparing reported and observed data to be able to draw conclusions on their customers' perception. However, Interviewee 5 says that it can be difficult to establish causation between what customers consider or do not consider to be of value with a specific process or service. Interviewee 7 also considers external factors to have an effect on customers' perception of value as it is a relative concept.

4.1.3 Customer base

According to the interviewees, based on the company's data, Lynk & Co's customer base currently consists, primarily, of car-interested men in their late thirties to late forties. However, as Interviewee 1 states, this is an extreme simplification of their customer groups and according to most interviewees it is difficult to define exactly who their customers are especially in terms of demographics, since they view the defining factor of their current customer as someone who shares the company's mindset and would therefore value their offers. For instance, Interviewee 3 states that most customers are people living in bigger cities and typically tend to be more open to the subscription model. Interviewee 2, who is a club manager and consistently meets current and potential customers, also mentions that there is no stereotypical customer in terms of demographics and that they encounter different age groups and backgrounds and therefore needs; such as young families, retirees or people coming out of a lease provided by, for example, their previous work place. However, it is important to note that Interviewee 2 operates in the Netherlands and therefore some information might be market-specific.

The types of customers and the mindset they are assumed to have if they are interested in the offers of the company and their brand are people who value flexibility, since this is also one of the main perks of the subscription model. Additionally, it is people who, according to Interviewee 1, are willing to try something new and who do not want to worry about maintenance or committing too much time and money to a car. According to Interviewee 3, the type of customer or mindset also includes valuing car sharing and the community that is created through the company's offers. Moreover, Interviewee 3 also considers their current customers to be the early adopters of their services. According to them, the company is not as well known in Europe as other car brands and it is still growing in regards of awareness which therefore make their current customers somewhat early adopters. Interviewee 7 also shares this view and they do not consider it to be unexpected that their current customers are people very interested in the product category since being a new brand on the market typically attracts this group. The interviewee also expects that as the brand grows, it will move from being only the domain of the early adopters of technology into a more mainstream audience, which will also make their customer base more balanced.

> "I think we are not super well known in Europe, if you compare with the BMW or Volvo, that everyone knows, right. And if you ask around Lynk & Co is still a brand that is growing even in regards of awareness for everyone. And with that I mean, this is just a feeling, that the people that joined us are a bit early adopters." - Interviewee 3

The participants were also asked about who the company's target customers are. According to Interviewee 1, this definition has changed over the years, but according to most

interviewees the focus is on younger generations as they tend to be more engaged on social media and are typically considered to have a similar mindset to the company's brand. Therefore, the target are people in their late twenties to mid thirties, that are not particularly car-interested or ownership focused. In addition to this, they are living in urban areas where it can often be impractical to own a car due to parking or traffic congestion, where then the company's innovation can offer more convenience and flexibility. Moreover, according to Interviewee 5 and 7, the choice of target group is also based on which group of people can be assumed to be in an economic situation that also enables them to purchase the company's product and service.

However, Interviewee 7 points out that they are an inclusive brand and therefore there is no strictly defined group of customers that the company is actively interested in. In the end, the focus is on building lasting customer relationships as well as loyalty, according to Interviewee 4 and 7, and therefore the target group is people who are most likely to fit into this. However, Interviewee 2 points out that the car in itself is still interesting for most demographic groups.

In order to reach target customers and in the end be able to grow their customer base, Interviewee 1 and 2 mention their focus on increasing the accessibility of the brand, such as through inclusive marketing and club events. Moreover, clearly communicating their brand as well as values while balancing the unexpected with familiarity especially in their clubs has also been mentioned as important aims.

4.2   Customer perception of value

There are different types of value that the company is able to provide their customers. Based on the information gathered by the company, their current customers highly value the flexibility that is offered. Additionally, Interviewee 1 describes that customers also place a much higher value on the car than the company had initially anticipated. In line with this, the test drives turned out to be more important than had been initially anticipated since the subscription-based service was considered as a test drive period given that customers can cancel it whenever they want to, according to Interviewee 5.

Furthermore, the "soft values" mentioned by Interviewee 1 and 5 are another aspect that is valued by customers that the company brings through their value processes such as marketing, test drives, customer services and the clubs in general as they communicate the brand through the setting and atmosphere, which customers enjoy. However, Interviewee 2 mentions that many of the current or potential customers that are very car-interested tend to not come back to clubs very often, therefore they might not be as interested in the experiential or softer values provided through that experience. On the other hand, the interviewee also noticed that customers who share the company values, such as a more sustainable mindset, tend to be more involved with the brand such as attending events in clubs. These customers are also most likely to be more loyal as being more involved might make them feel part of something bigger, according to Interviewee 2.

Additionally, the decreased economic impact of some of the company's offers is also val-

ued by customers, according to Interviewee 2, since credit checks are not as extensive in comparison to some other mobility companies. Furthermore, Interviewee 2 found that many customers considered the price in relation to the quality to be good and also less of a financial commitment and therefore risk. On the other hand, according to Interviewee 7, their customers do not generally view price as an important value but in certain markets where their offers are better priced they tend to also perform better. Moreover, Interviewees 5 and 7 point out the symbolic value of a car in terms of economic status and cars as well as car ownership representing something exclusive. Lynk & Co, however, tries to challenge this by offering fewer options thereby shifting focus to mobility than ownership.

Within the interactions with the company as well as its product, multiple interviewees mention the importance of the quality and simplicity of the interactions. For instance, according to Interviewee 2, aside from creating an engaging atmosphere in the clubs, the setting such as the unique design is valued by customers. Moreover, the quality of, for example, the drinks and food that are served is also valued. Furthermore, high quality and simplicity of customers' direct interactions with the company such as with their Engagement Center are perceived as value as well. However, Interviewee 6 mentions that these values in this context represent more the standard rather than something unique that the company is bringing.

The speed of the company's service and generally how fast they are able to provide or resolve an issue is something that customers seem to place value on. According to Interviewee 4, customers are looking at what kind of benefits the company can provide them and how fast they are able to do it. However, all interviewees mention that the company has experienced some operational issues, which negatively affect the customer's experience as they have had, for example, slower response rates. According to Interviewee 4, the customer experience decreases when the company does not deliver on its promises, however an impact on the customer experience does not immediately affect the customer value. In practice, the respondent considers the two concepts to be closely connected as customer experience represents the execution of a company's values and the value the customer might perceive.

The information that is communicated to the customers through the different channels at the company has been considered by Interviewees 4 and 5 as having a very strong impact on the customers' perceived value. It has also often been the reason why an issue has arisen since misunderstandings or miscommunications have led to customer expectations not being met. Both Interviewees 1 and 5 also mention the importance of cohesion between different company channels and the brand in order to give customers the experience they aim to provide as well as setting consistent expectations. That is also why Interviewees 1, 2, 4 and 5 consider the club to be the ideal starting point for new customers in order to get to know the brand and have their expectations on the experience met as opposed to one of their third-party service providers.

4.2.1 Perception of company and customers

The interviewees were asked whether they consider the company offers to match with what the customer considers to be of value. Overall, most interviewees found that the offers match with what the customer is looking for and therefore values in the service they are providing, based on their data. Generally, mismatches between perceptions start to arise when there are issues such as unfulfilled promises. Therefore, according to Interviewee 6, the perceptions match but there is still a lot of work to be done on the operational side. Moreover, according to Interviewee 4, effective operations are required in order to gain the trust of customers. Generally, issues are due to information related difficulties and inconsistencies within the brand when customers expect for example simple and hassle-free interactions.

Based on the offers and the customers' responses, there is overall a match. However, the company has also noticed that especially in relation to subscription-based and car sharing services not all customers are open to them and still want to own their own car, which is where the mindset matters in terms of being able to value the company's offers. For example, Interviewee 2 points out that some customers express concerns and confusion about whether they have to engage in car sharing when they buy or subscribe to a Lynk & Co car, which some consider to be an issue as they are not ready to give away their ownership.

4.3 Impact on customer value

Through the interviews, multiple factors in relation to what affects customer value have been identified. These are the context-dependency of value, customer expectations, the uncertainty and complexity of the concepts and the environment, as well as the influence of other people and the customer's community or network on their perception.

4.3.1 Context-dependency

The context-dependency of customer value is mentioned by all interviewees and that this can also often make it difficult to define what customer value exactly is since customers perceive value differently relative to their context, according to Interviewee 2 and 5. For instance, a customer might appreciate the flexibility and price of the subscription service, but the car might be seen as too big for living in the city, which in turn is considered an advantage for another customer. Interviewee 5 also mentions specifically the type of situation where the company and customer interact as well as the customer's previous expectations as shaping their perception of value. Moreover, Interviewee 6 and 7 bring up the importance of customisability and designing services that respond to customers in order to enable higher valued experiences.

Interviewee 3 also mentions that they see that different countries have different cultures and some might also be more open for the subscription than others. In some cultural contexts, the value of the company will be perceived differently and consequently the adoption process becomes slower. Interviewee 2 also points out that in their interactions

with customers different features such as car sharing can be "a selling point or a problem" depending on the customer. Additionally, the role of the club also shifts depending on the service they are providing to the current customer as well as the stage of their customer's "journey" with the company and whether they are still getting to know the brand or have been a customer for a longer time. Therefore, the customer's perception and needs have to be considered as well when trying to define what they view as value.

> *"For some people, talking about car sharing will basically make them run away, and for other people it will be a selling point."* - Interviewee 2

The context-dependency in relation to the industry and the business environment such as the type of industry as well as its maturity stage was also pointed out by Interviewee 4 as having an impact on customer value. The interviewee further mentions changes in technology as having an impact on what customers view as value as well.

While the context of interactions with a product or service as well as differences in customers' backgrounds have an impact on their perception of value of the company's offers, the respondents still found that when the customer shares the intended mindset that there is a higher perception of value. For instance, Interviewee 5 mentions how different features in the car attract different people, however there is no common age among them but rather the mindset of being interested in something new.

4.3.2 Expectations

A central aspect to Lynk & Co's brand is the unexpectedness and differentiating themselves from what is the standard in the automotive industry and thereby what customers would expect. Interviewee 1 also mentions a product or a service's ability to solve an unexpected need for their customer as a way to provide value. Moreover, Interviewee 5 views customers' differences in expectations as the distinguishing factor between different customers if you were to type them. A customer's previous expectations and what they are familiar with shape their perception of value and therefore the aim is to have first-time customers engage with the company in their clubs to set and also deliver on the customer's expectations. However, Interviewee 5 also mentions that this aspect might not be as valued by and therefore important to customers whose main focus is to see and interact with the car.

However, as customers might not know what to expect, they are most likely still influenced by their existing understanding of something that they perceive to be applicable in the current context and are potentially more biased towards the few aspects of a new concept that they understand. For instance, Interviewee 4 mentions that since they are a younger company, people tend to have higher expectations towards their solutions being fast and efficient in comparison to other established companies. Interviewee 3 also describes that in relation to the subscription offer, customers tend to have less patience with their service and expect it to be direct and instantaneous compared to traditional ownership models as well as the service provided by typical car dealerships. However, Interviewee 3 also touches on the tone that is set by the company's business model as a whole and how that affects the customer's expectations on the interactions.

Bringing a disruptive concept further complicates the customer's uncertainty and unawareness of what they are facing, which seems to be handled differently by customers possibly due to cultural implications. For instance, Interviewee 4 reports that customer satisfaction results can differ greatly between different countries even though the same service is provided due to higher expectations in some countries. Therefore, the cultural context also plays a role in the customer's expectations and subsequently what they perceive as value. Moreover, customers are not always able to have a complete view in relation to the services offered by competitors and other solutions on the market. This especially becomes an issue when there are no competitors as is typically the case with disruptive innovations. Therefore, the customers cannot know what they can expect in some instances, according to Interviewee 4. On the other hand, in aspects where there is high competition or a value proposition is becoming a trend in the industry, the level of expectation increases which impacts value perception. For instance, Interviewee 6 finds that speed and simplicity is something all service organisations offer or need to offer in order to provide value in customer service interactions and these aspects by themselves do not set a company apart from competitors in terms of value. In addition, according to Interviewee 1, more car brands are starting to focus on offering more flexibility, which would also impact the customer's expectations and therefore value perception of this benefit.

Another aspect that affects the customer's expectations and subsequent value perception is the setting and time when the customer comes in contact with the brand and company. Interviewee 7 mentions the website as an area where customers tend to be very task-oriented with a clear purpose and therefore would value simplicity over some other aspects due to their initial expectations of web platforms. Interviewees 3 and 6 also say that an important part of the value they provide is being available in the channels that customers expect them to be in. On the other hand, Interviewee 2 and 4 also point out that the intentional unexpectedness created in clubs, which are not designed as typical car showrooms that customers expect to see, has often been a positive thing. Therefore, beginning the customer's relationship with the brand in the actual clubs has often been effective for setting the right expectations and therefore their perception of value in the company. However, Interviewee 5 considers, overall, that being different still needs to be balanced with what the customer is familiar with in order for them to be able to have expectations and be able to perceive the value of the service as well.

> "But in some cases I do also think that it's good to stay as normal as it can. So customers can also feel a bit like ohh yeah, I have done this before, I know what it's about, I can expect this to happen as the next step and so forth." - Interviewee 5

Moreover, reviewing the activities the company offers, test drives have been named by multiple interviewees as having a big impact on the customer's experience with the brand as well as the car, and are followed by high conversion rates to car subscriptions according to Interviewee 5. The interviewee mentions that people tend to want to use the product before deciding on an offer. Therefore, the car represents something tangible and familiar that the customers is able to compare to other products as they might have a better understanding of what to expect in this regard.

4.3.3 Uncertainty and complexity of environment

The changes in the environment such as societal changes, market changes due to new competitors and changes in the company's offers due to new products or price changes have been considered to affect customer value and also making it more difficult to especially anticipate changes in customer value. However, Interviewee 3 mentions the importance of the "core value" of the brand and company remaining the same, as, according to Interviewee 2, brand building and loyalty are the "long game".

Moreover, since customer value is considered to be rather context-dependent and different for customers, it becomes a very complex concept since customers are different and also rather complex themselves, according to Interviewee 5. As mentioned above, pre-defined questions as well as personas are used to categorise customers into different experience types, which is a mean to managing the complexity of customers and the uncertainty that it brings in order to be able to anticipate their perception of value. However, another source of complexity are also the data and insights gathered from customers, since they represent the actual customers and consist of many different types of data. In addition to this, many insights focus on the customer experience rather than customer value, which can complicate the evaluation of value in the company. Moreover, Interviewee 4 also mentions the complexity of their business processes and business model overall as impacting the customer's perception of the product and service value as it affects what the company is able to offer.

Furthermore, the uncertainty of a product, service or concept and therefore its value to customers is also present in this case for both the company and the customers. Many interviewees point out the fact that the company is relatively new and has only been operating for around two to three years, which has created unique circumstances for the company and the customer. According to Interviewees 2, 3 and 4, increasing brand awareness is an important step in helping customers understand the value. As subscription models are a relatively new concept, the understanding of who the competitors are varies and sometimes there are not any, which affects the customer's expectations and how they might benchmark their concept of value. Also, from the company's perspective, Interviewee 1 mentions they did not have actual customers for multiple years before their offers were on the market, and therefore many assumptions had to be validated after the launch. Therefore, the previous impacts regarding context-dependency and expectations are related to the uncertainty.

4.3.4 Customer network and community

Multiple interviewees mention that the company is just coming out of its brand building phase and gaining awareness among people. The change in how awareness and recognition of the brand is spreading was visible to the club manager (Interviewee 2) based on how customers find out about the company. According to Interviewee 2, in the beginning most customers were brought to the company through marketing and PR activities, while currently the majority of customers get to know the brand through their friends and neighbours. Moreover, the main focus of customers was also initially on only the car, which has now shifted more towards the actual club environment and subsequently its social and

experiential values. However, it is difficult to say how correlated this insight is with the culture of people in the Netherlands.

Interviewee 2 also mentions how people in a customer's environment influence their interest as well as perception of value. For instance, the interest in the car usually increases when other people become interested as well. The interviewee also points out that having the cars on the road for people to see is another important factor, to the point that in the Netherlands the company does not allocate many resources to advertisement and marketing since they have a large amount of cars in operation in the country.

Customer's ability to interact with each other and provide feedback is also brought up by Interviewees 6 and 7. Interviewee 6 mentions the company's *Co:lab* initiative where customers can discuss questions and ideas in a forum format. Interviewee 7 says that they have noticed more customers sharing their experiences both positive and negative on external platforms in order to share their experience and talk to other people about it.

Furthermore, from the company's perspective, they try to build value and expand their customer base through their network of partners such as third-party service providers for test drives and deliveries as well as the products or gear offered in clubs which are created by other companies or artists that are considered to align with the company's mindset. This presents another opportunity to communicate the company's values and facilitate the customer's perception of them through the shared values of the company and partner. The featured product creators might be familiar to the customer or also have their own followers that could then become interested in Lynk & Co.

5 Discussion

In the following section, the results together with the theoretical background will be discussed to approach an answer towards how customer value can be defined in more disruptive business models and what the key aspects are to customer value in these contexts.

5.1 Potential disruption of Lynk & Co's business model

The subscription model for car ownership that is offered by Lynk & Co is considered here to be potentially disruptive to the automotive industry. The company offers a different ownership model through subscriptions that is currently not very wide spread and can therefore still be placed in the early phases of innovation diffusion.

As Reinhardt and Gurtner (2015) point out, disruptive innovations tend to be favoured by individuals with high in-depth knowledge of the product category, which in Lynk & Co's case are hybrid-electric vehicles. However, they do not have high involvement with the product category compared to other customer bases, which in this context is the perceived importance of the ownership of a car. These customers might have preferred to have leased in the past or engaged in car sharing from existing providers and subsequently not have placed a high importance on the ownership aspect. Therefore, their niche customers would be low-end customers that have an interest in and understand electric vehicles as well as cars in general, however these were not accessible to them before due to, for instance, high investments such as prices associated with buying and operating the vehicle. In addition, the niche group might also include younger individuals who have not owned a car yet or are not financially stable to own one, regardless of whether it is electric or not, and would be able to more easily gain access to a car with subscription-based offers.

Based on the interviews, the current customers primarily consist of people aged between 35 to 45 years and are typically interested in cars. Moreover, based on the club manager's experiences, most customers are coming out of lease contracts and therefore would not place high importance on buying and owning a car. Therefore, they could be considered the early adopters as they are knowledgeable in the product category, however not particularly involved in car ownership. Some participants mention younger generations are starting to become involved with the service as the flexible ownership enables them easier access to a car without too much commitment. However, this group was often considered as the target group rather than the current customer.

From the perspective of disrupting the automotive industry, the mainstream customers are thus the general population that own cars and have a certain type of car or brand that they typically use or buy from. Since they also own a car and are very involved with this ownership structure, they tend to be less engaged in leasing or mobility sharing. As opposed to the low-end market early adopters, people in this group might not have a strong interest in cars other than how they can use it and also not necessarily a large amount of

in-depth knowledge of the product.

By offering more convenience and easier access to cars for their customers through car subscriptions, Lynk & Co can attract early adopters that either want to own a car, specifically also a part electric one, with a small financial investment that they can also profit off with car sharing. Therefore, the industry shifts to focusing on cars for mobility than property, engaging in mobility sharing and enjoying the convenience and flexibility of using cars as a service instead of an asset to own. There is a relative advantage perceived by current customer or the early adopters and they see value in multiple ways. For the mainstream customer however, the complexity of the new type of ownership might still be too high especially if they are already very involved with the ownership structures they are used to, i.e. owning a car. For them, the benefits might not outweigh the costs and they do not see value for themselves to adopt the new innovation. Therefore, according to the innovation diffusion theory (Rogers, 2003), the complexity would need to be reduced in order to increase the adoption of their service.

5.1.1 Value and innovation diffusion

A disruptive innovation is usually enabled by a technology, supported by a disruptive business model and adds value to the entire value network of the product or service, therefore making it a better option to existing products and services within the industry where it enters (Christensen & Raynor, 2003). Moreover, since its performance is considered worse by the mainstream consumer, as it does not satisfy their primary performance dimension, it is adopted by early adopters such as low-end market customers or new markets who value the product's new performance measures or improvement in another dimension that they consider to be important and was not met by existing products. These are for instance price and convenience. As the product improves the primary performance dimension that the mainstream customers value, the product becomes more widely adopted. From the innovation diffusion theory, it is usually the complexity that hinders the wider adoption of an innovation (Rogers, 2003). Therefore, the customers' value does not change with the introduction of new innovations particularly not for laggards or the late adopters of it, rather the innovation needs to meet their standards in order to diffuse. However, it is possible that their values and standards change over time when they have adopted an innovation that future innovations then have to fulfil.

This places more importance on the firm's ability to anticipate what their customers value and therefore the market's characteristics to provide value propositions that are perceived to be valuable by customers. The adoption process of an innovation is vital for a firm to establish themselves and stay sustainable in the future. Therefore, understanding what value propositions early adopters and the late adopters or mainstream customers value is important for the adoption of their innovation. This extends the existing frameworks defining different types and sources for customer value to also include the evolution of an innovation's value offerings to attract mainstream customers.

In the case of Lynk & Co, the flexibility of the subscription-based ownership is valued by customers and therefore represents a relative advantage. Additionally, the company

offers test drives which increases the innovation's trialability as well as the fact that customers are able to cancel the subscription whenever they want to. However, as mentioned earlier, the concept of subscription-based ownership might still be too complex for some customers and they might have a hard time understanding the innovation's compatibility with their needs and values.

5.2 Main aspects to customer value in disruptive contexts

In order to be able to define customer value in disruptive business models, it is important to consider the different aspects and dimensions to this concept and what the literature and empirical findings show in terms of what distinguishes value in these contexts.

5.2.1 Prominent types of customer-perceived value

The empirical results show that some of the offers that Lynk & Co's customers value highest are based on their functional and cost values such as the decreased risk and commitment, the flexibility of the service and the quality of the car as well as the products in the clubs. The "softer" values of the company such as the brand and the experience created are also viewed as a competitive advantage that differentiates the firm and was also connected to what tends to inspire loyalty in customers. These values correspond to the experiential and symbolic values mentioned by Smith and Colgate (2007). The car itself was also highly valued by customers, however it is difficult to connect this fact to a specific value. One interviewee mentioned the quality aspect to it, which would relate to the car's functional value, however there might be other types of value impacting this as well.

In the context of shared mobility, Paundra et al. (2017) and Jo et al. (2018) mention the importance of the economic or cost values to customers. Moreover, Lashari et al. (2021) and Higueras-Castillo et al. (2019) also mention the cost values being a motivating factor behind using electric and hybrid-electric vehicles. Additionally, social values derived from the interactions between customers when engaging in, for instance, shared mobility as well as the experiential value of the flexibility of shared mobility were also found to be important in existing research (Zhang et al., 2019).

The perceived experiential and symbolic values based on the company's "soft values" can be considered intrinsic values, which, according to Monroe (2005), become important to customers when they become more familiar with a product or brand, as opposed to a new product, and would therefore signify the values of existing customers, i.e. the early adopters. However, a brand that is perceived as having a high intrinsic value might play an important role in the adoption of potentially disruptive innovations in the sharing economy due to the importance of social value and trust in the service (Jo et al., 2018).

5.2.2 Main sources of customer-perceived value

Lynk & Co creates value through multiple activities in the company's value chain. The framework suggested by Smith and Colgate (2007) categorises the different activities into

five sources of value. Judging the company's customer perceived value, there are correlations to some channels where there are significant increases or decreases in value. For instance, marketing campaigns created value through information and were especially in the beginning the reason why the brand became interesting to customers. On the other hand, the information aspect was also named by most respondents as often being the reason for an issue a customer was having that decreased their perception of value that they placed on the service, such as difficulties with finding the right information, i.e. on the website, interpreting it or a perceived insufficiency of information. Considering also the type of value that this represents, there appears to be a connection between not enough functional value in the information dimension as these issues relate to the customer's ability to efficiently find information.

In relation to the environment, specifically the clubs, the interior design and also the quality of products and services offered are considered valuable, providing high experiential and functional value. Still, the value experienced is highly influenced by expectations. For instance, customers who expect the car are described to be "thrown off" when they walk into the clubs and if these customers have a high affinity for functionality, the environment might not have a lot of value in that sense. However, customers who do not know the brand yet might value the experiential aspect more highly and subsequently also the overall experience as an individual's values are a composition of the different types of value that exist. Furthermore, customers that share the company's mindset and brand values might place a high symbolic value especially to the club environment as they are able to connect with it. These types of customers tend to return to clubs for events or at their leisure and have been described as being more loyal to the brand as well.

In terms of the customer interactions, there are also a combination of values perceived. The company aims to bring experiential values in the interaction with the customer by, for example, being positive and flexible. The operational issues within the company however lead to customers interacting with both club staff and customer service with the intention of solving a problem. Therefore, based on the fact that issues mainly relate to the time for solving problems, the functional values would be perceived as low and potentially the cost value high if they have to invest their time and money during the resolution of a problem.

Lastly, the transfer of ownership in the context of subscription-based services enables lower cost values due to customers perceiving the offer as less of a commitment with low risks and high functional and experiential values due to the flexibility and convenience as well as simplicity of the service. Therefore, also looking at the different dimensions as a whole, it seems that functional values are considered very important in most contexts and along with the cost value as a main motivator for customers to engage in car subscriptions. However, the experiential values are what might differentiate the brand from others and symbolic values especially seem to contribute to the customer's loyalty.

5.2.3   Importance of information

According to the interviewees, issues with customer value typically arise due to a problem with information that the customer has available or was able to find. This has caused trust

to be decreased according to the interviewees and therefore also increases the uncertainty for customers. Therefore, value processes related to communicating information, such as the information provided on websites, appear to be very important in this context. This might relate to the fact that subscription-based car ownership is a newer concept that customers do not fully understand yet along with the car and brand itself. Therefore, the value perceived from information processes would become more sensitive and more easily affected by customers' uncertainty as well as expectations. External factors might then also have a larger impact than they would otherwise if customers do not have enough information to assess the value that is provided.

Many information-related processes are also contributing to brand awareness and play an important role in the customer's initial experiences with the offer and the company as a whole. Furthermore, where customers first engage with the company is considered to be an important step in setting expectations, according to the findings from the interview. Therefore, aside from the information that is being communicated, other factors such as the interactions and environment are necessary to provide a cohesive experience and establish a relationship with the customer. This shows that in a disruptive context, the experiential values might carry more weight compared to other value types in order to provide motivation to adopt the new innovation.

5.2.4   Value identification and definition

The company has a very strong customer relationship focus when it comes to their different customer engaging services and offers. In the interviews, personas and question sets for understanding the types of customers in the company are commonly used to design and improve services and processes. These tools enable the company to consider some of the uncertainties and complexities that customers present. These concepts represent a more holistic approach to understanding what a customer might perceive as value and can therefore be viewed as a more multi-dimensional approach to value creation.

Other forms of data collection and insights that were mentioned in the interviews included metrics such as the Net Promoter Score or Customer Satisfaction Score, which help give indicators for customer satisfaction and therefore retention. These scores are calculated through surveys and focus on assessing what the customer's experience is. These represent more uni-dimensional measures as they provide a score, which only captures components, such as satisfaction, that are affected by value perception and are not able to capture how the score is set and therefore the factors that might also impact value. Multiple interviewees mention that the results from different insights tend to be aggregated and combined with other data in order to get a more complete view on the customer experience and in turn the customer's perception of value. Therefore, based on the measures used as well as how the company evaluates them, simplistic representations of customer experience are not sufficient to gauge the value customers perceive. Subsequently, customer value in a disruptive context might be more susceptible to multiple attributes and contextual factors that influence it.

5.3 Impacts on customer value

In the empirical findings, different factors that influence customer value were uncovered, such as the customer's existing expectations or the context-dependency of what is perceived as value, network aspects as well as the uncertainty and complexity of the environment. These impacts are discussed in the following subsections.

5.3.1 Expectations and context-dependency of value

An impact on value that was identified in the empirical findings are that the definition of value is relative to the context and that value is influenced by the expectations of the customer. These factors become especially impactful when the product or service is relatively unknown to the customer, as in this case where car subscriptions are not yet a common concept. Generally, the customer's perception of value is based on what they understand as value not necessarily what the firm communicates as their value offers (Munnukka & Järvi, 2012). Moreover, value is typically a relative concept where customers have an easier time estimating value by comparing it to other similar products (Holbrook, 1999). For disruptive innovations, where there are no or few competitors or other existing products to compare the innovation to, more weight is placed on customers' previous experiences and therefore preconceived notions as well as expectations. Subsequently, both the existing research and the empirical findings show the influence expectations have on value perception in connection with new products or services and thus disruptive innovations.

When customers are faced with a new product or service, factors such as the perceived usefulness or ease of use can become influential based on the technology acceptance model (Kumar Roy et al., 2018). Connecting the model to subscription-based car ownership, the flexibility and more convenient access to cars would then be perceived as value which is also indicated by the empirical findings. Additionally, according to Monroe (2005), unknown products cause customers to focus on extrinsic attributes such as cost and functional values. As mentioned above, some of the most valued aspects by Lynk & Co's customers fall under these types of values. Considering that the offer is a rather new concept and also involves a newer technology, it might still be relatively unfamiliar to customers and therefore increase the perceived risk (Lashari et al., 2021). This further emphasises the importance of functional and cost values when customers have no benchmark to compare a product to. This might also explain why test drives have shown to be highly influential in a customer's decision to subscribe to the service as they are able to familiarise themselves with the product and decrease the perceived cost such as the risks as well as connect more to the intrinsic values the product and service offers.

While the subscription-based car ownership is still a rather new service, it is offered in connection with a car which is a product that customers are still somewhat familiar with in spite of the increased perceived risk mentioned above. Therefore, customers would most likely compare the company to other brands operating in the automotive industry. Consequently, customers would be able to evaluate value propositions relative to the ones of competitors, which would set their expectations on the value of the service. However, this could make it difficult for customers to then accurately perceive the value of a

subscription-based ownership model.

The perceived value by customers is subjective and is influenced by different sources such as the product or the company offering it. The functional value of one product will be different from another. However, there are trends among what types of values tend to be more important among certain customer groups, such as cost values being important in relation to electric vehicles (Higueras-Castillo et al., 2019). Moreover, in the sharing economy, customers place importance on the functional and cost value of a service, such as convenience and price, as well as the social and experiential value to it (Zhang et al., 2019). However, according to Zhang et al. (2019), customers tend to consider social and experiential values over the cost and functional ones when choosing to repurchase a product and therefore deciding to actually adopt the innovation. Moreover, Jo et al. (2018) also mention in relation to shared mobility the importance of social values. Therefore, the social context of the adoption and subsequently the more experiential and symbolic values play an important role in relation to mobility sharing, which could also influence the adoption of a disruptive innovation in this industry.

5.3.2 Networks and community aspect

According to the empirical findings, customers are influenced by their environment and seeing other people they trust engage in subscriptions makes them try it too. According to Muller and Peres (2016), high connectivity and cohesiveness enables the spread of an innovation. However, in these types of networks the redundancy might be higher which would hinder the spread. As mentioned by Interviewee 2, in the case of the Netherlands, where there are a smaller number of cars on the road and the brand is able to be more visible, seeing a stranger driving the car in the street would therefore help speed up the adoption process. Moreover, random networks are further created through the online forums where experiences with the company have been discussed and possibly also the *Co:lab* initiative that also connects people with most likely low redundancy, which is important for innovations to successfully spread.

While new products can spread faster in more random networks, since the redundancy is usually lower, the risk of underadoption tends to increase and therefore a reasonable level of cliquishness in the network is also needed in order for customers to reinforce each other and for innovations to successfully diffuse (Choi et al., 2010). With a potentially disruptive innovation that requires a new mindset and changes to current behaviours, using cliquish networks such as families, which typically have a higher redundancy, to spread innovations is often useful since it prevents the risk of underadoption. Interviewee 2 mentioned that currently a large number of new customers come based on recommendations from neighbours or family members. Therefore, value in this context might require a higher level of cliquishness in order to reduce some of the barriers that both subscription-based ownership as well as electric cars, or hybrid-electric cars in this case, represent due to the fact that they are also a rather new technology.

Another important perspective to niche evolution is proposed by Hermans et al. (2013) where the convergence of a shared vision along with learning and experimentation aids

in the spread of an innovation. These can be promoted with the community aspect that Lynk & Co aims to provide, where customers become more engaged with using the company's services so the density as well as size of the current customer base grows as trust increases. The experiential and symbolic values that a community can provide could also help the network to converge the expectations of the actors within it so that new product or service innovations by the company do not cause a divergence in the shared vision and decrease trust and subsequently cause the network to decrease. Communicating as well as maintaining a shared vision is further supported with a strong brand and therefore the symbolic values that a customer might perceive would play an important role in the continuing growth of the network.

The impact of the social context on value was also discussed by Helkkula et al. (2012), where other customers and also firms influence value in addition to the individual's own perceptions, therefore value is considered as both individually and socially constructed. The interviewees also mention the importance of their value network for enabling innovation diffusion by cooperating with other brands and attracting their customers as well as facilitating the communication of their brand to their customers, since customers can relate the values that Lynk & Co's partners are perceived to have to what the company offers. Therefore, the relativity that is difficult to achieve with disruptive innovations, due to new and unknown factors, can be enabled through this.

5.3.3 Uncertainty and environmental complexity

In the empirical findings, multiple forms of uncertainty were identified that impact customer value. According to the interviewees, one of these is the external or environmental complexity and subsequent uncertainty, which can either be on a more societal level such as changes in the economy or on a market level based on changes coming from competitors. These changes affect the context in which the value provided by the company takes place and will therefore impact how customers perceive the value and what they expect. The relative advantage in the innovation diffusion theory described by Rogers (2003) is an important factor for a customer to consider adopting a new innovation and therefore in what type of environment and also what other products, which the innovation is being related to, will impact the adoption process as well as the value perception, since that is also a relative concept. While uncertainty from markets and the society overall are a challenge to all innovations, it is possible that it might be amplified under the circumstances of a disruptive innovation as that in itself brings a form of larger change to the industry.

Moreover, the interviewees mention that within the company there are also changes such as new processes or products which also contribute to uncertainty and impact customer value. An important factor for an innovation to become disruptive is the ability to meet the primary performance dimension of the mainstream customer by improving their current processes. Therefore, in order to become disruptive, an innovation needs to go through changes to reach a satisfactory level in the value dimension the mainstream customer prioritises.

Lastly, customers are also evolving and changing and therefore represent another form

of uncertainty in regards to value. This again relates to the previously mentioned impacts on value as well as the context. The customer's expectations add to the individual's complexity and are also impacted by the external factors that cause some customers to perceive value in one product relative to another. In addition, as disruptive innovations represent a new concept, there is also uncertainty for customers and how they can perceive value since they are unable to understand the product or as mentioned above are missing the relative aspect if the environment is too complex. In the end, it is customers perceiving what is of value and therefore any impact on them will also impact the value generated by a company for a certain customer.

6   Conclusions

Both customer value and disruptive innovations are relatively complex and context-dependent concepts that can be viewed from different perspectives. In this thesis, the research focused on identifying how value is defined and impacted in disruptive business models through the case of Lynk & Co. Lynk & Co is a company with a unique business model and a new type of offer in the form of subscription-based car ownership that has the potential to disrupt the automotive industry. Their model relies on a relatively new technology, hybrid-electric cars, that are adopted at varying degrees in different markets and can therefore still be considered as somewhat new in most places. Consequently, many aspects in this research relied on rather new and unique factors.

Since the thesis is based on many new and unique aspects, there is still uncertainty about how certain factors correlate with each other. Subsequently, a broad scope was needed and in the theoretical background many different theories and themes are touched on in order to consider multiple sides to the research question. Disruptive innovation in connection with customer value cannot be viewed in isolation since multiple new factors are involved and therefore to be able to see potential indicators for connections between the concepts, it was necessary to take a rather wide and explorative approach.

6.1   How customer value is defined in disruptive business models

The purpose of this thesis was to gain a better understanding of customer value in the context of disruptive innovations with the following research question,

"How can customer value be defined for disruptive business models?"

Customer value has been established as a subjective and context-dependent concept. The findings in this research show that on a more specific level that directly relates to the company value chain activities, there are some value dimensions that are perceived as more important or more prominent compared to others. For instance, the experiential values are found to be important to customers in relation to subscription-based car ownership and the existing literature also finds a connection between this type or dimension of value and shared mobility. However, since this is an innovation in the process of being potentially adopted on a wider scale, broader dimensions to value also need to be considered. In connection with social network theory and how it related to the diffusion of innovations and especially new products that require changes in customer's mindset and behaviours, the social value appears to play a more important role in this context. The influence of customers on each other as well as being part of a community or even 'movement' have been mentioned as impacting the customer mindset and behaviour, which in the end also affects value perception.

There are multiple dimensions to value in this context and also multiple factors impacting it. One finding in this research was the importance of customer expectations and the context-dependency of an offer. Value has already been established as a relative concept influenced by situational as well as contextual factors in the existing research. In this setting, there is often a lack of competition and the newness as well as the subsequent 'unknown' of the offer makes it more difficult for customers to understand and perceive its value. They are also often not able to compare it to another product in a way that enables a better understanding of its value. This further increases the uncertainty in the value perception for customers due to the initial lack of knowledge about a new innovation as well as the environmental complexities as this is a dynamic environment and the company along with its offers are still in the process of changing and evolving to grow their customer base. Lastly, the network aspect was found to play a large role and therefore the social impact on value might be more prominent in this context compared to other situations. Furthermore, based on the fact that there might not be competitors and other offers that the disruptive innovation can be compared to in order to evaluate its value, customers might rely more on other people in their network for their value perception and this would put more focus on the network structure of the current customer base in how an innovation is adopted.

6.2   Theoretical implications

Customer value is a complex concept that is relative to multiple different factors. Currently, there is a gap in the existing literature in regards to customer value in the context of specifically disruptive innovations and how or if it is impacted under these types of conditions. Moreover, disruptive innovations involve many new components, where existing theoretical frameworks might not apply. Consequently, this research contributes with new insights into how customer value is impacted in a disruptive context and what aspects need to be considered as the value is affected by many new and unknown factors.

In addition to this, the majority of the literature identifies general sets of values that can be used to create a product that sets itself apart from competing ones in terms of value. However, it is still difficult to pinpoint more exact features and these are still subjective to the specific customer group and other contextual factors. Therefore, the literature is still rather vague in the definitions. Subsequently, many findings for customer value in this research, such as the correlation of value to expectation and unexpectedness as well as its context-dependency and the network aspect to value, could therefore be relevant to customer value overall as well as in relation to multiple types of innovations.

6.3   Practical implications

As customer value is very relative it becomes challenging to understand in a context such as one created by a disruptive innovation, that cannot be properly defined until it has happened. This can leave companies vulnerable to competitors or new entrants that end up displacing them. Therefore, understanding how value is defined in a disruptive context is important for understanding what aspects can undermine a company's current value

creation and would also contribute to creating sustaining innovations and anticipating the value that they might bring. Furthermore, business model innovations are vital for companies to stay competitive and thus developing their value propositions is important. Consequently, this thesis can aid in a company's understanding of customer value under high uncertainty and how they might need to adapt or develop their value processes.

Additionally, the results in this thesis also highlight the role of customer value in diffusing innovations and in the end enabling disruption. The value customers perceive an innovation to have is instrumental for the adoption process, where different aspects have been identified that influence this perception. Therefore, the impact customer value has on enabling disruption in terms of, for instance, the performance dimensions valued by different customer segments is another important perspective to the issue with strong implications for companies and how they can manage disruptive innovations.

6.4 Future research

Based on the results in this thesis, there are multiple possible themes for future research. Considering, that this research only focuses on one company which operates in the automotive industry, it is important to evaluate the role of customer value in other companies and industries in order to increase the generalisability of the value definition in disruptive contexts. Moreover, the perception of value was analysed based on the company's research and their understanding of their customers collected through interviews. Therefore, the insights on customer value are based on the firm's secondary data and their understanding of this data. Consequently, it would also be important to gather information directly from customers.

Another interesting aspect to customer value that could be analysed further would be with the different theories connected to innovation diffusion in the thesis. The literature on disruptive innovations and innovation diffusion touches on the characteristics of both the innovation and the customers as to how the adoption and the diffusion of an innovation are influenced, such as through the innovation diffusion theory and social network theory respectively. One reason why they might be considered important in the anticipation of innovation adoption are their link to value, such as the value that the innovation presents to the customers in the form of its characteristics or how the network of customers influence each other in for example their opinions, which would influence the situational features of value perception. However, there is little focus on how value is affected in these contexts and therefore it would be interesting to look at the concept from one of these theoretical perspectives.

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A   Appendix

A.1   Interview guide

Initial questions
Current role
Years of experience

1. Customer value from your perspective
1.1. How do you define customer value?

1.2. What does Lynk Co offer that you consider to be of value to the customer?

1.3. What are the main factors or activities that influence customer value in your business?

2. Customer value perceived by your customers
2.1. How do you identify your customers' needs and what they value?

2.2. How do you use this information to create value for them?

2.3. Do you measure customers' perceived value?
• if yes: how do you measure customer value, what metrics do you use?

2.4. What do you find customers perceive as value?

2.5. Do you believe your value offerings match with your customers' values?

2.6. How do you ensure that your products provide your customers with value?

2.7. How do you anticipate changes in customers' value?

3. Market
3.1. How do you try to set yourself apart from competitors in terms of your business model and value propositions?

3.2. Who are your current customers?

3.3. Who is your target group of customers?
3.3.1. How do you attempt to reach these customers?