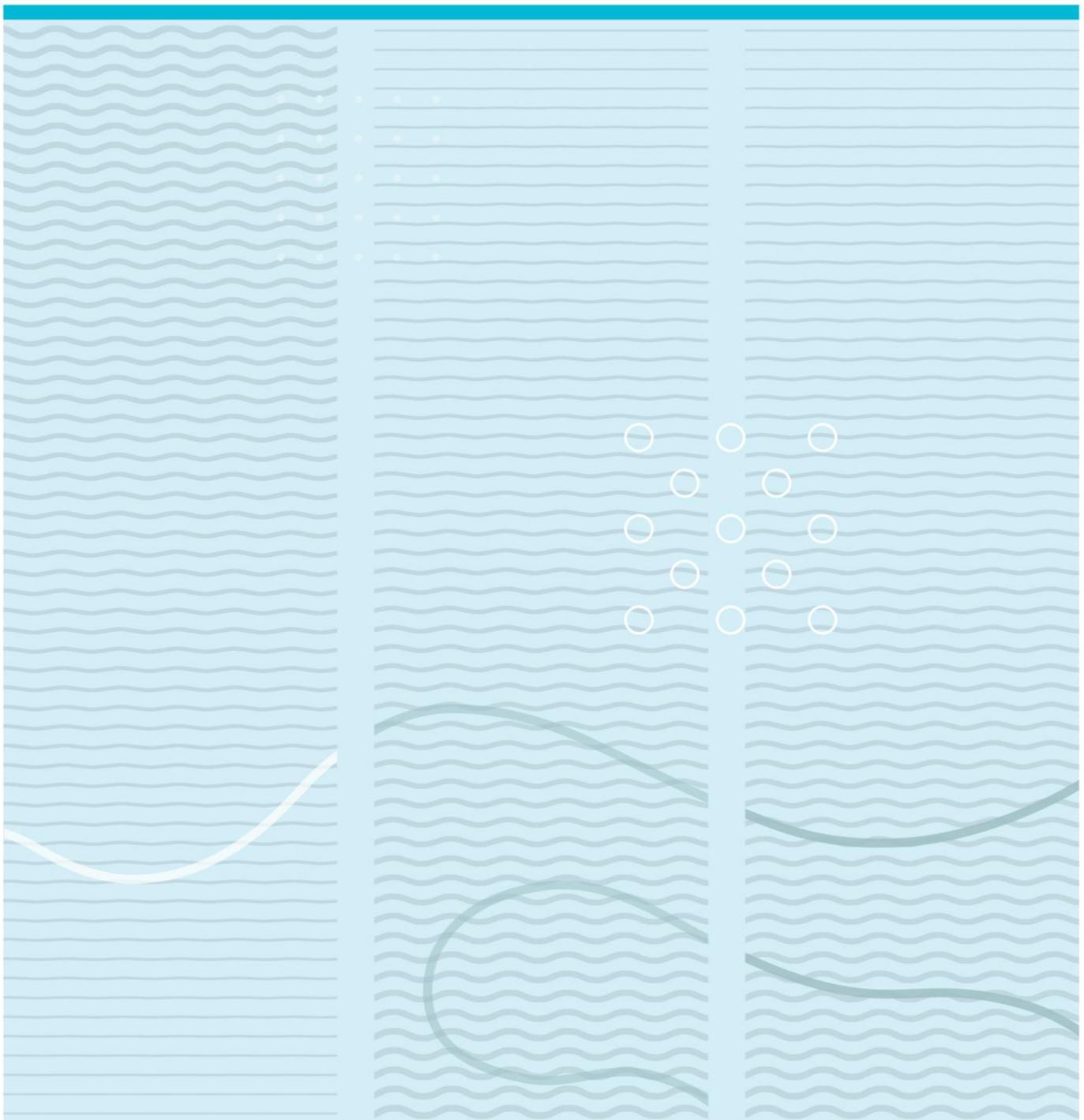


Kristin Bentsen

Exploring drivers of and obstacles to retail business model innovation

A regional study of the Vestfold retail service system



University College of Southeast Norway
School of Business and Faculty of Social Sciences
Institute of Business and Management
PO Box 235
NO-3603 Kongsberg, Norway

<http://www.usn.no>

© 2016 Kristin Bentsen

This thesis is worth 30 study points

Abstract

The purpose of this paper is to contribute to the understanding of the role of value propositions in business model innovation (BMI), with particular focus on retail business model innovation (RBMI). As the literature on RBMI lacks a systemic approach, this thesis offers valuable theoretical contributions as well as managerial implications.

This thesis documents the results of a six-case empirical study of drivers of and obstacles to retail business model innovation. Based on empirical findings from a comparative study on coinciding and unsynchronized value propositions, I explore the emerging field of retail business model innovation. A service-dominant logic (SDL) in the understanding of the value proposition is applied, indicating that the value propositions should be dynamic, co-created and coinciding between the actors in the retail service system. Analytically, I present a conceptual framework in a multilevel perspective (MLP), and propose a midrange theory on interactions between actors in the Vestfold retail service system. This application assesses drivers of and obstacles to retail business model innovation, through highlighting a systemic approach to innovation in retailing.

Keywords: retail business model innovation, service innovation, managing innovation, value propositions, service-dominant logic, service ecosystems, multi-level perspective

Contents

Abstract	3
Preface	7
1 Introduction	8
1.1 Research questions	10
1.2 Background and context	11
1.3 Boundaries of the thesis	12
2. The concept of business models, innovation and retail business model innovation.....	13
2.1 The unfolding of the business model concept.....	13
2.1.1 A static approach versus a dynamic approach	14
2.2 Innovation, managing innovation and service innovation	15
2.2.1 Service-dominant logic	17
2.3 Business model innovation	18
2.3.1 A service ecosystem perspective on business model innovation.....	19
2.3.2 Value co-creation	19
2.4 Retail business model innovation	20
2.4.1 Coinciding value propositions and unsynchronized value propositions.....	22
2.5 A multi level perspective on the retail service system	24
2.5.1 Niche level	24
2.5.2 Socio-technical regime.....	25
2.5.3 Socio-technical landscape	26
2.5.4 Timing of interactions.....	27
2.5.5 Nature of interactions.....	27
2.6 Conceptual framework; multi level perspective (MLP)	28
2.6.1 Multi-level perspective (MLP) in the Vestfold retail service system	29
3. Method.....	31
3.1 Case study analysis	31
3.2 Step 1.....	32
3.2.1 an exploratory design	32
3.2.2 Sample, procedure and measure	33
3.3 Step 2.....	34
3.3.1 A Comparative design.....	34

3.3.2 samples and procedure	34
3.3.3 Case study A (Municipality 1).....	35
3.3.4 Case study B (Municipality 2)	35
3.3.5 Case study C (municipality 3).....	36
3.3.6 Case study D (municipality 1)	36
3.3.7 Case study E (municipality 2).....	36
3.3.8 Case study F (municipality 3)	36
3.3.9 Summary of case studies.....	36
3.4 Measures	37
3.4.1 Measures case study E	38
4 Findings and analysis	39
4.1 Subgroup 1: Coinciding value propositions	39
4.1.1 Case study A	39
4.1.2 Case study B	41
4.1.3 Case study C	42
4.2 Subgroup 2: Unsynchronized value propositions	44
4.2.1 Case study D	44
4.2.2 Case study E.....	46
4.2.3 Case study F	47
4.3 Summary of findings	48
4.3.1 Timing of interactions.....	48
4.3.2 Nature of interactions- Coinciding value propositions	49
4.3.3 Nature of interactions- unsynchronised value propositions.....	50
4.3.4 Comparing coinciding value propositions with unsynchronised value proposition	51
5 Discussion and conclusion	53
5.1 MLP as a midrange theory:.....	58
5.2 MLP as an explanatory theory	59
6 Theoretical and managerial implications.....	61
6.1 Further research	63
Appendix A: Literature study.....	68
Appendix B: Interview guide - step 1 (in Norwegian).....	70
Appendix C: Interview guide - step 2 (in norwegian).....	75

List of figures and table

Figure 2 - Multi level interactions (Geels, 2012).	25
Figure 3 - Multiple levels (Geels & Schot, 2007)	29
Figure 4 - A midrange theory on drivers and obstacles of RBMI	31
Figure 5 - Two-step model	32
Figure 6 - Process model drivers of and obstacles to RBMI	53
Table 1 - Step one.....	33
Table 2 - Step 2	35
Table 3 - Summary of case studies.....	37
Table 4 - Summary of findings.....	48
Table 5 - Summary of findings - Sub group 1 with Sub group 2	52
Table 6 - Summary of findings - Coinciding value propositions and unsynchronized value propositions	52

Preface

This preface is written as a completion of my master's degree in Innovation and Management, at the University College of Southeast Norway, where I also studied for my bachelor degree in sociology.

This master thesis is conducted in the context of the VIVANT project, which is funded by the Regional Research fund (RFF). The overarching idea of the VIVANT project is to develop, implement, and evaluate a “toolbox” for innovation in the retail system in Vestfold. Primary data has been collected within the VIVANT project, and I would like to thank the informants for participating in this research. I would also like to thank the project manager; my head supervisor and mentor, Professor Per Egil Pedersen, for always taking time to give academic guidance, as well as for his support and trust throughout the entire master's period. I also thank Associate Professor Are Branstad, for providing me with many insights to the multi-level perspective.

Kristin Bentsen

A handwritten signature in black ink that reads "Kristin Bentsen". The script is cursive and fluid, with the first letters of each word being capitalized and prominent.

Horten 18/5-2016

Exploring obstacles to and drivers of retail business model innovation - a regional study of Vestfold's retail service system.

1 Introduction

In retail, business model innovation may take many forms, such as format innovations that have their basis in centralized, big organizations, where the level of knowledge is considered to be relatively high. We find many examples of these types of retail innovation also in Norway (Nygaard & Utgård, 2011). However, in local retail, we find the general degree of innovation to be low. The emerging field of business model innovation can be considered an important source of competitive advantage that demands relatively few physical resources, as such; business model innovation can be an important type of innovation in local retail (Foss & Saebi, 2015).

The term "business model" came about at the end of the 1950s, but was not widely acknowledged until the end of the 1990s. Until this day, the term holds no commonly accepted definition, or applied dominant theory. This can be said to problematize the conceptualization of business model innovation. Also, an explicit consensus view in newer research postulates business models as preferably understood as dynamic system theories, and value propositions as emergent and co-created between actors in a system (Foss & Saebi, 2015). As such, an antagonistic gap between static perceptions of business models, and dynamic perceptions of business models, is apparent (Demil & Lecocq, 2010).

From a service-dominant logic (SDL) perspective, resource integration is at the core of value creation (Varo and Lusch, 2004). For resource integration to work, recent contributions in the SDL perspective on service innovation, has suggested that coinciding value propositions between actors are decisive (Vargo, Wieland & Akaka, 2013). As value propositions can be seen as a core dimension of a business model (Zott, Amit, & Massa, 2011), an implicit understanding in applying SDL is that unsynchronized value propositions can be seen as an obstacle for business model innovation. A paradigm shift in applying an SDL perspective on value propositions in the retail service system, implies that three levels of value propositions; micro, meso and macro, must be integrated systemically (Vargo & Lusch, 2015). As such, transforming the understanding of customers from a firm centric view (micro), to a more radical understanding of the customer as co-creators, developing coinciding value proposition between the actors in the retail service system (meso). Furthermore, all actors' value

propositions must reflect the abstracted value created by the complete service ecosystem (macro) (Vargo & Lusch, 2015).

For example, illustrated through the pre-project - IVAR (Innovation in the retailing system in light of the IKEA establishment) (Pedersen, 2014) that indicates that landlords of the retail premises in the centre of town, and the owners of the stores in the centre, have unsynchronized value propositions both towards each other and towards the customers (micro and meso). This can be seen as one explanation as to why the stores did not succeed, hence an obstacle for retail business model innovation. Oppositely, the pre-project shows a tendency to offer coinciding value propositions between mall owners and its shop owners and towards their customers, which can be understood as a factor partly explaining their success, and thus, as a driver of retail business model innovation.

Furthermore, differences between the attractiveness of the cities in the Vestfold region, partly reflects whether all actors in the retail service eco-system of each city shares a joint understanding of how value is created in their respective service eco-systems (macro). In line with extent literature on innovation in retail business models (Wieland, Polese, Vargo, & Lusch, 2012), it is implied, that there are unanswered questions as to whether or not, coinciding value propositions can operate as drivers of innovation, and/or in which degree, unsynchronized value propositions can be seen as obstacles to innovation in retail business models. As such, I seek to empirically test to what extent coinciding value propositions between actors can be seen as drivers of business model innovation in the retail service system in Vestfold, and oppositely; to which degree the unsynchronized value propositions may serve as obstacles to retail business model innovation.

The service ecosystems perspective can be said to reflect the underpinning potential a system holds for emergent change (Wieland, Polese, Vargo, & Lusch, 2012). Furthermore, the SDL perspective postulates that value propositions must be integrated and coincide systemically, as such, I apply a multilevel perspective (MLP) putting forward a midrange theory, explaining the dynamic transitions that occur in-between the multiple levels (Geels, 2012).

Firstly, through identifying the niche novelties that are successfully adopted into the Vestfold retail service system, I explore coinciding value proposition offerings, and to what extent these function as drivers of RBMI (RQ1). Secondly, I contrast this to unsynchronized value proposition offerings through identifying unsuccessfully adopted niche novelties in the Vestfold retail service system, exploring to what extent unsynchronized value propositions serve as obstacles to RBMI (RQ2). Thirdly, I test the multi level perspective as a midrange

theory, in order to analyse the value propositions role in the Vestfold retail system, and also explore to what extent the aforementioned perspective may be useful as an explanatory theory, through creating a conceptual multi level framework (RQ3).

1.1 Research questions

To address the mentioned gap in the literature on the role of value propositions in retail business model innovation, and the multi levels perspective usefulness as a systemic analysis of the Vestfold retail service system, I intend to answer the following research questions:

RQ1: To which degree may coinciding value propositions be seen as drivers of retail business model innovation?

Oppositely:

RQ2: To which degree may unsynchronized value propositions be seen as obstacles to retail business model innovation?

And:

RQ3: To which degree may the multi level framework be useful as a midrange theory, and to what extent may the multi level framework be useful as an explanatory theory?

In order to answer my research questions I adopt a retail business model innovation perspective, and operationalize the role of value propositions through a service-dominant logic. Further, I identify coinciding and unsynchronized value propositions by operationalizing the interaction of value propositions with a systemic approach, by applying a conceptual framework with a multi level perspective. The rest of this thesis analyses and discusses the findings in this empirical study.

With a systemic approach, I seek to unite business model innovation with an MLP understanding of transitions between the different levels of the Vestfold retail service system,

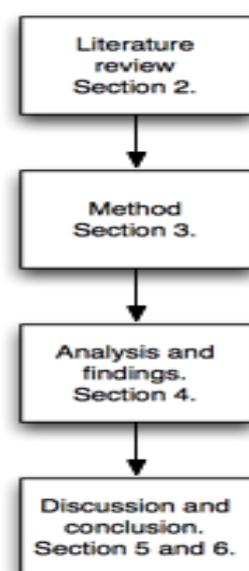


Figure 1 - The outline of the thesis

contributing to retail business model innovation literature (RBMI).

As the literature on RBMI lacks a systemic approach; my findings offer valuable contributions both theoretically, as well as offering managerial implications on how value propositions should be created, delivered and captured in order to coincide systemically.

1.2 Background and context

This thesis is conducted within the context of the Vivant project, which seeks to analyse the parts of the Vestfold local retail innovation system, of particular relevance to retail service system attractiveness (Pedersen, 2014). Furthermore, the overarching idea of the VIVANT project is to develop, implement, and evaluate a “toolbox” for innovation in the retail system (Pedersen, 2014).

In September 2012, the former Ministry of the Environment gave permission to establish an IKEA department store on the border between Sandefjord and Larvik. It was at that time scheduled to open in 2015/2016. In a sense, this turned out to be a wake-up call for the retail community in Vestfold, resulting in Link Larvik, a regional business competence centre, establishing a research project together with Vestfold and Buskerud University College (HBV). This pre-project - IVAR (Innovation in the retailing system in light of the IKEA establishment) was founded, with support from the Regional Research Fund (RFF), to explore how the entry of IKEA could affect the retail service system.

The retail system is Vestfold’s largest private sector, with approximately 19.000 employees, in retail companies alone. In addition to these, there are many jobs within logistics, real estate, finance and the public sector, that we denote as parts of the retail service system. This system regulates, coordinates, delivers services, gets services from-, and thus constitutes the retail service system of Vestfold (Pedersen, 2014). Local knowledge can be said to stimulate the development, and use of appropriate tools by the retail service system. The project pointed at different challenges relating to innovation within the Vestfold retail service system, and an apparent explicit need for knowledge, far beyond adjustments of the goods and services offerings of the current retail service providers (Pedersen, 2014).

1.3 Boundaries of the thesis

This research is conducted in the context of the VIVANT project, which is funded by the regional research found (RFF). Although I limit my research by exclusively examining the Vestfold retail service system, the project seeks to analyse parts of the Vestfold local retail innovation system. I primarily look into the role of value propositions, highlighting only one of the dimensions in the business model. However, as there is no current dominant theory on retail business model innovation, I follow prior research done in the business model field that defines value propositions as the core building block of a business model (Zott, Amit, & Massa, 2011).

Further, I contribute to the field of retail business model innovation by applying a systemic approach to innovation, following the definition of retail business model innovation as identified through the most cited article on business model innovation in retail in the literature review *“Business model innovation in retailing: A systemic literature review”* (Pedersen, P.E., Solem, B. and Bentsen, K. (in Press):

“A business model (...) a well-specified system of interdependent structures, activities, and processes that serves as a firm’s organizing logic for value creation (for its customers) and value appropriation (for itself and its partners)” (Sorescu, Frambach, Singh, Rangaswamy, & Bridges, 2011,p.4).

I limit my research through selecting niche novelties within sport and leisure, clothing, interior design and food. However, the exploration phase of this study (step one) led me to these particular niches, therefor they can be seen as representatives of the Vestfold retail service system. As such, an empirical study of drivers of and obstacles to local business model innovations in Vestfold, can produce new knowledge of innovation processes, resources and a deeper understanding of how retail business model innovation may be stimulated, and perceived as an important type of innovation in retailing.

2.The concept of business models, innovation and retail business model innovation

The concept of business models has gained importance across various fields within strategy, entrepreneurship and innovation literature. It can be said that the appeal of the business model concept is anchored in its holistic approach to achieve how organizations create, deliver and capture value. However, and partly due to this holistic approach, there is a lack of mutual understanding in the practitioner and academic communities on what it means to innovate through business model innovation.

2.1 The unfolding of the business model concept

“[Business model] “is a phrase that, since its advent during the dot-com boom and bust, has come to mean everything and anything and nothing at all” (Mullins & Komisar, 2009, p. 4).

The term ”business model” did not come into use until the late 1950s, and was not widely acknowledged until the end of the 1990s. The term became universal with the rise of the internet, explicitly anchored in the increase of emerging markets, and to expanding industries seeking a way to cope with the post-industrial technologies (Zott, Amit, & Massa, 2011). Even so, as of today scholars do not agree on what a business model actually is, resulting in the term not holding a common accepted definition, or applied dominating theory. This can, in addition to making conceptualization of business models difficult, be said to prevent cumulative progress of the field (Zott et al, 2011).

Christophe Zott, Raphael Amit and Lorenzo Massa (Zott et al, 2011) provide an analysis in their review ”The Business Model: Recent developments and future Research. The review implies that four emerging themes dominate the field. The business model as a new unit of analysis, the business model seen as a holistic system, that firm activities play an important role of the conceptualization of the business model, and business models focusing on both value creation and value capturing (Zott et al, 2011).

The research conducted by Zott et al. (2011) showed that from the 103 publications reviewed on business models, more than one third of the contributions did not attempt to define the concept at all. This review also showed that a little less than half of the publications reviewed on business models, focuses on itemizing the main components of a business model. They

divide the research done on business models into three areas, based on where the review showed the most work done on business models; business models done on e-business on business models and strategic issues, and on innovation and technology management (Zott et al, 2011). The researchers arrive at a definition that shows business models as; *“the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities”* and *“a system of interdependent activities that transcends the focal firm and spans its boundaries”* (Zott et al, 2011, p. 1024)

In the area business models and strategic issues, value creation is the main topic entailing the firms’ ability to deliver value propositions. Hence, value propositions can be seen as the core building block of a business model, where the business model seek to explain both value creation and value capture (Zott et al, 2011).

2.1.1 A static approach versus a dynamic approach

The review done on business models, by Zott, Amit and Massa (Zott, Amit, & Massa, 2011), showed an explicit shift towards a dual understanding of value amongst scholars. As the value propositions can be said to be the core building block of the business model that describes the “bundle of products and/or services that caters to the requirements of a specific customer segment” (Osterwalder & Pigneur, 2010, p. 22).

A static perspective on business models is the idea of how a business model is designed as an “ideal system state” (Raisch et al, 2009, p. 688). For organizations to be able to meet the seismic changes, both in internal and external environments, it can be said that they have to be able to reconfigure their activities through ambidexterity (Raisch et al, 2009). As postulated by Raisch, Birkinshaw, Probst, & Tushman; *(...) ambidextrous organizations that are capable of simultaneously exploiting existing competencies and exploring new opportunities* “ (Raisch, Birkinshaw, Probst, & Tushman, 2009, p. 685)

A static perception of a business model can be said to be a snapshot, or blueprint, of how a business creates value; like a recipe on how to “do it” correctly. As Demil and Lecocq claims: *(...) Static approaches are often unable to describe the evolution of a Business Model since they do not aim to*” (Demil & Lecocq, 2010, p. 228). Hence, they are often seen in retrospect, with a focus on the word “model”. As such, the coherence between its building blocks is used

in order to explain the different results that the business seeks to achieve (Demil & Lecocq, 2010).

A dynamic approach to business models would focus on addressing change and making room for innovative practices by anticipating and reacting to an emergent constant change. Zott, Amit and Massa review (Zott, Amit, & Massa, 2011) showed a tendency amongst scholars to regard value creation and value capture as two equally important factors, in building a relationship with the customer. This can be said to result in a non-generic way of looking at a business model, and represents an ambidextrous approach towards understanding business models. In contrast, to for instance, just focusing on engaging in a “lock-in” of the customer; *“Lock-in prevents the migration of customers and strategic partners to competitors; thus creating value (...)”* (Zott & Amit, 2001.p 506). An ambidextrous way of understanding the way the enterprise delivers value to the customer, can be said to explain ”How it is being done”, rather than ”What is being done” (Foss & Saebi, 2015, p. 3).

If taken into consideration, these factors of understanding a business model, a sort of common understanding of a business model can be: *“a business model is the articulation of the logic by which a business creates and delivers value to the customers”* (Foss & Saebi, 2015, p. 24). Focusing on value creation as well as on value capture, suggests that the understanding of business models is moving towards the notion of seeing them as being the connecting structure, in-between value for customers and profits for the business. This results in value being captured by means of new ways to manage innovation processes, and innovation resources.

2.2 Innovation, managing innovation and service innovation

The term innovation has become quite diluted over time, partly in result of the miscomprehension of innovation versus invention, and what exactly the term innovation entails. Joseph Alois Schumpeter, an Austrian-American economist, and political scientist, is considered to be the father of the field of innovation. He wrote “The Theory of Economic Development” in 1934, and put forward a demand of implementation and/or commercialization in order to be considered an innovation; something an invention does not require. In this volume, often referred to as “Schumpeter Mark I” (Schumpeter, 1934), Schumpeter focused mostly on individual entrepreneurs as a driving force for innovation. In

later works, often referred to as “Schumpeter II” (Schumpeter, 1942), he also emphasized the importance of innovation in large firms. The field of innovation has been dominated by a belief that the source of innovation originating from research and technology (Fagerberg, Fosaas & Sapprasert, 2012), as opposed to understanding innovation as a more complex phenomena, where that co-evolvement with the customer can be the source of innovation (Von Hippel, 2007).

The innovation field can be divided into three levels; macro, meso and micro. A macro perspective on innovation is anchored in society-related terms, concerning growth and welfare. A meso perspective pertains systems of all micro actors, and contains much of the research done in the innovation field on innovation systems (Fagerberg et al, 2012).

A micro perspective concerns the source of innovation, the individual, as well as the organization. This last perspective is what is dealt with in innovation management (Fagerberg et al, 2012). An organizational perspective on innovation can be considered as a specialized field within the innovation management field, that focuses on managing innovation processes and innovation resources.

The resource-process framework for innovation practices was first developed by Frohle and Roth (Frohle & Roth, 2007), and can be said to provide a balanced perspective on how to manage innovation. Any interpretation of innovation should be considered as a tool for how to manage the organization. This can be considered as an implicit register of innovation practices, where the process partly leads to an effect, and resources act as enclosing conditions. Hence, creating an understanding of innovation management as a way to organize the innovation resources and manage the innovation activities, with the intention of achieving the organizational goal, resulting in the effect of innovation (Frohle & Roth, 2007). Within this interpretation of managing innovation lies an implicit understanding of New Service Development (NSD) in innovation practices. NSD concern all the activities involved in realizing new service opportunities and can be said to be contingent upon the internal and the external surroundings. Frohle and Roth argue that the balance between resource-oriented practices and product-oriented practices can be seen as a required understanding of managing innovation practices, this because of the different industries becoming more servitized (Frohle & Roth, 2007).

Service innovation can be seen as an explicit critic of classical innovation theory where innovation is seen as something more than just the interface. The service innovation field has

gone through different phases from the 1980s until today; from the formation phase focusing on demarcation in itself, to the maturity phase with insights to understanding customer involvement and co-creation, to a multidimensional phase anchored in convergent theories and perspectives on servitization, service-dominant logic and business model innovation (Carlborg, Kindström, & Kowalkowski, 2014).

About 80% of the working population in western countries work within the service sectors, reflecting the challenges that society is facing when it comes to understanding and innovating in services. As such, a number of scholars have underlined the need for a synthesised perspective on innovation that simultaneously addresses both the traditional manufacturing industries, and innovation in service industries and service activities (Drejer, 2004).

One of the current synthesis perspectives on service innovation currently available is service-dominant logic (Vargo & Lusch, 2004).

2.2.1 Service-dominant logic

Service-dominant logic is not to be considered a theory, but a paradigm, a perspective on how value originates. Implicitly lies an understanding of the customer as co-creator of value, thus entailing a different way of thinking about innovation (Vargo & Lusch, 2014).

The underpinning narrative of SDL is defined as “(...) *(generic) actors co-creating value through the integration of resources and exchange of service, coordinated through actor-engendered institutions in nested and overlapping service ecosystems*” (Vargo & Lusch, 2014, p. 241).

As such, SDL can be interpreted as a logic that considers the value proposition to be dynamic, emergent and co-created with actors within a system. The notion of “*the customer is always a co-creator of value*” (Vargo & Lusch, 2015) makes it a critic, and antagonistically different from traditional business, economics and marketing in its understanding of value production (Vargo & Lusch, p. 241). In this logic an implicit understanding of the value propositions is that they should be coinciding in-between the actors within the system.

The value propositions can be seen as a the core building block of a business model, however the understanding of value propositions have distinct ways of being interpreted; for instance,

as value propositions anchored in value delivery and value exchange, or value propositions playing a part in value that is co-created in-between actors within a system.

It is, however, important to account for the fact that a change in organisational processes, challenges existing structures, and forms of control, as Frow et al claims; *"(...) the notion of moving from a narrow dyadic customer-supplier perspective, to a much broader view that includes multiple (...) actors within a system"* (Frow et al, 2014, p. 3).

As such, business models can be seen as the result of an incremental and experimental process, in that they need to be designed through organizational changes. One understanding of business models, which is increasingly being advocated by scholars, is a service ecosystem perspective. There can be said to be three levels - micro, meso and macro within the service ecosystem, and value propositions operate within each level, between the levels, as well as to serve to shape the levels (Frow et al, 2014). Serving as a metaphor that underlines the need to understand value production as a part of a system of value co-creation in a process of innovating, by means of business model innovation.

2.3 Business model innovation

Business model innovation (BMI) is increasingly being promoted as a response to the changes within the economy that we are experiencing today. However, because of the lack of a common ground, a dominant theory and understanding of what business model innovation contains, the notions of BMI usually appears as an afterthought to organizational considerations (Foss & Saebi, 2015). A number of scholars agree on the strategic importance of business model innovation as a new and an important source of competitive advantage. It is argued that it is much needed in the constant shifting base of competition, placing the faith on innovation and knowledge as value creating traits (Foss & Saebi, 2015).

When taking into consideration a holistic systemic view on innovation in business models, with an emphasis on value creation, a new understanding on how to innovate business models successfully, can be anchored in an understanding of business models as; *"(...) a well-specified system of interdependent structures, activities, and processes that serve as a firm's organizing logic for value creation (for its customers) and value appropriation (for itself and its partners)"* (Sorescu et al, 2011, p. 4). Hence, a system perspective on business models innovation is vital.

2.3.1 A service ecosystem perspective on business model innovation

As various scholars postulate, a service ecosystem perspective on innovation, can broaden the interpretation of the value creation-process, as it opens up for the participation of customers, as well as other contributors to the system. As put forward by Vargo, Wieland and Akaka Archpru; “(...) *away from the fallacy of the conceptualization of the linear, sequential creation, flow and destruction of value and toward the existence of a much more complex and dynamic system of actors that relationally co-create value*” (Vargo et al, 2013p.5.)

By rejecting views of markets as static, value is created through multiple levels of interactions anchored in macro, meso, and micro levels. A service ecosystems perspective can be said to reflect the underpinning potential a system holds for emergent change, and implicitly inhabits collaborative efforts to find new innovative ways of value creation (Vargo et al, 2013). Thus, this perspective recognizes that operant resources are distinguished from operand resources. Operand resources rely on engaging action in order to be valuable, whilst operant resources have the ability to act on other resources, in order to play a part in value creation.

A critique towards a static view on exchange and resources, can open up to a new understanding of shared values in a larger system of actors and resources, that shows the complexity of the context in which we operate in (Vargo & Lusch, 2015). It can be said that the actors that constitute the system, are linked through value propositions that offer value co-creation opportunities. As such, business model innovation represents a new way of innovating; one that to a greater extent can be developed through operant resources, and be utilized locally, through new ways of co- creating value (Vargo et al, 2013).

2.3.2 Value co-creation

In a traditional way of thinking value creation, the firm decides the products and services they will produce, and then implicitly decide what value is for the customer. This can be said to be a firm-centric view, one that is challenged by new ways of thinking about value creation. As service-dominant logic postulates, the customer is always a co –creator, and the firm can only offer value propositions. Thus, co-creation is about joint creation of value, created through an environment of joint problem definition and problem solving. As Prahalad and Ramaswamy claim “*Value will have to be jointly created by both the firm and the consumer*” (Prahalad & Ramaswamy, 2004, p. 7). A service ecosystem perspective suggests that the system adapts to

changing situations, rather than determining the nature of the relationships within it. Making room for an idea where value is created by constantly enhancing experiences for all actors in the system.

Venkat Prahalad and Francis Gouillart (Pralhad & Gouillart, 2010) propose four main principles of co-creation: Firstly, because stakeholders will not participate in customer co-creation unless it produces value for them as well, the focus should be on mutual value creation. Secondly, the foremost way to co-create value is to focus on the experiences of all actors in the service ecosystem. Thirdly, the actors should be able to interact directly with one another, securing the ability of multiple individuals to have a dialogue. The last principle is anchored in companies providing platforms where all the actors of the system can interact and share their experiences (Pralhad & Gouillart, 2010). As a service-dominant logic also suggest; “*value co-creation is coordinated through actor-generated institutions and institutional arrangements*” (Vargo & Lusch, 2015 p.12). Making value co-creation more than just of normative sense, but “*(...) recognition of the full range of the cumulatively coordinated resource-integrating and service-for-service exchange activities of the multiple actors always involved in every instance of value creation*” (Vargo & Lusch, 2015, p. 14).

As the Vestfold retail system can be interpreted as a service ecosystem, there are certain unique characteristics of retailing which can be seen as underpinning business model innovation in the retail sector (Sorescu, Frambach, Singh, Rangaswamy, & Bridges, 2011).

2.4 Retail business model innovation

Findings from the literature review *Business model innovation in retailing: A systemic literature review* (Pedersen, P.E., Solem, B. and Bentsen, K. (in Press), postulates that there is a lack of literature on business model innovation addressing retail. 47 articles with examples of retail business model innovation in acceptable quality, peer reviewed journals. 22 different theoretical perspectives were applied in the articles, where the majority of the studies applied an exploratory perspective (43.6%) and 13 (33.3%) of the articles were conceptual, indicating that the field is still in a phase of exploration (Pedersen et al, in press).

As proposed by Sorescu et al; “*A retail business model articulates how a retailer creates value for its customers and appropriates value from the markets*” (Sorescu et al, 2011, p. 3). In retailing there are two basic characteristics that govern the rationale of how to innovate in a

retail business model; primarily, because retailers sell products manufactured by others, a narrow focus is to be expected on product assortment. The idea of innovation happening through the product, hence, driven by the product/supplier relationship, when in order for long-lasting competitive advantage to happen, it is crucial that the retail business model should have its core focus on how the retailer sells. Secondly, retailers engage in direct interactions with end customer, thus, the importance of the customer interface, and the focus on how the retailer will enhance its direct interactions with end customers (Sorescu et al, 2011).

As the emphasis in retailing has moved from a firm-centric view, where one focused mostly on transactions, and the goal was to sell goods and services to ultimate customers, the trend has shifted towards enhancing the customer experience. This changes the role of the retailer and the rationale of how one should carry out retail business model innovation. The retailers *“(...) are best described as orchestrators or conductors of two-sided platforms that serve as ecosystems in which value is created and delivered to customers and, subsequently, appropriated by the retailer and its business partners”* (Sorescu et al, 2011,p.5) by Sorescu et al. Taking into consideration, the definition of a business model provided to us by Sorescu et al ; *“A business model is a well-specified system of interdependent structures, activities, and processes that serves as a firm’s organizing logic for value creation (for its customers) and value appropriation (for itself and its partners)”* (Sorescu et al, 2011, p. 4), this can be said to offer a possibility to understand what a retail business model consists of, and then how to innovate accordingly.

Osterwalder and Pigneur offer a generic framework for business models, pointing to nine elements usually found in a business model. These elements are divided into groups of customer facing elements, resource and infrastructure facing elements, financial elements and value propositions (Osterwalder & Pigneur, 2010). Applying a generic business model to retailing requires a consideration of many other factors anchored in the basic characteristics of retailing, as illustrated by Sorescu et al. The mix of products and services, the need for horizontal and vertical coordination, and also the numerous daily face-to face interactions and transactions (Burt, Johansson, & Dawson, 2015).

As pointed out by Burt, Johansson, & Dawson, 2015; one common component of business model conceptualizations is the idea of output – in effect, the execution of the value proposition (Burt, Johansson, & Dawson, 2015).

As Sorescu et al defines Retail Business Model Innovation as *"(...) a change beyond current practice in one or more elements of a retailing business model"* (Sorescu et al, 2011.p 6), this can be said to implicitly modify the logic of how the process of value (co) creation should be understood. This definition also implies that innovation in retail business models acquire system wide changes. Meaning that if one element is changed, it also sets off changes in other parts of the system. Also, this perspective explicitly requires that for a change to qualify as a business model innovation, it should be a method of conducting *"(...) business that has not yet been implemented in practice at the time of its introduction "* (Sorescu et al, 2011.p 6).

When focusing on value proposition as having the role of shaping the resource offerings, it is possible to transform the structures, activities and different processes into an integrated dynamic system, as the service ecosystem implies (Frow et al, 2014). Because resources are divided amongst the actors of the system, they are required to participate in resource integration practices, turning the service ecosystem into a value creating system (Frow et al., 2014). As value is co-created, and value propositions can be seen to serve as a mechanism for determining expectations of value-in-context; it can be said, that implicitly in this, lies an assumption, that for resource integration to work, value proposition between the actors of the system has to coincide and not be unsynchronized.

2.4.1 Coinciding value propositions and unsynchronized value propositions

Innovation in retail business models can be said to require an alteration to the way value creation is understood. Hence, value propositions in a service ecosystem should be developed as to coincide with the actors within this system. Which also is the understanding in the service-dominant logic perspective, as mentioned initially, and postulated by Frow et al; *"While value co-creation is most obvious and common with customers, the earlier discussion emphasises that the concept of value co-creation applies to all actors within the ecosystem. The role of the value proposition within an ecosystem moves from the proposal of a resource offering between actors, to shaping of resource integration between actors within the system"* (Frow et al, 2014.p 17). In other words, rather than viewing value propositions from a traditional firm centric way, value propositions can be seen as dynamic, co-created and preferably coinciding between the actors in the service ecosystem, operating on a micro, meso and macro level;

Micro: value propositions to customers.

Promises and proposals are used by Frow et al as metaphors for how the value propositions work in relation to the customer. A promise understood as unidirectional, and a proposal as an offer of value to the actor's use. Promises can be seen as either accepted or rejected by non-active customers. A proposal can imply that value propositions are operating to and from actors, seeking exchange of value. Understanding the levels of where value propositions work may enhance new relationships that are mutually rewarding. This is the traditional level of value propositions used in most of the business model literature.

Meso: value propositions to key actors.

This level emphasises that the firms within the system need to adapt and share resources. The metaphor Frow et al uses is a bridge that implicates the importance of building the value propositions to meet in the middle. This level of value propositions is the first level implied by taking an SDL perspective on the business model and focuses on services as concurrent resource integration by more than two actors.

Macro: value propositions within the service ecosystem.

At this level value propositions are seen as something that might shape the development of the service ecosystem. Value propositions are interpreted as to shape both the relational and the resource term. A metaphor used by Frow et al is the value proposition as a map of the desired destination for each actor on their journey (Frow et al, 2014). This is the second level of the value proposition when applying an SDL perspective as it reflects the abstracted set of value propositions concurrently offered by the complete service ecosystem.

By seeing these three levels working horizontally and vertically, within a dynamic service ecosystem, value propositions can be said to support the well-being of all actors in the system by facilitating the resource sharing that underpins each actor. Thus, defining a value proposition as “(...) a dynamic and adjusting mechanism for negotiating how resources are shared within a service ecosystem” (Frow et al, 2014.p.18).

Value propositions as co-created between individual customers, firms and other suppliers, leave an assumption of the value propositions offered to preferably be coinciding. This because, changes in a value proposition offered by one supplier, has implications for the

overall offering a firm makes to its customer. As such, value propositions require constant revision of resource integration in-between actors, and in order to explain the interaction of value propositions systemically; a multi level perspective (MLP) can be applied to analyse these transitions within a system.

2.5 A multi level perspective on the retail service system

The multi-level perspective (MLP) is, as the service ecosystem perspective, an explicit critique of static linear transition- processes. A multilevel perspective (MLP) is proposed to explain long-term dynamic in order to analyse the dynamic shifts and transitions that occur in the multiple levels of interplay in-between micro, meso and macro (Geels, 2004)

The service ecosystem perspective postulates that all actors' value propositions must reflect the abstracted value created by the complete service ecosystem. A multilevel perspective on transition can, in addition to the service eco systemic approach, provide a more nuanced perspective on how value propositions operate within the service (retail) system.

Transitions are defined as changes from one level to another, and the three analytic levels of MLP: niches, socio-technical regimes and the socio-technical landscape, are presented as the basic premise for where the multiple developments interplay (Geels, 2012).

2.5.1 Niche level

Within the MLP perspective the niche level is seen as “*the seed for systemic change*”, it is here novelties first occur and emerge in protected spaces. Actors within the niche level will be working on novelties that are radical, hoping that these will be utilised, or replace the socio-technical regime (Geels, 2012). The novelties emerge in protected spaces, such as small market niches where users have special demands, and are willing to support the novelty. The niche actors hope that their novelty will be used in the regime, or replace it (Geels, 2012, p. 472). Within the literature on niche innovation, there is a differentiation between three social processes; (1) *Learning processes on various dimensions*: addressing how obstacles, such as market demands, user behaviour, infrastructure requirements, policy instruments and symbolic meaning, can be overcome (Geels, 2012, p. 472). (2) *The articulation (and adjustment) of expectations or visions*: regarding how to attract attention and funding from external actors, whilst at the same time providing guidance and direction to internal innovation activities, and (3) *The building of social networks*: entailing the issue of enrolling

more actors, which expands the social and resource base of the niche novelty (Geels 2012, p. 472). As niche novelties are often developed through experimental projects, niche actors learn about innovation in authentic and actual settings.

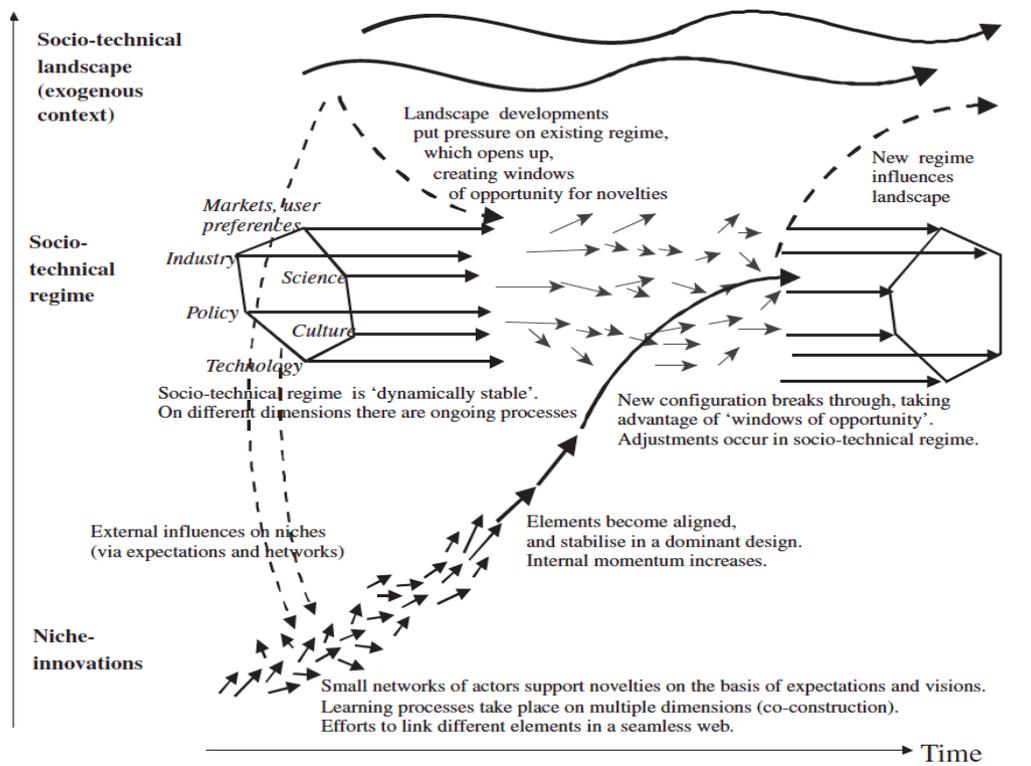


Figure 2 - Multi level interactions (Geels, 2012).

2.5.2 Socio-technical regime

The socio-technical regime is anchored in the main entry of existing technologies, regulations, user patterns, cultural rhetoric and infrastructure. Actors do not act in a vacuum, but are embedded in regimes, which are “(...) *the deep structural rules that coordinate and guide actors perceptions and actions*)” (Geels, 2012.p.473).

In existing regimes, innovation is mostly incremental. Although change still occurs, it is mainly a stable trajectory. Shared beliefs make actors somewhat blind to developments happening outside their own horizon (Geels, 2012).

2.5.3 Socio-technical landscape

The socio-technical landscape is the wider context that influences the dynamics in niche and regime “(...) *something around us that we can travel through, (...) something that we are a part of and that sustains us*” (Geels 2012, p. 473). This level of analysis represents the structure that is beyond the control of individual actors. Landscape changes depend on being perceived and acted upon by regime actors, and only then will pressure be exerted (Geels, 2012).

The understanding of coinciding and unsynchronised value propositions is given a more nuanced understanding of how different combinations of dynamic mechanisms between the different multilevel interactions can be a driver of, or an obstacle to retail business model innovation. To distinguish between different combinations of the dynamic mechanisms, Geels and Schot propose four “pathways”, known as typologies, to analyse transitions and system changes:

(P0) Reproduction process: In the absence of external landscape pressure, the regime will stay dynamically stable and therefore reproduce itself. Because of that stabilization, radical niche innovations stand little chance to break through to the regime. An important factor is that stable regimes experience dynamics through firms competing in markets, and so on. Nevertheless, these processes take place within stability, therefor taking an anticipated course (Geels & Schot, 2007).

(P1) Transformation path; the niche innovations have not yet been fully developed, and therefor cannot take full advantage of the moderate landscape pressure that is happening in this transition pathway.

(P2) De-alignment and re-alignment path; the regime comes rapidly under much landscape pressure, and if the niche innovations are not yet fully developed, this creates space for the emergence of multiple niche innovations that co-exist and compete for attention and resources. One niche innovation will become dominant, forming the core for the re-alignment of a new regime.

(P3) Technological substitution path; if there is a lot of landscape pressure, for example with a disruptive change at a moment when niche innovations have sufficiently developed, the

existing regime will be replaced.

(P4) Reconfiguration path; Symbiotic innovations that depend upon each other are developed in niches, and initially adopted in the regime to solve local problems. They end up triggering further adjustments in the basic architecture of the regime, thus leading to new regimes growing out of the old ones (Geels & Schot, 2007, p. 405).

The multi-level perspective argues that *“transitions come about through interactions between processes at these three levels: (a) niche-innovations build up internal momentum, through learning processes, price/performance improvements, and support from powerful groups, (b) changes at the landscape level create pressure on the regime, and (c) destabilisation of the regime creates windows of opportunity for niche innovation”* (Geels, 2012, p. 474).

To distinguish these transition pathways, they combine two criteria's in which these pathways differ in combinations of nature and of timing of multi-level interactions (Geels & Schot, 2007).

2.5.4 Timing of interactions

Service-dominant logic emphasizes coinciding alignments of developments between different levels. By adding different timings of multi level interactions it is possible to discern a more nuanced perspective regarding different possible outcomes.

As illustrated through the four pathways, the timing of landscape pressure on regimes is particularly important. The “window of opportunity” (Geels & Schot, 2007, p. 406) only opens up if the pressure from the landscape on the regime occurs at a time when the niche-innovation is fully developed. On the other hand, if landscape pressure occurs at a time when niche-innovations are not yet fully developed, the transition path will be different than when they are fully developed (Geels & Schot, 2007). Niche novelties that are in an early state do not intimidate the regime, and cannot take advantage of the “window of opportunity”, a premise for success, that will eventually close in the end.

2.5.5 Nature of interactions

The nature of interaction describes the type of relationship that actors in the service system have with each other. For example, a reinforcing relationship between the niche novelty and the socio-technical landscape can have a stabilising effect on the regime, forming no driver

for change. On the other hand, a disruptive relationship is anchored in pressure and competition, creating impulses for change.

The niche innovations have a competitive relationship with the regime when they aim to replace it, and a symbiotic one, when they can be adopted successfully into the regime. For example, when a niche innovation is perceived as a type of “add-on“ to the already existing regime, it functions as a competence enhancer and a problem solver. This also indicates, that value propositions between the niche novelty and the other actors coincide. In the other direction, when there is no external landscape pressure, the regime stays dynamically stable and will reproduce itself. Thus, the value propositions between the niche novelty and the landscape are unsynchronised (Geels & Schot, 2007).

2.6 Conceptual framework; multi level perspective (MLP)

Analytically, I introduce this conceptual framework on MLP to explore why some niche innovations succeed in being adopted into the retail system, and why others do not. As different actors create value propositions, these propositions need to coincide systemically for adoption throughout the system, to happen. Hence, coinciding value propositions represent the drivers of business model innovation. In the other direction, if value propositions are unsynchronized within the system, they can serve as obstacles to retail business model innovation. Therefore, this concept can be used for the empirical analysis of case studies in the Vestfold retail service system, to identify drivers of and obstacles to retail business model innovation. As shown in figure 1, the multiple levels can be seen as a nested hierarchy, and can serve as empirical and analytical levels. Geels and Schot are criticized for dividing the hierarchy into what they term as levels. However, in responding to this criticism, they emphasize that when working with this framework, it is important to demarcate the empirical level of the object, and then operationalize the MLP (Geels & Schot 2007, p. 402). I discuss this further in section 5, where I address challenges in applying the conceptual MLP framework to my research.

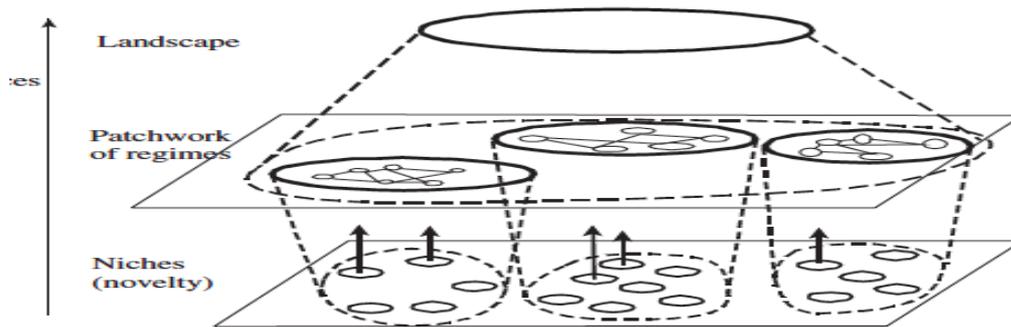


Fig. 1. Multiple levels as a nested hierarchy (Geels, 2002, p. 1261).

Figure 3 - Multiple levels (Geels & Schot, 2007)

2.6.1 Multi-level perspective (MLP) in the Vestfold retail service system

Niche novelties are developed by small networks of dedicated actors that often consist of outsiders, or fringe actors. A radical innovation emerges in niches, and the networks that carry the innovation out are often small and delicate. As there is much uncertainty, actors try to work out the best ideas and find out what the customers want (Geels, 2012). In the Vestfold retail service system, there are various actors that represent these small market niches; for example in sport and leisure, interior design, clothing and in food. The small marked niches all innovate differently within their business models and, some of these starts with e-commerce, expanding with physical stores, whilst others start with a physical store, adding on e-commerce. They all create value propositions that, according to service dominant logic and the MLP framework, have to coincide with the socio-technical regime; in this case the Vestfold retail service system, in order to be successfully adopted into the system.

The socio-technical regime exists of interrelated rules anchored in formal rules, such as regulations, standards and laws. The normative and cognitive rules are anchored in role relationships and behavioural norms, and the shared belief system and guiding principles of actors that make up these regimes (Geels, 2012).

The Vestfold retail system is an example of a socio-technical system consisting of the existing technologies, regulations, user patterns, cultural rhetoric, and infrastructure, linked together. For example, the regime recognises the different niche novelties as they are utilised in specialized marked niches, and so a symbiotic relationship develops where the regime adopts the novelty as an add-on, or as a direct threat that challenges it. Alternatively, the niche novelty is regarded as a mismatch to the existing regime; resulting in the regime reproducing

itself. The socio-technical landscape represents the different factors that influence and put pressure on the niche novelties in the Vestfold retail service system.

The socio-technical landscape is heterogeneous and includes aspects such as economic growth, broad political coalitions, and cultural and normative values (Geels, 2012). In the Vestfold retail service system, this is anchored in long-term trends such as; urbanization, globalisation, and sustainability. For example, as the socio-technical landscape refers to wider external factors, customer's expectations of the availability of an e-commerce offering can be interpreted as a macro-economic trend, one that can be understood as an external structure or context that is beyond the influence of an individual actor. The nature and timing of the different interactions enable and hinder the breakthrough of novelties in the retail market in Vestfold. Pathway (P0) represents the niche novelties that have not been successfully adopted into the Vestfold retail service system, and Pathways (P1-P4), represents the different ways that the niche novelties managed to be adopted successfully into the system. To my knowledge, *timing of interaction* has never been a factor within the literature of business model innovation. As I see it, it plays an important part in providing a more nuanced perspective on why some niche innovations are adopted into the system, or alternatively, in explaining why they do not succeed in being adopted into the system.

I propose a midrange theory that seeks to explore the role of value propositions in retail business model innovation. As service-dominant logic postulates; coinciding value propositions are a factor for success, and unsynchronized value propositions work as an obstacle to success.

I seek to unite business model innovation with an MLP understanding of transitions in-between the different levels of the aforementioned analysis.

As the figure 3 illustrates; I suggest operationalizing MLP and BMI through a service-dominant logic perspective on coinciding and unsynchronised value propositions; SDL is not to be considered a theory but a perspective on how value originates. As such, the underpinning understanding of the role of value propositions in SDL can be interpreted as dynamic, emergent, co-created and coinciding with the other actors systemically. Therefore, by operationalizing the interaction (transitions) related to the value proposition in a multi level perspective, I emphasize on the specific interaction related to value propositions coinciding or not.

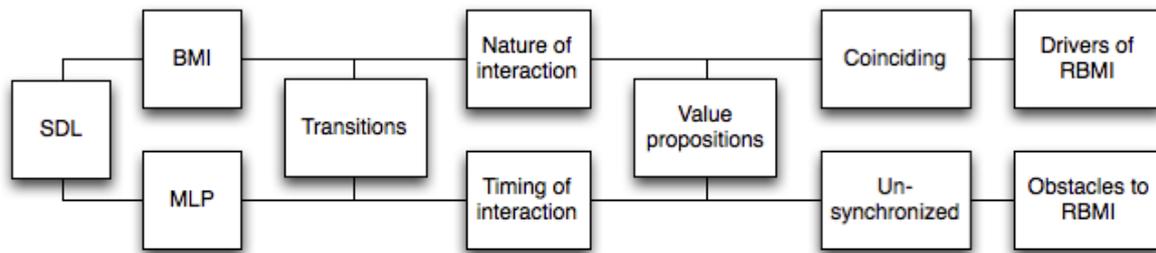


Figure 4 - A midrange theory on drivers and obstacles of RBMI

As I see it, the Vestfold retail service system is especially relevant in applying the conceptual framework of MLP, in order to understand the degree to which coinciding and unsynchronised value propositions may be seen as drivers for and/or obstacles to business model innovation.

3. Method

3.1 Case study analysis

Qualitative studies allow an open approach, and case studies are well suited to study complex phenomena's in a real life context containing many interacting variables (Ragin & Amoroso, 2011). Implicitly, in most concepts of case analysis is the notion of the objects of investigation as both similar enough, and different enough to allow treating them as comparable instances of the same general phenomenon (Ragin & Becker, 2009).

Data is collected through a two-step model (figure 4), where step 1, is conducted in a exploratory way, and step 2; dependent on the empiric outcome of step 1, in a comparative approach.

Through the multi-level conceptual framework, I wish to identify the degree to which coinciding value propositions and unsynchronised value propositions play a part as drivers of and obstacles to retail business model innovation. I seek examples of niche innovations that are successfully adopted into the system; cases that can illustrate drivers of retail business model innovation. Alternatively, examples of niche innovations that have not been successfully adopted into the system, suggesting obstacles to business model innovations in the retail service system in Vestfold.

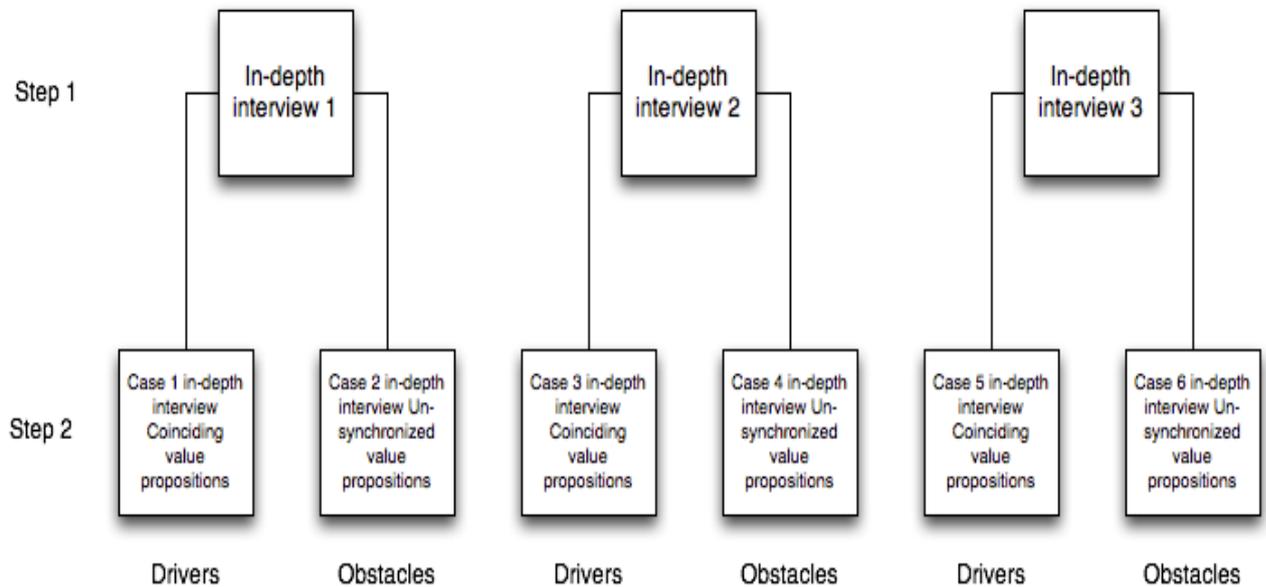


Figure 5 - Two-step model

3.2 Step 1

3.2.1 an exploratory design

The objective of exploratory research is often to gather preliminary information that will help identify and suggest further research. Because the results of exploratory research are not adequate for defining the research questions, exploratory research often relies on secondary research. They provide significant insight into a given situation, and in this research they minister the cases that are being studied (Johannessen, Tufte, & Christoffersen, 2011).

I seek to identify cases that represent different niche innovations in the Vestfold Region. I purposely selected the 3 municipalities in the Vestfold region that participate in the VIVANT project, to be the municipalities representing this research. I followed an exploratory method, through which I intentionally selected a sample of business coordinators with particular expertise in the Vestfold's retail service system. Hence, a strategic selection approach; where the informants are chosen in order to display a particular context and perspective on the retail service system in the three municipalities, thus, representing the retail service system in the Vestfold Region. The informants were given the opportunity to prepare cases that have been successfully and unsuccessfully adopted into their respective municipalities.

Municipality	Successfully adopted niche innovations	Unsuccessfully adopted niche innovations
1	A	D
2	B	E
3	C	F

Table 1 - Step one

As shown in table 1, the successful cases represent niches that are successfully adopted into the municipalities representing the Vestfold retail service system, and the unsuccessful cases represent niche innovations that are not successfully adopted into the municipalities representing the Vestfold retail service system.

3.2.2 Sample, procedure and measure

I conducted three in-depth interviews where the level of saturation was reached, the goal being to lead me to six cases to analyse, by applying my conceptual framework (Repstad, 2009).

When it came to the data collection method, I developed a semi-structured interview guide (see Appendix B) that reflected the multi level conceptual framework. The interview guide covered the following key areas (while allowing follow-up questions depending on the examples the informants chose); nature of interaction: type of process and type of interaction. Timing of interaction: timing and modification done continually during the course of each case. I used different questions for the coinciding value propositions and the unsynchronized value propositions (see appendix B).

To obtain concrete and specific answers about the drivers of and obstacles to different business model innovation, the informants were given the opportunity to prepare two cases; one that was an example of a project, company or store that for whatever reason did not make it, although it was perceived as a good idea in the beginning, and another; a project, company or store that for whatever reason had been successful over a period of time. Each interview lasted for about 30-50 minutes. I recorded and transcribed the interviews. I coded and mapped the data to the dimensions of the aforementioned conceptual framework, using NVivo to analyse the data.

3.3 Step 2

3.3.1 A Comparative design

A comparative design seeks to examine patterns of similarities and differences across a number of cases. Because of the importance of establishing familiarity with each case included in the study, it can be purposeful not to have too many cases. Comparative research should consider how the different parts of each case that are relevant to the investigation, fit together; thus making sense of each case. The goal of the investigation is to illustrate and explain the similarities and differences within the particular set of cases, hence, an approach well suited for advancing theory, and interpreting and exploring diversity. (Ragin & Amoroso, 2011).

To compare the patterns of diversity, I apply a tentative delineation of types (Ragin & Becker, 2009), divided into two subgroups; coinciding value propositions and unsynchronized value propositions. This comparative approach provides the insight into the differences among the cases. As such, assessing patterns of diversity that embrace the cases that are comparable with each other. The empirical findings that step 1 provides, leads me to six cases; three niche innovation that are successful, and three niche innovations that are unsuccessful.

3.3.2 samples and procedure

The method of data collection is in-depth interviews with the innovator of the niche novelties chosen in Case Study A, B, C, D, and F. In Case study E the method of data collection was the use of secondary data, provided by the informant from municipality 2; a business coordinator with particular expertise in the retail service system. In addition to this, I conducted a document analysis from articles where the owner of the boutique addresses challenges of operating in the Vestfold retail service system.

As illustrated in table 2, there is a variation to the types of retail represented; sport and leisure, interior design, clothing and food. The types of niche innovations differ in whether they started out as an e-commerce-, or as a physical store.

Niche innovation case study	Type of retail	Type of niche	Years operating
Case study A	Sport and leisure	E-commerce, show room, store	13 years
Case study B	Clothing and interior design	Boutique and e-commerce	12 years
Case study C	Interior design	E-commerce and Boutique	11 years
Case study D	Clothing	Boutique	9 months (foreclosure)
Case study E	Clothing	Boutique	11 years
Case study F	Food	Concept	Not established

Table 2 - Step 2

3.3.3 Case study A (Municipality 1)

This niche innovation is in sport and leisure retail. They started with an idea of an e-commerce concept anchored in a niche that fit into what they perceived as a gap in the offerings in the sport and leisure retail marked in Norway. They started out with only e-commerce, but saw the need for a show room. However, regulations stating that you are not allowed to sell merchandise from a showroom pushed them to search out a store-location instead. They now have one large store and a successful e-commerce business. They have managed to create, deliver and capture the value, and hence, they have been adopted successfully into the Vestfold retail service system.

3.3.4 Case study B (Municipality 2)

This niche started out 12 years ago with an idea inspired by niche novelties in interior design, seen in major cities around Europe. The clothing and interior design concept they offer is suited for people that want to spend above average on interior design and clothing articles. Starting out with one store, they identified a need for an e-commerce store after about four years. They hired one person with e-commerce experience to run that part of the business, and instead focused their attention on opening another store. They now run two stores and an e-commerce store; utilising some space in one of the stores as a storage room for merchandise

they sell online. Their resource offerings are chosen before other actors' offerings, as such they managed to be successfully adopted into the Vestfold retail service system.

3.3.5 Case study C (municipality 3)

This niche novelty took shape 12 years ago, and is interior design sold through e-commerce. The novelty quickly expanded with a store, and a storage room for the merchandise being sold online, in the same space. The niche was successfully adopted into the Vestfold retail service system.

3.3.6 Case study D (municipality 1)

This niche novelty started out with an idea of delivering upscale clothing, providing brands that were not represented in their municipality. The idea was to open a boutique, and then follow up with an e-commerce store. The owner closed the boutique 9 months after the opening, unsuccessful at being adopted into the Vestfold retail service system.

3.3.7 Case study E (municipality 2)

This boutique has been there for about 11 years, but has not managed to be adopted successfully into the retail service system in Vestfold. Although the boutique has been there for 11 years, it has run at a loss every year.

3.3.8 Case study F (municipality 3)

This niche novelty started out with an idea inspired by food markets around the world. A concept was developed, to the point that it was ready to be offered. However, they ended up not going forward with the idea when they saw that there was no indication of a symbiotic relationship between the established actors and the niche novelty. As such, they decided not challenge the existing offerings.

3.3.9 Summary of case studies

Table 3 illustrates case studies A, B, C succeeding at creating, delivering and capturing value, hence, successfully adopted into the Vestfold retail service system. Case studies D, E and F, show their lack of success in the Vestfold retail service system, and their inability to create, deliver and capture the value that is being offered.

Adopted successfully into the system (subgroup 1)	Unsuccessfully adopted into the system (subgroup 2)
Case study A	Case study D
Case study B	Case study E
Case study C	Case study F

Table 3 - Summary of case studies

As illustrated in table 3, I perform a delineation of types into two dichotomized subgroups to analyse the patterns of diversity. Firstly, the niche innovations that have been successfully adopted into the retail service system, representing the coinciding value propositions. Secondly, the niche innovations that have been unsuccessfully adopted into the retail service system, representing the unsynchronized value propositions.

3.4 Measures

I followed a semi-structured interview guide (Platt, Gubrium, Holstein, Borer, Fontana, & Roulston, 2012) that reflected the dimensions of the conceptual framework: Nature of interaction and Timing of interaction. The nature of interaction is operationalized through a service dominant logic on interaction emphasising on the co-creation of value propositions, this, in order to distinguish the interaction related to coinciding and unsynchronized value propositions, as oppose to just any interaction.

To achieve a more in-depth and complete understanding of drivers of and obstacles to business model innovation in each case, I asked several follow up questions in addition to the operationalized questions, to measure the dimensions in the aforementioned framework (see appendix C).

I asked the informant to describe the process from idea through execution, to where they are today. To understand what kind of *niche novelty* they perceive themselves as, I asked follow up questions about what kind of niche they wanted to create at the beginning of the ideation process. Seeking to shed light on the *Nature of interaction*, I asked the informant to reflect on factors for success or failure. I specifically asked for the factors that could reflect the level of landscape, as I seek to understand the beliefs, norms, values and regulations that surround and affect the process. In order to understand values and norms, I asked them to reflect on the

market response they receive in their interaction with the system. This included aspects such as economic, political cultural and normative values, as well as discussing long-term trends such as urbanization, globalisation and sustainability (see appendix for interview guide step 2).

To understand the function of the Vestfold retail service system as a regime, I asked questions about interrelated rules; such as regulative, normative and cognitive rules already established in the regime. For example, I asked the informant to describe the interaction with the other actors in the regime. I asked if there were any rules hindering the acceptance of the nice novelty, as well as if the niche was perceived to be in direct competition with other actors; or as an add-on to the regime, and if so, which ones (see appendix for interview guide step 2).

To understand the *Timing of interaction*, I asked questions that could indicate what different types of adjustments were made, from the start of the idea through execution, to where they are today. For example, I asked how the project evolved temporally, in order to understand the way in which time is of importance to how a retail business model innovation's value propositions coincide. I asked if the interacting actors agreed on whether the niche was a good idea from the beginning, and at different points in time throughout the becoming of the business. Thus, searching for adjustments along the way (see appendix for interview guide step 2).

Each of the interviews lasted about 60 minutes, and proceeded until the saturation level was achieved. All interviews were recorded, transcribed, coded and mapped, using Nvivo.

Citations from informants are chosen to present both centrality and variation (Johannessen, Tufte, & Christoffersen, 2011). Hence, showing both the typical tendency and deviations from typical perceptions of the interaction related to both coinciding and unsynchronized value propositions, along the conceptual framework.

3.4.1 Measures case study E

The owner of this niche wishes not to participate in this research, and I therefore use secondary data, provided to me by the sample of business coordinators with particular expertise in the Vestfold retail service system; informant from step 1, municipality 2. I also conducted a search into this particular niche, finding interviews conducted with the niche owner. The questions asked here, were about the experience the owner had with managing the niche in municipality 2.

4 Findings and analysis

In this section I present my findings from step 2 of the research, analysing each case by applying the MLP framework. I compare the coinciding and the unsynchronised value propositions, searching for similarities and variations by applying the aforementioned conceptual framework. This, in order to understand to which degree the coinciding value propositions can be seen as drivers of retail business model innovation, and oppositely, to which degree the unsynchronized value propositions can serve as obstacles to retail business model innovation.

4.1 Subgroup 1: Coinciding value propositions

Case study A, B and C shows a tendency towards offering coinciding value propositions in nature and timing of interaction with the socio-technical regimes, and succeed at being successfully adopted into the Vestfold retail service system.

4.1.1 Case study A

Timing of interaction

The “window of opportunity” (Geels & Schot, 2007.p 406), indicates that pressure is needed to create an open window in time for a niche innovation to be able to succeed. Here, illustrated by informant from case study A stating that; “ *we were early, and exactly at the right time to start an e-commerce business. The electronics market has been doing this for a while, but in our market, we were a novelty*”. These findings suggest that although the regime does not think of e-commerce as a trend that they yet felt a need to participate in. An explanation for this is that the socio-technical landscape has implicitly absorbed online shopping as something generalized, turning e-commerce into a macro-economic trend that puts pressure on the regime, creating the window of opportunity that the firm from case study A needs in order to be successfully adopted into the system.

Nature of interaction

Niche innovation

As a small network consisting of three partners, they established themselves on the premise

that they wanted to create an e-commerce business. They sought to establish a niche novelty within a market not yet crowded with other actors. However, they did not know exactly in which market to establish themselves; only that they were dedicated to create a niche innovation that would add on naturally, or challenge, the existing regime of actors already operating in the market. The idea came about as they were practising their hobby, and by coincidence found out that this particular niche offering was lacking in the Norwegian market, as well as priced high above comparable offerings in the Swedish and Danish markets. As explained by the informant from case A: “*as we were looking into the customs duty on the importation of equipment, we found that there was no reason for it to be as expensive as it was. We saw an opportunity, and took it*”. As the e-commerce store was a success, they also saw an opportunity to start a physical store, as informant from case A stated: “*we made the money before we used them, and us being a e-commerce **with** a physical store gives us the upper hand in this market*”. They identified a gap in the market for which a niche novelty offering could be adopted into the system, challenging the existing actors.

Socio-technical regime

Findings suggest that the nature of interaction amongst actors in the regime at the time, was anchored in a shared belief that e-commerce did not form a threat. As informant from case A put it; “*People thought, ah, well anybody can start an e-commerce business and not make too much money on it, but that doesn't suit my goods*”. This indicates that the actors representing the regime were somewhat oblivious to the development outside their own sphere. This can be interpreted as an indication of the regime's deep structural rules, coordinating and guiding these actors' perceptions and actions (Geels, 2012). As such, they did not understand that such an e-commerce business was about to replace them.

Socio-technical landscape

Findings imply that e-commerce represents a macro-economic trend, and that the societal values in that market, at that time, did not manage to comprehend the importance of. As illustrated through informant in case A: “*these are old traditional shops that are supposed to throw themselves at an e-commerce trend, but in order to transform a traditional shop philosophy, to an e-commerce philosophy, is very difficult*”. Statistics from Statistics Norway (<http://www.ssb.no/iktbrukn>) state that 59% of all companies determine their product as unsuitable for e-commerce. This implicitly suggests that the consumer's expectations can be perceived as the societal values and beliefs in the socio-technical landscape, and that this

differs from the values and beliefs in the regime.

4.1.2 Case study B

Timing of interaction

Findings imply that the actors surrounding them perceived the niche novelty as a good idea from the beginning. *“I think we arrived in the market in the nick of time. (...) We had the guts to go for it at a difficult time, and there was nothing like us”*(informant from case study B).

Findings suggest that case study B has an ability to adjust over time, always matching the niche novelty to the market demands, and responding quickly to the change in trends surrounding them. As illustrated by informant from case study B; *“we are everywhere and in on everything, and we talk to everybody all the time.”*

Nature of interaction

Niche innovation

As a small network of two, they had always dreamt about starting a business. Identifying a gap in the market, the niche novelty is a clothing and interior design crossover-store. They want to be perceived as high-end with quality merchandise. As the informant states: *“We don’t want use-and-discard merchandise, we did not really strategically start out with expensive things, but we wanted quality”*. They wanted to create something more than just a store, but a concept that people can relate to in their day-to-day life. As they managed to successfully be adopted into the Vestfold retail service system, they started an e-commerce store, using the physical store as a storage space. They also started another shop with the same concept in a neighbouring municipality. The e-commerce store is not as successful as they had hoped, but the informant from case study B stresses that; *“ Although its not going that well, we have to take part in it, making us visible”*. This indicates that even though they have not been able to transition into a successful e-commerce business, they have managed to create two successful stores.

Socio-technical regime

Findings suggest that the nature of interaction amongst the actors and niche novelty was a symbiotic one; indicating that the novelty evolved with the regime. The novelty was not perceived as a threat by the regime, and as informant from case study B states; “ *the others were sceptical, something they always are in this municipality, pressing their noses up against the windows, wondering what this was. But there were many empty spaces, and we were seen as a breath of fresh air*”. Findings indicate that when the interrelated rules that are anchored in role relationships are being respected, it is easier to be adopted into the existing regime, something that can be illustrated by the statement of the informant from case study B; “ *we don’t run each other down in this town; those who do, don’t last very long*”. This suggests that a shared belief system and a respect for the guiding principles of the other actors, makes it easier to enter “through the open window” (Geels & Schot, 2007).

Socio-technical landscape

Findings indicate that the processes that link up, and reinforce each other in the socio-technical regime, in this particular case, represent several factors that can be one explanation for the success that case study B has accomplished. Informant from case study B illustrates this by explaining those things beyond the control of the individual actor as; “ *We had the concept in mind from the start: creating the feeling of belonging, like being part of an exclusive family; invited to join in on evenings of champagne, food and fashion shows, creating an identity for the customer, that they wanted to relate to*”. As such, the political ideologies, societal values, beliefs, concern and media (Geels, 2012, p. 473) can be summed up as the representation of a trend that this company managed to capture.

4.1.3 Case study C

Timing of interaction

Findings in case study C suggest that starting an e-commerce interior design store at that particular time, was perceived to be of little threat by other actors in that market. The informant from case study C states that; “ *The timing was perfect, as there was only a few of us doing this, at that time*”. Findings imply that a “window of opportunity” was present; the e-commerce store was successfully adopted into the system, and informant from case study C

states that; *"It was easy to get loyal customers early on, simply because there were few competitors"*.

Nature of interaction

Niche innovation

Findings suggest that this niche, already from the outset, wanted to start an e-commerce business. Inspired by e-commerce actors dealing in interior design in other countries, identifying a gap in the Norwegian market, informant from case study C states that; *"I saw it in other countries; it was the right time for interior design."* The company started out by buying in a small amount of merchandise, renting a small space as a storage room. *"I want quality things, and therefor I buy fewer and more expensive things. I do however want everybody that comes in to be able to buy something. At one point we got a bit too expensive, so I had to do something about that, by adjusting the merchandise accordingly"* (informant case study C).

Informant from case study C describes the process of the business' emerging as; *"I never had a dream of starting a physical store, but I saw that I needed a bigger storage room, and also it got quite lonely without a physical store"*. Findings also suggest that the company started out focusing on the ideas to be anchored explicitly in what was best for business, something which is illustrated by informant from case study C stating that; *"trends and styles change all the time. I never rest; my head keeps working at it constantly. This business is usually built on dreams, and that makes it difficult to adjust. I love doing business, and I don't faint over every beautiful piece of merchandise that I see."*

Socio-technical regime

Findings suggest that other actors in the regime did not perceive the niche as a threat. As informant from case study C states; *"I was thought of as a nice lady, with a little shop that kept to myself. (...) What I loved about that was the ability to turn around on the second, and adjust the concept"*. This indicates that the niche had a symbiotic relationship with the regime, and an example of the regime being somewhat blind to the change in consumer preferences happening outside their sphere (Geels, 2012). Strikingly, there is a variance within this subgroup (1), where the niche shows a tendency towards preferring to focus on

maintaining upstream relations, whilst not focusing explicitly on maintain downstream relations. As the informant from case study C states; *"I know that I should, but I don't want to. I am a person that keeps to myself. I don't want to be a part of it all; that is not my way to do business"(...) I am however, very good at having a close relationship with my key partners"*. This could indicate that the informant is proficient at utilising the upstream network, but not explicitly aware of how to apply the same philosophy downstream.

Socio-technical landscape

Findings suggest that the company experienced a "window of opportunity", where the socio-technical landscape had internalised e-commerce as something generalized; although the regime did not see it that way. The informant from case study C postulates that; *"I would never have tried to start this today, as it would never have worked; that time, and my timing was spot on"*.

4.2 Subgroup 2: Unsynchronized value propositions

Case study D, E and F show a tendency towards unsynchronized value propositions in nature and timing of interaction, with the socio-technical regime, and is unsuccessful in being adopted into the Vestfold retail service system.

4.2.1 Case study D

Timing of interactions

Findings suggest that informant from case study D, thinks that the timing of the niche was wrong. *"Bad timing that year, as peoples wallets were shut"(informant case study D)*.

Findings also suggest that although the idea was perceived as a good one from some of the other actors in the system. However, the niche novelty's offering did not coincide with the societal values, beliefs and concerns, which were generally shared at that time. As illustrated by informant from case study D; *"I see now that all the brands I was selling, are making their way into the magazines and such, now"*.

Nature of interactions

Niche innovation

Findings indicate that the informant wanted to start a niche-clothing store, with high-end brands that were not already offered in the retail service system in Vestfold.

Findings also suggest that the informant from case study D followed a dream to offer niche merchandise, available only in the larger European markets, in the retail service system in municipality 1. *“ It is the same clothes in all of the shops. Boring! I travel a lot, and follow the trends in Paris, London and so on, and it was my dream to bring a part of that into Vestfold” (Informant case study D).*

Socio-technical regime

Initially findings imply that the other actors in the retail service system were positive, and saw the niche novelty as a supplement; an add-on. However, informant from case study D states that people living in that municipality did not buy anything. *“I saw that people were spending money in this town, and I know some of the actors that own the high-end stores, and they do well. (...) what I started to notice, and have reflected a lot about, is that people living here only buy the same things, in the same shops, that they always do. They don’t look around. There are only a few shops that are socially accepted, as the “right” place to go, and if you carry that shopping bag to lunch to see your friends, you’re a part of something. That “something” is very important in this town”*. A possible explanation as to why the niche novelty was not successfully adopted into the retail service system is that the value proposition offered was unsynchronized with the offerings of the rest of the regime. The informant from case study D states that; *“ I did not want to change my concept, and I did not want to have a shop at any cost. If that did not work, well, then this was not what I was suppose to do”*.

Socio-technical landscape

Findings indicate that the societal values, beliefs and media that are beyond the control of individual actors, were unsynchronized with the value proposition that was being offered. Informant from case study D, stating that; *“I would have had to adjust myself to be exactly identical with the other shops, competing with the others. That is the only thing that works in*

this town". Thus, a "window of opportunity" was not created within the regime, so that the niche novelty could be successfully adopted into the Vestfold retail service system.

4.2.2 Case study E

Timing of interaction

Findings indicate a mismatch in timing of interaction with the Vestfold retail service system. The niche novelty's offering seems to be unsynchronized with the societal trends and values surrounding the niche, this is confirmed by informant from case study B and informant from municipality 2, both pointing out that the value proposition offered is "*all wrong*" (informant case study B and informant municipality 2).

Nature of interaction

Niche innovation

This niche novelty import merchandise from continental Europe, and want to bring a different kind of fashion to Vestfold. The niche concept is that women of all ages can find something there. However, findings imply that the value proposition offered is unsynchronised with the rest of the retail service system, in that municipality. As informant from case study B states; "*I pass them everyday, and I never see anybody in there. I don't even acknowledge their existence. Concerning trends in the market they are way off*". Informant from municipality 2 confirms this, by stating; "*I have never ever heard anybody say that they have found anything to wear in there, at any age*".

Socio-technical regime

The fact that the niche owner chose not to participate in this research represents a finding in itself. As I see it, this could suggest a lack of belief in the potential effects inherent in the network of actors surrounding the niche novelty, on a local level. For example, in regards to how this research can enhance the understanding of some of the obstacles that the Vestfold retail service system is faced with. Confirming this, findings suggest that case study E does not take part in happenings or engage with other actors in the retail regime in municipality 2. As the business coordinator with particular expertise in municipality 2 put it; "*I never see*

anybody there, and I never see them anywhere”.

Socio-technical landscape

Findings indicate that the societal values, concerns and beliefs that are anchored in the external landscape, are not coinciding with this niche novelty. The niche appears to be, as the owner has stated in an interview; *“hanging on by a thread”*, implying that means are needed in order to guarantee its continuing survival.

4.2.3 Case study F

Timing of interaction

Findings suggest that the timing of interaction in this case experienced, as informant from case study F put it; *“a threefold problem”*. This indicates that the niche novelty was pressed for time, even though the timing was right in regards to the external beliefs, values and concerns that are beyond the individual actors control.

Nature of interaction

Niche innovation

This particular niche novelty was developed on the blueprint of another, similar, concept in Norway. The informant from case study F states that the idea was never to be exactly like it, but also draw inspiration from different food markets around the world. *“The idea was to create a concept, an open space, consisting of an indoor food market, where different events and such were supposed to happen” (Informant from case study F).*

Socio-technical regime

Findings suggest that other actors in the regime were positive to the idea, and as the concept was announced in the media, it mostly got positive feedback. However, actors that were asked to participate were generally sceptical of the concept. The informant from case study F states that; *“The ones asked to participate were sceptical, noting that they survive on subsidies, and as such, their main question and concern being; what do I get for being a part of this?”* The fact that it was difficult to get participants, may be one of the explanations as to why the

concept fell through.

Socio-technical landscape

Findings suggest that the external context, which influences the dynamics between niche and regime was not in sync with how the regime perceived it to be. The informant from case study F states that; “(...) it was like a puzzle, some of them were sitting idly by, saying it was a good idea, but....” As such, this indicates that although the concept was thought of as a good idea, the idea was not quite ready, the beliefs, concerns and societal values did not put enough pressure on to the regime in order to create a “window of opportunity” (Geels & Schot, 2007).

4.3 Summery of findings

As illustrated in table 4, case studies A, B and C represent examples of niche novelties that have been successfully adopted into the Vestfold retail service system, and are offering coinciding value propositions. Case studies D, E and F represent niche novelties that have been unsuccessfully adopted into the Vestfold retail service system, offering unsynchronized value propositions.

Coinciding value propositions (subgroup 1)	Unsynchronized value propositions (subgroup 2)
Case study A	Case study D
Case study B	Case study E
Case study C	Case study F

Table 4 - Summary of findings

4.3.1 Timing of interactions

The samples in case studies A, B and C, show an explicit tendency towards there being a “window of opportunity”, which according to the MLP framework is a prerequisite for niche novelties to be successfully adopted into the system. All three cases emphasize the importance of establishing their niche novelty at what they refer to as, the “right” time. All three cases state that the timing of interaction has been right, in the sense of the external factors. In the

aforementioned framework, referred to as the socio-technical landscape; for example as in case study A and C; the right timing for establishing an e-commerce business, and in case study B; pointing out the right timing in trends for new interior design concepts. Findings show that case studies A, B and C all affirm that their niche novelty was thought of as a good idea by most of the actors in the system from the start, and they all adjusted their niche along the way.

Findings indicate that case study D, E and F all experienced “closed windows”. Case study D implies that the brands they were offering, were not yet anchored in a trend, thus, saying that the timing was not quite right. Secondary data implies that case study E, also experiences a mismatch with macro-economic aspects, such as trends. Findings suggest that case study F, did not sufficiently complete the niche novelty before offering it to the regime, hence, experiencing a closed window. This, implies the MLP framework, is an explaining factor as to why niche novelties do not succeed in being adopting successfully into the system.

When it comes to the novelties’ readjustment of offerings over time, findings show that case study D and E, had neither a symbiotic or a competitive relationship with the regime, nor were they willing to adjust the value propositions to better fit what the rest of the regime are offering. Case study F, implies a willingness to adjust, but regulations and financial hinders are named as some of the factors as to why the niche novelty never saw the light of day.

4.3.2 Nature of interactions- Coinciding value propositions

Niche innovations

A tendency is shown, in case studies A, B and C, in that the niche novelties emerged as a response to an identified gap in the market, and all three of them offering high-end merchandise. Case study A and C, both start out with an e-commerce business, and expand with physical stores. Case study B establishes one physical store, and later expands with a second store and an e-commerce business.

Socio-technical regimes

Findings suggest that case study A and C challenge the regime; for example, e-commerce is generalized amongst consumers, but not to the same degree with the established actors in the regime; a factor that puts pressure on them. Findings show that case study B had a symbiotic

relationship with the regime, in such a way that the regime adopted the novelty as an add-on to the existing regime.

Socio- technical landscapes

Findings suggest that case study A and C, seem to coincide with the macro-economic trend that e-commerce represents. Case study B shows a tendency towards understanding the external factors that influence and put pressure on the niche novelties and the regime, by readjusting the concept very quickly, as well as matching the on-going trends and values anchored in rules that surround us.

4.3.3 Nature of interactions- unsynchronised value propositions

Niche innovations

Findings show that both case study D and E, start out wanting to fulfil a dream. Both cases have a distinct idea of exactly how perceive the offering to be, with neither willing to readjust their niche novelty. Case study D and E established physical stores, case study D selling high-fashion brands, and case study E offering lower priced brands. Findings from case study F imply that the concept would be inspired by food market trends around the world, if the niche novelty had made it to market.

Socio -technical regimes

Findings suggest that case study D and E were seen as good ideas to begin with, but neither had a symbiotic, or a disruptive relationship, with the regime; leaving the regime to reproduce it self. Case study F, also seen as a good idea from the beginning, was not completed as a novelty offering. As the framework suggests; although external factors could have been a match in this particular case, the lack of pressure “kept the window closed”.

Socio-technical landscapes

Findings suggest that case studies D and E experienced a mismatch with trends and values. These tendencies indicate that the value propositions offered seem to be unsynchronized with that of the regime. Case study F, on the other hand, experienced issues with regulatory and

financial obstacles.

4.3.4 Comparing coinciding value propositions with unsynchronised value propositions

Findings suggest that in regards to case studies A, B and C the value propositions seem to coincide with that of the regime. In comparison, case studies D, E and F seem to experience that the value propositions offered are unsynchronised with those of the regime. Exploring the diversity between case study A, B and C, and case study D, E and F, some of the different patterns that exist within the set of cases become apparent. Findings show that although there is no single 'cause' or driver, there are processes on multiple dimensions, and at different levels which link up and reinforce each other.

Findings indicate a tendency towards macro-economic trends and values playing an important part in the timing of interaction when it comes to the niche novelties being successfully or unsuccessfully adopted into the Vestfold retail service system.

As illustrated in table 5, the two subgroups indicate a tendency towards a patterned diversity in-between the delineation of the types. Comparing the two subgroups: coinciding value propositions and unsynchronized value propositions show that the similarities in case studies A, B and C indicate a pattern of the informants identifying a gap in the market, and a willingness to adjust accordingly. In comparison; case studies D, E and F, show a tendency towards following a personal dream, not wanting to adjust to the market. Case studies A, B and C shows a diverse pattern from case studies D, E and F in their relationship with the regime. Case studies A, B and C appear to have either a challenging relationship; as in case study A, or a symbiotic one; as in case studies B and C. In comparison, case study D, E and F experienced that the regime reproduced itself. Another pattern indicated by the findings, is that the mindsets of the consumers coincide with the niche novelties in case studies A, B and C, as each of these cases appear to interpret and understand their consumers. A pattern in case studies D and F is the afterthought and reflections made by the informants, implying that the mindsets of the consumers were not ready for the niche novelties. Strikingly, findings in case study E indicate a lack of understanding or reflection of the mind-sets of the consumers, resulting in an unsynchronized value proposition with the rest of the regime.

As mentioned above, the macro-economic trends and values play an important part in the timing of interaction, in regards to the niche novelties opening up a window of opportunity.

However, these factors also play an important part in the nature of interaction when it comes to the external factors, such as trends and values that also influence the niche and the regimes value propositions. As case studies A, B and C seem to understand and interpret the ongoing trends and values that are beyond the individual actors control, in case studies D and F the nature of the interaction is a mismatch, both informants stating that they were ahead of time. In case study E, findings indicate that the niche is a mismatch and not in sync with the ongoing trends in fashion.

Subgroup 1 (Case studies A, B and C)	Subgroup 2 (Case studies D, E and F)
<ul style="list-style-type: none"> -Identified a gap in the market -Challenging and symbiotic relationship with the regime - Match in trends/values 	<ul style="list-style-type: none"> -Followed a dream -Regime reproducing -Mismatch in trends/values

Table 5 - Summary of findings - Sub group 1 with Sub group 2

As such, the tentative delineation of the two subgroups; coinciding value propositions and unsynchronized value propositions; show a pattern of similarities within the subgroups and a pattern of diversity in-between the two subgroups.

Coinciding value propositions	Unsynchronized value propositions
Co-created	Firm-centred approach
Adaptable	Non-adaptable
Adjustable	Non-adjustable

Table 6 - Summary of findings - Coinciding value propositions and unsynchronized value propositions

Findings also suggest that the nature of interaction has dynamical aspects related to co-creating value propositions with other actors in the retail service system, as well as the

offerings being adaptable to both the other offerings made (regime) and the external factors (landscape). Hence, the ability to adjust the value proposition so that they coincide systemically. Joint creation of value, created through an environment of joint problem definition and problem solving, suggests that the system adapts to changing situations, rather than determining the nature of the relationships within it. Hence, value is created by constantly enhancing experiences for all actors in the system.

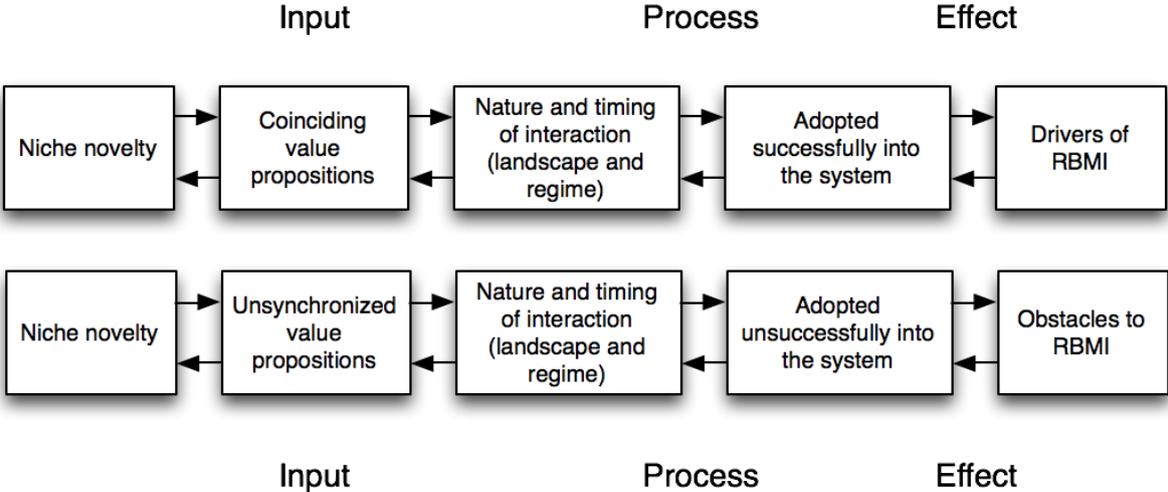


Figure 6 - Process model drivers of and obstacles to RBMI

As discussed in section 3, I identified other factor than the role of the value propositions that can serve as explanations for the success or non-success of the niche novelties participating in this research. However, as illustrated in figure 6, findings indicate a tendency towards two ideal typical processes, which has implications for the creation of value propositions. Such as, the role of the coinciding value proposition as a driver in retail business model innovation, and for the role of the unsynchronized value proposition as an obstacle for retail business model innovation; I discuss further in the next section.

5 Discussion and conclusion

This thesis discusses the results of an empirical study of drivers of and obstacles to retail business model innovation. I discuss how my study contributes to the understanding of the role of value propositions in business model innovation, with particular focus on retail

business model innovation. Based on the primary data collected through a qualitative study of six case studies from the Vestfold retail service system, I discuss the theoretical contribution and practical implications of my study, as well as limitations and strengths. In order to explore to what degree coinciding value propositions may function as drivers of retail business model innovation (RQ1), and oppositely, to what degree unsynchronized value propositions may function as an obstacle to retail business model innovation (RQ2); I identify niche novelties that are adopted successfully and non-successfully, into the Vestfold retail service system. In order to do so, I designed a two-step model. Three informants with particular knowledge of the Vestfold retail service system were purposefully selected. This, in order to lead me to cases that matched the tentative delineation of types: the successfully adopted niche novelties and the non-successfully adopted niche novelties. I operationalize the role of value propositions through a service-dominant logic (SDL), and identify coinciding and unsynchronized value propositions through applying a conceptual framework in a multi level perspective (MLP). Further, I discuss the usefulness of the multi level framework as a midrange theory, and to what extent it may be useful as an explanatory theory (RQ3). As the retail business model innovation literature lack a systemic approach (Foss & Saebi, 2015), a holistic, dynamic analysis is applied in order to contribute in filling this gap of knowledge.

In order to specify the different patterns between the subgroups, a comparative approach was applied in the six case studies conducted. This thesis contributes significantly to a more nuanced and holistic understanding of the relationship between the different actors in retail service systems. This research identifies to which degree value propositions can operate as drivers of and obstacles to retail business model innovation, through identifying offerings as systemically coinciding or unsynchronized, in time and nature.

As a number of scholars postulate: value propositions can be said to support the well being of all actors in the system by facilitating the resource sharing that underpins each actor. Thus, defining a value proposition as “(...) a *dynamic and adjusting mechanism for negotiating how resources are shared within a service ecosystem*” (Frow et al, 2014.p.18). This research identifies niche innovations that illustrate coinciding understandings of value propositions, through the success of being adopted into the retail service system of Vestfold. I contrast this to niche innovations that illustrate unsynchronized value propositions, illustrated through cases that have not been successfully adopted into the Vestfold retail service system. Through

exploring the patterns of similarities and diversity between those successful and non-successful, I seek to identify drivers of and obstacles to retail business model innovation. This discussion highlights the importance of analysing the interactions between different actors in the retail service system, in order to answer the question of the role of value propositions. The multi-level perspective provides a conceptual framework for interpreting the role of value propositions, and to what degree they coincide, or are unsynchronized, within the system. The empirical analysis conducted in the Vestfold retail service system, shows a tendency towards a pattern of similarities within the niche novelties in which the value propositions coincide with the rest of the system. This oppose to the niche novelties that deliver value propositions that are unsynchronized with the other actors. A pattern of similarities is apparent in their inability at being successfully adopted into the system. The comparative analysis suggest a dichotomization of the sub groups; the niche novelties that manage to coincide the value propositions with the others, and the niche novelties that deliver value propositions that are systemically unsynchronised.

However, reliability issues, both on an individual level and as an indicator to the cases, are of relevance to my study. As such, the challenges regarding the operationalization of the conceptual framework raise questions regarding the accuracy of the measures in the interview guide, as well as the sampling of informants (Johannessen, Tufte, & Christoffersen, 2011). However, as illustrated in section 3.2, the informants in step 1; the sample of business coordinators with particular expertise in the Vestfold's retail service system, were chosen purposefully through a strategic selection approach, in order to create the tentative delineation of types. This in order to specify how the diversity is patterned between those of coinciding value propositions, and those of unsynchronized value propositions. I discuss this further below, in the section addressing challenges with the multi-level framework as a midrange theory and as an exploratory theory.

There is a tendency with the niche novelties that succeed in being adopted into the system, to display a pattern of coinciding value propositions, which can be seen as drivers for retail business model innovation (Frow, et al, 2014). For example; the sub group representing the coinciding value propositions, all illustrate that they identify a gap in the marked. The macro-economic trends and values are reflected in the value proposition (landscape) creating a pressure on the regime and the "window of opportunity". The regime can be challenged, as in case study A, where the niche starts out with creating a value proposition that coincides with the macro-economic trend e-commerce represents. This challenges the traditional assumption

of that particular niche, where merchandise is traditionally sold in physical stores. Hence, the value proposition coincides with that of the existing storeowners, who do not see their product as fit for e-commerce.

A similar pattern is illustrated in the two other cases with coinciding value propositions (case study B and C); as they coincide with that of the macro-economic trends and values, that put pressure on the regime, also creating a “window of opportunity”. They both illustrate a symbiotic relationship with the regime, implying that they are not perceived as direct threats to the existing regime. This symbiotic relationship is anchored in a willingness to adjust their product, in such a way to function as an add-on to the existing regime (Geels & Schot, 2007). This can be understood as a factor partly explaining their success at being adopted into the system, and thus, as a driver of retail business model innovation.

An important issue of relevance to the validity, regarding the factors explaining the niches value propositions as coinciding and functioning as drivers of retail business model innovation, is the number of spurious correlations outside my control that can have contributed to the success of these niches (Johannessen, Tufte, & Christoffersen, 2011). However, there is an apparent pattern of similarity, as I see it, in this particular sub group of co-creating, delivering and capturing the value by offering value propositions that coincide systemically. In comparing this sub group with those identified through unsynchronized value propositions; a diverse pattern, and an explicit miss-match with their value proposition and the external factors, shows a tendency amongst the niches towards being unsynchronized with the macro-economic trends and values. Also, the value propositions appear to be unsynchronized with those of the regime, as evident in the lack of a “window of opportunity”, and the regime seemingly reproducing itself, by not adopting the niches into the existing regime (Geels, 2012).

Another explicit tendency in this sub group is the unwillingness to adjust their value proposition. This can be seen as an obstacle to retail business model innovation, and as the literature on business model innovation implies; in order for business model innovation to succeed, the business model has to be dynamic, in the sense of continuously revising and adjusting the dimension, implying new implications for the rest of the dimensions. This unwillingness to adjusting the value proposition indicates an obstacle to delivering and capturing the value (Frow, et al, 2014). For example, as in case study D, where the informant after a while experiences that the value proposition creates a mismatch with what the customers wants, and still, chooses not to act on it, is anchored in not wanting to stray from

the initial thought or dream of what the niche should be like. All findings within this group suggest that the niche is driven by a dream, where the niche actors *think* they know what the costumers wants, when in reality it is what the niche innovator personally wants. This creates an unsynchronized value propositions, both towards each other and towards the customers. This can be seen as one explanation as to why the stores/concept did not succeed, hence an obstacle for retail business model innovation.

A variance in this subgroup can be found in case study F, where the niche novelty was never completed. One of the reasons why the food concept did not succeed, and was not offered to the market was the informant's understanding of the value proposition being unsynchronized with the other actors. Also, the informant recognised the value proposition as a mismatch with the on-going trends and values. Another variance in this sub group is case study E, where the data implies that even though the niche is experiencing a financial deficit for the twelfth year in a row, the niche innovator does not seem to have any intention to act in order to have the value proposition coincide systemically.

Whether these patterns and practices occur within the same extent and frequency in other retail service systems is an unresolved issue of external validity (Ragin & Becker, 2009). I do however feel fairly confident that the tendencies suggested in this study imply that these findings reflect the patterns of drivers of and obstacles to retail business model innovation in Norwegian retail service systems.

As illustrated in section 2.6, the timing of interaction has never, to my knowledge, been a factor within the literature on business model innovation when explaining transitions and change. Both, literature on business model innovation (Foss & Saebi, 2015), as well as literature on service ecosystems (Frow, 2014) stresses the importance of a dynamic and holistic system approach, where the value proposition is interpreted as shaping both the relational and the resource term (Frow et al, 2014).

However, the factor of timing of the interaction plays an important part in explaining how some niche novelties manage to be adopted into the system, and how others do not. As I see it, bringing in the factor of *timing* to the analysis of business model innovation is vital. The nuance that *time* brings to ideal-typical representations of how systems interact dynamically, both vertically and horizontally, emphasising that each transition is unique, and comes about through the interaction between different processes. Indicating that the timing of the interaction also makes the ideal-types non-deterministic. As such, timing of interaction

indicates that the different processes should be understood as sequences of events that are enacted by situated actors, and that the different narrative explanations in time should be explained in terms of patterns that result from both the nature and the timing of interactions. This consideration means that for retail business model innovation, the value propositions created by a niche novelty, ideally need to coincide both in the timing and the nature of the interaction with the other actors in the service system, in order to function as a driver for retail business model innovation.

In regards to the conceptual framework that is applied, I identify a number of challenges of relevance in regards to an analytical understanding of why some niche innovations succeed in being adopted into the retail system, and why others do not succeed. In regards to research question 3 (RQ3), I divide these challenges into two different sections; 5.1 and 5.2. Firstly, challenges relating to MLP as a structural framework for observation; seeing MLP as a midrange theory, and secondly, those relating to MLP as an explanatory theory. I discuss this in the following sections.

5.1 MLP as a midrange theory:

As section 3 shows, I suggest operationalizing MLP through a Service-dominant logic (SDL) on coinciding and unsynchronized value propositions. Successfully adopted niche actors have resources that are chosen ahead of other actors' resources. SDL proposes that these resources materialize through the value proposition that actors create (Vargo & Lusch, 2004). As actors promote their value propositions to each other, SDL implies that the different value propositions have to be adopted systemically in order to be able to capture the value. Hence, this has to be analysed in a systemic perspective. However, SDL has no theory to offer, and MLP proposes a more nuanced perspective where the *timing of the interaction* is also a factor.

As mentioned in section 3, one of the challenges regarding MLP as a midrange theory is in relation to the analysis and sampling levels, which Geels and Schot refer to as social structures. Various definitions of social structures have been proposed by a number of scholars. MLP suggests Anthony Giddens' understanding of social structures; thus, explicitly assuming these structures as empirically unobservable rules and resources, that directly influence social activity (Edvardsson, Tronvoll, & Gruber, 2011). These conceptual structures create somewhat of a challenge in defining the elements in the socio-technical regime and the socio-technical landscape. Also, this establishes a challenge in the demarcation of the regime

and the landscape. The values and trends in the socio-technical landscape can be interpreted as gliding into the preferences and culture in the socio-technical regime. As I see it, these issues have implications in regards to the strength of the internal validity in the operationalization of the three levels/structures. However, I am fairly confident that when using the definition of the socio-technical landscape; *”as a landscape in the literal sense, something around us that we can travel through; and in a metaphorical sense, something that we are part of, that sustains us”* and *“(...) is beyond the control of the individual actor”* (Geels, 2012. p472), trends and values can be defined as; *“(...) beyond the control of the individual actor”* (Geels, 2012. p472). However, this also has implications for issues regarding MLP as an explanatory theory, which I will discuss in the section below.

The timing of interaction has important implications for socio-technical system theories, in that value propositions must be systemically adopted through coinciding value propositions that are dependent on the timing of the interaction, creating a “window of opportunity”. In regards to MLP as a midrange theory that can contribute to the understanding of the role of the value propositions in retail business model innovation, I find that the conceptual framework operationalized through SDL, uniting business model innovation with MLP, provides a new perspective on understanding transitions between the different levels/structures.

5.2 MLP as an explanatory theory

Analytically, I introduce this conceptual framework on MLP and transitions, in order to explore why some niche innovations succeed in being adopted into the retail system, and why others do not. As different actors deliver value propositions, these propositions need to coincide systemically for adoption to occur throughout the system. Hence, coinciding value propositions represent the drivers of business model innovation. Oppositely, if the value propositions are unsynchronized within the system, they can serve as obstacles for retail business model innovation.

As I see it, the different typologies of pathways proposed by Geels and Schot (Geels & Schot, 2007) provide some challenges regarding the accuracy of the findings. Although, I have not intended to identify the aforementioned pathways, a niche novelty adopted successfully into the system implies an implicit understanding of fitting into one or more of the ideal

types/pathways (P1)-(P4). On the other hand, niche novelties that are not successfully adopted imply an implicit assumption of pathway (P0), where the regime reproduces itself. This variance indicates that there are a number of factors, and spurious correlations, outside my control, that can offer alternative explanations and be determining factors in the success or non-success of these six particular case studies (Johannessen, Tufte, & Christoffersen, 2011).

In regards to issues concerning the application of the framework to my analysis, challenging the internal validity, is as mentioned above, the demarcation of the socio-technical landscape and the socio-technical regime. In Geels and Schot's response to a criticism of being bottom up, with a niche-driven bias, the authors of the framework made some refinements to the MLP concept. Although they claim an explicit understanding of a bounded rationality perspective (self-interested strategic calculating with actions will best achieve their goals), they focus on processes going on within the regime and landscape levels. They choose to see niche interactions and landscape as separate variables that interact with the regime in various ways, indicating different transition pathways (P0-P4) (Geels & Schot, 2007). Seeing the actors as embedded in regulatory structures and social networks, they follow Anthony Giddens' structuration theory (Giddens, 1984), where actors are not passive rule-followers, but active rule users and makers, where the rules are used to interpret the world. Thus making the structures an enabler for the actor, as oppose to giving the actor limitations, acting as a disabler. For example, pathway 4(P4) is defined by a symbiotic relationship between the niche actor and the regime, nonaligned with the landscape. At the same time socio-technical landscape is defined as "*something around us that we can travel through; and in a metaphorical sense, something that we are part of, that sustains us*", The contradiction that this creates, and a main challenge with the MLP framework, as I see it, is in claiming that the structures sustains us and therefore are internalized, and at the same time claiming there is a pathway that frees the actor from that very structure.

Another challenge with MLP as an explanatory theory is the "timing", although the framework defines some aspects with the timing of interaction, it is not, as I see it, clear as to what exactly the "window of opportunity" is. This challenges the reliability in terms of whether or not the operationalizing is adequate and the measures are correct.

The six cases chosen for this research are also less technology-driven and radical then the cases chosen by the scholars that have tested the MLP framework. The explanatory variables outside my control in these cases are likely to vary considerably in other research settings and

periods of time. Whether my findings reflect the retail service system in other regions is an unresolved issue of external validity, as I see it. However, the Vestfold retail service system is relevant for applying this conceptual framework of MLP to explore the degree to which coinciding and unsynchronised value propositions may be seen as drivers of and/or obstacles to business model innovation.

Despite the validity issues discussed above, my findings show a tendency towards some patterns to why some niche innovations manage to be successfully adopted into the retail service system, and why others do not. Indicating that coinciding value propositions act as drivers of retail business model innovation, and that unsynchronized value propositions act as obstacles to retail business model innovation. I feel as though this research has contributed to an understanding of how retail business model innovation may be stimulated and better understood, my findings are rather consistent regarding the following conclusions and implications:

- The niche novelty's value proposition should coincide with that of the regime, in both timing and nature of the interaction with the different actors, in order to be successfully adopted systemically into the Vestfold retail service system (RQ1).
- The niche novelties that do not succeed in being adopted successfully into the Vestfold retail service system have unsynchronized value propositions with other actors within the system, both in the matter of the timing and the nature of these interactions (RQ2).
- The multi level perspective provides a nuanced analysis of the role of value propositions in the Vestfold retail service system (RQ3).

6 Theoretical and managerial implications

This thesis documents the results of a six-case empirical study of drivers of and obstacles to retail business model innovation. Based on the empirical findings from a comparative study of coinciding and unsynchronized value propositions, I seek to contribute to the emerging field of retail business model innovation. Analytically, I present a conceptual framework in a multilevel perspective (MLP), to analyse the interactions between the actors in a holistic systemic approach. As such, this application aims to assess drivers of and obstacles to retail business model innovation, through a systemic approach to innovation.

These findings have managerial implications, as well as the theoretical implications discussed above. This because, changes made to value propositions offered by one supplier, implicate the overall offering a firm makes to its customer. Value propositions seen as dynamic in this way require constant revision of the resource integration between actors in the retail service system, and as this thesis implies, value propositions that coincide with those of other actors.

As the pre-project – IVAR (innovation in the retailing system in light of the IKEA establishment) (Pedersen, 2014) indicates; the landlords of central business district retail premises, and the owners of stores in these areas, had unsynchronized value propositions, both towards each other and towards the customers. This research implies that in order to be successfully adopted into the Vestfold retail service system, co-creation of the value propositions offered is decisive. This suggests shared risk taking between the actors in the system, and holds managerial implications for the landlords, suggesting that co-creation of value offered in the respective retail service system is of vital importance. This is also confirmed through the pre-project, which shows that successful mall-owners strive to offer coinciding value propositions, both towards the mall-stores and the customers (Pedersen, 2014).

When operationalizing value propositions in a service-dominant logic; value propositions are co-created between individual customers, firms and other suppliers; suggesting *how* business model innovation should be interpreted in retailing. The actors in the regime, policymakers and planning authorities also interact through creating value propositions. As such, to contribute to the stimulation of innovation in local retail, and successful adoption of niche novelties, value propositions offered need to coincide. Because stakeholders do not participate in customer co-creation unless it produces value for them as well, mutual value creation and a focus on the experiences of all actors in the retail service system can be an important managerial implication. As findings imply, the direct interaction between the niche novelty and actors in the regime, secures the ability of multiple individuals to have a dialogue. As such, another managerial implication is therefor anchored in providing a platform where all actors in the system can interact and share their experiences.

Findings also show an explicit tendency towards an important managerial implication; the requirement of mindsets of continuous retail business model innovation. Findings illustrate this through the importance of adjusting the value proposition to coincide with the external factors, and the overall offerings made by the already established actors and the customers. Based on the above analysis, I conclude that coinciding and unsynchronized value

propositions are factors that function as drivers of and obstacles to retail business model innovation. This thesis suggests a dynamic, holistic and systemic approach to retail business model innovation. Also, I conclude that although the applied multi level perspective creates challenges in regards to its function as an explanatory theory, it is purposeful as a framework, helping to identify important interaction, in both nature and timing, between the actors; highlighting a systemic approach to innovation in retailing and in general.

6.1 Further research

The field of retail business model innovation is still in a phase of exploration (Pedersen et al, in press), and the general degree of innovation in local retail is low. Business model innovation can be considered an important source for competitive advantage that demands relatively few physical resources. As such, there is a need for developing explanatory theories, as well as a need for a deeper understanding of how retail business model innovation may be stimulated, and be seen as an important type of innovation in retailing.

References

- Burt, S, Johansson, U, & Dawson, J. (2015). International retailing as embedded business models. *Journal of Economic Geography*.
- Carlborg, P., Kindström, D., & Kowalkowski, C. (2014). The evolution of service innovation research: a critical review and synthesis. *The Service Industries Journal*. 34, 373-398.
- Demil, B., & Lecocq, X. (2010). Business Model Evolution: In Search of Dynamic Consistency. *Long Range Planning*, 227-276.
- Drejer, I. (2004). Identifying innovation in surveys of services: an Schumpeterian perspective. *Research Policy*, 33 (3), 551-562.
- Edvardsson, B. Tronvoll, B. Gruber, T. Expanding understanding of service exchange and value co-creation: a social construction approach, 2011. *Journal of the Academy Marketing Science*. V.39: 327-339
- Fagerberg, J., Fosaas, M., & Sappasert, K. (2012). Innovation: Exploring the Knowledgebase. *Research Policy*.
- Foss, N. J., & Saebi, T. (2015). *Business Model Innovation the organizational dimension*. United Kingdom: Oxford University Press.
- Frohle, C. M., & Roth, A. V. (2007). A Resource-Process Framework of New Service Development. *Production and Operations Management*, 16, 169-188.
- Frow, P., McColl-Kennedy, R. J., Hilton, T., Davidson, A., Payne, A., et al. (2014). Value propositions: A service Ecosystem Perspective. *Marketing Theory*, 1-43.
- Geels, F. W. (2012). A socio-technical analysis of low-carbon transitions: introducing the multi-level perspective into transport studies. *Journal of Transport Geography*, 24, 472-482.
- Geels, F. W. (2004). From sectorial systems of innovation to socio-technical systems Insights about dynamics and change from sociology and institutional theory. *Science direct*, 33, 897-920.
- Geels, F. W., & Schot, J. (2007). Typology of sociotechnical transition pathways. *Science direct*, 36, 399-417.

- Giddens, A. (1984). *The constitution of society: outline of the theory of structuration*. Cambridge: Polity Press.
- Johannessen, A., Tufte, P. A., & Christoffersen, L. (2011). *Introduksjon til vitenskaplig metode*. Oslo: Abstrakt forlag AS.
- Kindström, D. (2010). Towards a service-based business model-Key aspects for future competitive advantage. *European Management Journal*, 28, 479-490.
- McColl-Kennedy, J. R., Vargo, S. L., Dagger, T. S., Sweeney, J. C., & van Kasteren, Y. (2012). Health Care Customer Value Cocreation Practice Styles. *Journal of Service Research*, 1-20.
- Mullins, J., & Komisar, R. (2009). *Getting to plan B: Breaking through to a better Business Model*. Boston: Harvard Business Review Press.
- Nygaard, A., & Utgård, J. (2011). *En kunnskapsbasert varehandel*. Forskningsrapport 6/2011
- Osterwalder, A., & Pigneur, Y. (2010). *Business Model Generation*. New Jersey: John Wiley & Sons, INC.
- Pedersen, P. E. (2014). Når Ikea kommer til by'n, .
- Pedersen, P. E. (2014). *Prosjektbeskrivelse-VIVANT-Verktøy for innovasjon i varehandelssystemet i lys av IKEA etableringen i Vestfold*.
- Pedersen, P. E., Aas, T. H., Bentsen, K., & Brandstad, A. (2015). Patterns and practices of innovation in Norwegian service firms. Norwegian School of Economics, Centre for Applied Research, Bergen.
- Pedersen, P.E., Solem, B. and Bentsen, K. (in Press). Business model innovation in retailing: A systematic literature review. Working paper. University College of Southeast Norway
- Platt, J., Gubrium, J. F., Holstein, J. A., Borer, I. M., Fontana, A., & Roulston, K. (2012). Interviewing in context. In J. F. Gubrium, J. A. Holstein, A. B. Marvasti, & K. D. Mckinney, *The SAGE handbook of interview Research The complexity of the craft* (pp. 7-61). California: SAGE Publications, Inc.

Prahalad, C., & Ramaswamy, V. (2004). Co-creation experiences: The next practice in value creation. *Journal of interactive marketing*, 18.

Prahalad, V. & Gouillart, F. (2010). Building the co-creative Enterprise. *Harvard Business Review*.

Ragin, C. C., & Amoroso, L. M. (2011). *Constructing Social Research*. SAGE Publications, Inc.

Ragin, C. C. & Becker, H. S. (2009). *What is a case? Exploring the foundations of social inquiry*. Cambridge university press.

Raisch, S., Birkinshaw, J., Probst, G., & Tushman, M. L. (2009). Organizational Ambidexterity: Balancing Exploitation and Exploration for Sustained Performance. *Organization Science*, 4, 685-695.

Repstad, P. (2009). *Mellom nærhet og distanse*. Oslo: Universitetsforlaget.

Schumpeter, J. (1934). *The Theory of Economic Development*. Cambridge: Harvard Press.

Sorescu, A., Frambach, R. T., Singh, J., Rangaswamy, A., & Bridges, C. (2011). Innovations in Retail Business Models. *Journal of Retailing*, 1, 3-16.

Teece, D. J. (2007). Explicating Dynamic Capabilities: The Nature and Micro foundations of (sustainable) Enterprise Performance. *Strategic Management Journal*.

Tidd, J., & Bessant, J. (2013). *Managing Innovations*. UK: John Wiley & Sons.

Vargo, S. L., & Lusch, R. F. (2004). Evolving to a new dominant logic for marketing. *Journal of Marketing*, 68, 1-17.

Vargo, S. L., & Lusch, R. F. (2015). Institutions and axioms: an extension and update on service-dominant logic. *Journal of the Academy of Marketing Science*.

Vargo, S. L., & Lusch, R. F. (2014). Inversions of Service dominant logic. *Marketing Theory*, 13, 239-248.

Vargo, S. L., Wieland, H., & Akaka Archpru, M. (2013). Innovation through Institutionalization: A service Ecosystem perspective. (E. Inc., Ed.) *Industrial Marketing Management*, 10.

Von Hippel, E. (2007). Horizontal innovation networks-by and for users. *Oxford Journals*, 293-315.

Wieland, H., Polese, F., Vargo, S. L., & Lusch, R. F. (2012). Toward a Service (ECO) Systems Perspective on Value Creation. *International Journal of Service Science, Management, Engineering, and Technology*, 3, 12-25.

Zott, C., Amit, R., & Massa, L. (2011). The Business Model: Recent Developments and Future Research. *Journal of Management*.

Zott, C., & Amit, R. (2001). Value-creation in E-Business. *Strategic Management Journal*.

Statistisk sentrabyrå (Statistics Norway). Bruk av IKT I næringslivet 2015 hentet. 11/4-2016

<http://www.ssb.no/iktbruken>

Appendix A: Literature study

Words used in literature study: “Business model”, and/or Innovation and retail* . Databases that were used: EBSCO, SCOPUS, Web of Science and Google scholar.

Step 1:

Searching databases provided 176 articles.

Step 2:

A manual selection done, firstly, by me, then in consultation with the project leader led me to the selection of 33 articles, which was seen as relevant.

Step 3:

After reading through abstracts, those of no relevance to my thesis, was removed.

Step 4:

Went through the bibliography of the most cited and relevant article for my thesis “Innovations in Business Retail Models” by Sorescu, Frambach, Singh, Rangaswamy, & Bridges, 2011, to see if I should add some articles.

Step 5:

Went through eight reviews all in all, and created categories based on them

In the Business Model field, we looked at 4 reviews:

-Schneider, S., & Spieth, P. (2013). Business model innovation: towards an integrated future research agenda.

-Coombes, P. H., & Nicholson, J. D. (2013). Business models and their relationship with marketing: A systematic literature review.

-Wirtz, B. W., Pistoia, A., Ullrich, S., & Göttel, V. (2015). Business Models: Origin, Development and Future Research Perspectives

- Zott, C., Amit, R., & Massa, L. (2011). The Business Model: Recent Developments and Future Research. *Journal of Management*.

In the innovation field we looked through the most cited articles:

-Pittaway et al, 2004. Networking and innovation, systemic review of the evidence

-Crossin, Apaydin. A multi dimensional framework of organizational innovation: a systemic review of the literature. (2010).

- Grewal, D., Ailawadi, K. L., Gauri, D., Hall, K., Kopalle, P., & Robertson, J. R. (2011). Innovations in retail pricing and promotions. *Journal of Retailing*, 87, S43-S52.

In addition to this, we looked at Biemans, Griffin, Moenaert article: Service development: How the Field Developed, Its current status and recommendations for Moving the field Forward (2015). An article published in the journal with the biggest impact in the innovation management area, *Journal of Product Innovation Management (JPIM)*.

List				
Relevance				
Empirical/Theoretical				
Methodology	Knowledge source	Qualitative	Quantitative	
Sector				
Country				
Theme				
Dependent variable				
Independent variables				
Theoretical perspective				
Research Perspective	Descriptive	Exploratory	Normative	Conclusive
Level of Analysis	Project	Firm	Network	

Step 6: Selected from the list of 33 articles that I found most relevant for my thesis; within the business model field, the innovation field and the business model innovation field and retail; resulted in the articles that I have chosen for the base of my thesis.

Appendix B: Interview guide - step 1 (in Norwegian)

Intervjuguide

- *Kort presentasjon av prosjektet*
- *Samtykke og bruk av intervjuet*

- *eks på en nisje virksomhet som til tross for å virke hensiktsmessig og relevant ikke har blitt noe av (hinder)*
- *eks på en vellykket nisje virksomhet som har foregått over tid (driver)*

Ikke adoptert inn i systemet (Usynkronisert verdiforslag: hinder)

Nature

of interaction

Spørsmål

oppfølgingsspørsmål

(P0)		
Type prosess	-Er det noen som har begynt med noe i det små, som til tross for å virke hensiktsmessig og relevant, ikke har blitt noe ut av?	-gjerne flere eksempler

<p>Type interaksjon</p>	<p>-Hva tenker du er grunnen til at det ikke ble vellykket?</p> <p>-hva slags interaksjon hadde de ulike aktørene med hverandre?</p> <p>-Vil du si at prosjektet ble oppfattet som i direkte konkurranse med noen andre allerede etablerte aktører?</p>	<p>-Vil du si at det var holdninger, normer, verdier, regulering? (allerede etablerte strukturer)</p> <p>-mangel på møteplass for utvikle/utveksle mellom aktørene?</p> <p>-I så tilfelle hvilke?</p> <p>Probe: bruke aktørene som blir nevnt videre i prosess</p>
--------------------------------	---	--

Timing

of interaction Spørsmål

Oppfølgingsspørsmål

<p>-Tid (Usynkronisert)</p> <p>-Tilpasninger underveis</p>	<p>-kan du si noe om hvordan prosjektet forløp seg tidsmessig?</p> <p>-Var aktørene enige om at dette var et godt prosjekt på ulike tidspunkt?</p>	<p>-Tenker du at prosjektet var ansett som en god ide helt fra starten?</p> <p>Probe: hva skjedde videre i prosessen, hvem synes ikke det var det, noen tanker om hvorfor?</p> <p>-var det noe forsøk på tilpasninger underveis?</p>
---	--	---

Adoptert inn i systemet (Sammenfallende verdiforslag-driver)

Spørsmål

oppfølgingsspørsmål

<p>Nature of interaction (P1-P4)</p> <p>Type prosess</p>	<p>-Er det noen som har begynt med noe i det små som over tid har utviklet seg til å bli noe vellykket?</p>	<p>-gjerne flere eksempler</p>
---	--	---------------------------------------

Type interaksjon	<p>-Hva vil du si er grunnen til at det ble vellykket?</p> <p>-Hva slags interaksjon hadde de ulike aktørene med hverandre?</p> <p>-Ble prosjektet oppfattet som en type "Add on" (forklar) ?</p>	<p>-holdninger, normer, reguleringer, verdier</p> <p>-tilrettelagt møteplasser, tilrettelagt for utveksling/utvikling av prosjekt?</p> <p>-Oppfattet som et supplement inn i noe allerede eksisterende? - Hvilke?</p> <p>-var det gjort rom for en slik type tilpasning?</p>
-------------------------	---	--

Timing

of interaction Spørsmål

Oppfølgingsspørsmål

<p>-Tid (samsvar)</p>	<p>- var det enighet over tid ?</p> <p>-hvordan skjedde dette tidsmessig?</p>	<p>-Tenker du at prosjektet var ansett som en god ide helt fra starten?</p> <p>-Var aktørene enige om at dette var et godt prosjekt på samme tidspunkt?</p>
------------------------------	---	---

Tilpasninger underveis	-modnet det seg etterhvert med den ene eller andre aktøren?	-resulterte prosessen i tilpasninger?
-------------------------------	--	--

Avslutte og takke

Appendix C: Interview guide - step 2 (in norwegian)

Intervjuguide

- *Kort presentasjon av prosjektet*
- *Samtykke og bruk av intervjuet*

- *en nisjenyhet som til tross for å virke hensiktsmessig og relevant ikke har blitt noe av (hinder)*
- *en vellykket nisjenyhet som har foregått over tid (driver)*

Nature

of interaction

Spørsmål

oppfølgingsspørsmål

	<i>Spørsmål</i>	<i>oppfølgingsspørsmål</i>
(P0-P4) Type prosess	-Kan du beskrive prosessen -Hva tenker du er grunnen til at det ikke ble vellykket/ble vellykket?	

Type interaksjon	<p>-hva slags interaksjon hadde du med de ulike aktørene?</p> <p>-Vil du si at prosjektet ble oppfattet som i direkte konkurranse med noen andre allerede etablerte aktører? Eller oppfattet som en type add-on (forklar)?</p>	<p>-Vil du si at det var holdninger, normer, verdier, regulering?</p> <p>(allerede etablerte strukturer)</p> <p>-mangel på møteplass for utvikle/utveksle mellom aktørene?</p> <p>-på hvilken måte og hvilke aktører</p>
-------------------------	--	--

Timing

of interaction Spørsmål

Oppfølgingsspørsmål

-Tid	<p>-kan du si noe om hvordan prosjektet forløp seg tidsmessig?</p>	<p>-Tenker du at prosjektet var ansett som en god ide helt fra starten?</p> <p>Probe: hva skjedde videre i prosessen, hvem synes ikke det var det, noen tanker om hvorfor?</p>
-------------	---	--

Tilpasninger underveis	-Var de ulike aktørene enige om at dette var et godt prosjekt på ulike tidspunkt?	-var det noe forsøk på tilpasninger underveis?
-------------------------------	--	---

Avslutte og takke.