

# CUSTOMERS' RESPONSES TO INSTITUTIONAL COMPLEXITY IN THE DETERMINATION OF VALUE

<Service-dominant logic>

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## ABSTRACT

**Purpose** –To understand how value is created, marketing scholars increasingly highlight the role of institutions and institutional arrangements that guide the assessment of value. However, customers are embedded in several institutional arrangements that may offer distinct prescriptions for actors' behavior and frame for sensemaking (i.e., institutional complexity). Customers experience the effects of institutional complexity in a variety of consumption contexts (e.g., sustainable consumption vs. overconsumption). If firms want to offer compelling value propositions to their customers, they need to understand how they resolve these internal conflicts derived from institutional complexity. Therefore, the goal of this article is *to understand how customers deal with institutional complexity in relation to the determination of value*.

**Design/Methodology/approach** – In this conceptual paper, we reframe and reconcile literature from institutional theory, identity theory, reference groups, and paradoxes to build a service-dominant (S-D) logic conceptual framework that explains how customers cope with institutional complexity when determining the value of a proposition.

**Findings** – Customers experience anxiety and discomfort when facing contradictory prescriptions for the determination of value. In order to make sense of this tension, they need to respond to institutional complexity. Customer can respond in at least three different ways. First, they can choose between the conflicting institutional arrangements, placing a greater emphasis in one prescription over another, and thus following that prescription for the determination of value. Second, customers can use resources from both institutional arrangements to reframe the contradiction and accommodate the conflicting prescriptions for the determination of value. Third, customers can separate what they do from who they are to resolve the tension.

**Research limitations/implications (if applicable)** – While value is determined in context, a customer may be embedded in several, possibly conflicting, contexts simultaneously. This study shows how customers determine the (potential) value of a proposition when facing contradicting prescriptions to do so. We expect this work generates implications for related topics where customers frequently face similar situations (e.g., sustainability).

**Practical implications (if applicable)** – Offering compelling value propositions requires understanding how customers determine their value. This study offers guidelines on how to make value propositions more compelling through the (de)legitimation of institutional arrangements.

**Originality/value** – While previous work in S-D logic has established that institutions influence the determination of value, this study adds to this literature by trying to explain how customers determine value in face of institutional complexity, which is an inherent condition in service ecosystems.

**Key words** – Institutional complexity; institutional arrangements; value-in-context

**Paper type** – Conceptual paper

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