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On the plasticity of markets

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Plasticity according to Wikipedia

• In *physics and engineering*, plasticity is the propensity of a material to undergo permanent deformation under load.

• In *neuroscience*, neuroplasticity examines **how entire brain structures**, and the brain itself, can **change from experience**.

• In *biology*, phenotypic plasticity describes the **ability of an organism to change its phenotype in response to changes in the environment**.

• In *art*, the plastic arts are those, such as clay sculpture, in which **material is formed or deformed into a new, permanent shape**.

• In *SDL*, market plasticity describes how **markets are malleable as a result of multiple and often conflicting change efforts** by various market actors.
Intellectual foundations
A tribute to Richard Normann

Consortium research: Business Logics for Innovators

From Value Chain to Value Constellation: Designing Interactive Strategy
The “Product” is a Process
(Storbacka & Lehtinen 1997, 2001)
Consortium project with eight firms: 
“Emancipation from the shackles of the dyad”


Storbacka, K. & Nenonen, S. (201?). **Competitive arena mapping: market innovation using morphological analysis.**

Storbacka, K. & Nenonen, S. (201?). **From learning about the market to learning with the market.**

Nenonen, S. & Storbacka, K. (201?). **On the marketness of markets: how networked markets evolve and facilitate value co-creation.**
Consortium project with eight firms:
”Emancipation from the shackles of the dyad”

MARKET INNOVATION
How to make and shape markets

MARKET DESIGN
Are you market driven or market driving?
Six possible tenets of a theory of the market (Storbacka & Nenonen 2011b)

1. A theory of the market should include both *exchange value and use value* (Grönroos 2008, Venkatesh et al. 2006).

2. Economic action is embedded in networks of social relationships, i.e. that *markets are socially constructed* (Granovetter 1992, Krippner et al. 2004).

3. Markets are *networks of relationships* between complementary and competing market actors (Vargo 2009).

4. As market actors (firms) can be viewed as systems, “effectively depending on the resources of others to survive” (Vargo et al. 2008, p. 149), *markets should be viewed as business ecosystems* (systems of systems).


6. Market actors interact in a market in order to increase the(ir) *density of resources*. Greater density of resources, relevant to a specific actor, time, situation and space combination, corresponds to more value (Normann 2001).
Key aspects of malleable markets
(Kjellberg et al. 2011; Storbacka & Nenonen 2011b)

Market practices

- Markets are enacted through the actions and interactions of a multitude of actors in their efforts to create value for themselves and others.
- Exchange practices (consummate exchange).
- Normative practices (establish rules for how markets work).
- Representational practices (language to describe a market).
Market practices

**Exchange practices**

*Practices* related to consummating exchange
*Actors*: focal firm, customers, suppliers, partners, agents

- Transactions
- Price formation mechanisms
- Customer readiness
- Singularization: sales item definition
- Network readiness
- Competitive alternatives

**Normalizing practices**

*Practices* related to creating norms
*Actors*: authorities, associations

- Technology/standards
- Norms & rules

**Representational practices**

*Practices* related to creating a language to describe markets
*Actors*: market research agencies, press, universities, associations

- Market research
- Associations & media
Key aspects of malleable markets
(Kjellberg et al. 2011; Storbacka & Nenonen 2011b)

Market practices

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“Marketness” of markets

- Marketness can be defined as a continuum describing the level of configurational fit between market practices.
- In high marketness situations, market practices are established and accepted, they reinforce each other.
- In low marketness situations there is poor fit between the market practices, few market actors participate in them, and some of the market practices are non-existent.
Marketness - the formation of a market

- Transactions
- Price formation mechanisms
- Network readiness
- Technology/standards
- Market research

Singularization: sales item definition
- Customer readiness
- Competitive alternatives
- Norms & rules
- Associations & media

Low marketness
High marketness

Market creation

Market shaping
### Key aspects of malleable markets

(Kjellberg et al. 2011; Storbacka & Nenonen 2011b)

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• In low marketness situations there is poor fit between the market practices, few market actors participate in them, and some of the market practices are non-existent. | • Multiple understandings of what any market is, held in multiple forms, by multiple actors, at any one time.  
• The views of each actor are inevitably incomplete.  
• How does one actor’s view become a shared view?  
• What market practices can be developed to construct a network of suppliers, customers, collaborators? |
Multiple views of the smart phone market

- Android
- iPhone OS
- Windows Phone
- BlackBerry
- Symbian OS
Performativity

• **Markets are performed** when market actors introduce theories about the market: “Businessmen act as if the market has a stable structure and consequently it gets one” (Swedberg 1987:110)

• Focal actors influence other actors so that their **subjective definition** of a market becomes a **shared definition**.

• This is achieved through an **oscillating process** of interaction and dialogue between individuals – within and between the market actors.

• Markets encompass multiple and conflicting efforts to shape them as different market actors aim to script markets to suit their objectives and business models, leading to **partial performativity** (cf. Kjellberg & Helgesson 2006).

The performative power of a market actor is dependent on the actor’s **network position**, the **relative strength of the actor’s business model**, and the actor’s **ability to author compelling meanings** related to the market (Storbacka & Nenonen 2011a)
Market dynamics from an actor perspective
### Market scripting

The conscious activities conducted by a single market actor in order to alter the current market configuration in its favour. (Storbacka & Nenonen 2011a)

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