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Gamification: A platform for transitioning from Goods-dominant logic to Service-dominant logic

Case of Nike+ Fuelband

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Abstract

This master thesis attempts to investigate gamification strategies used in Nike+ Fuelband and its importance for transitioning from conventional goods dominant logic to a new approach in marketing, service dominant logic.

Based on Nike+ Fuelband exploratory case study, a netnographic approach is conducted for analyzing Nike+ online community. The research studies game mechanics involved in Nike+ Fuelband and consumer's motivation for using gamified offers. Nike employs a range of game elements to its device such as points, challenges, countdowns, rewards and social features. Moreover, based on the literature review in service marketing and S-D logic in particular, this thesis tries to answer the research question which is why gamification can be used as a platform for transitioning from goods dominant logic to service dominant logic. According to the 10 foundational premises of service dominant logic, which are the basis for S-D logic approach, and gamification characteristics, it is revealed that Nike attempts to shift its marketing paradigm from G-D logic into S-D approach. This can be observed through the use of gamified service layer added to the core product and focusing on customer's role as a co-creator of value.

Table of Contents

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1. Introduction

1.1. Background

Nike Inc. as a designer and producer of footwear, apparel, equipment and accessories started on September 8, 1969. The company offers variety of products in seven major categories including running, basketball, football, men's training, action sports and Nike sports inspired products.

Nike sells performance equipment products under its name such as bags, sport balls, electronic devices, gloves, socks, golf clubs etc. designed for sports activities.

In May 2006, Nike and Apple revealed Nike+ (Nikeplus) platform, a wireless equipment to connect Nike running shoes and Apple iPod music player. It included a pair of Nike shoes and membership in the iTunes and Nike+ online community (nikeplus.com). The creative idea for combining running and music expands the field for co-creation (Ramaswamy, 2008). Engaging consumers to use Nike+ platform opens the opportunity to foster interactions between runners, between Nike and runners and between Apple and runners. Participants can share their stories, routes and tips on the website. Besides, information provided by the experts about health and fitness makes it trustworthy and valuable for runners to read. On the other hand, the data generated by users regarding their goals, distances, time and feelings can be useful for Nike to grasp new insights on consumer behavior in order to make new products tailored for runners (Ramaswamy, 2008).

Nike launched its gamified application in early 2012 and since then it has become a popular platform for runners. The company stretched itself beyond the limits as a famous brand by assisting their customers to keep themselves fit and changing their lifestyle.

Nike+ Fuelband is the most popular device so far, a wristband with a unique technology that is able to track runners' movements. Runners need to download the Nike+ App and then observe the statistics of their workouts like the amount of calories burned and so on. NikeFuel gamified device tracks and monitor user's everyday movements based on the difficulty chosen by the user. Besides, runners are challenged to achieve a certain amount of Nike Fuel to go onto the next level. For each mission and level, users need to earn Nike Fuel within a specific time. Any

device that can collect NikeFuel, including Nike+ Fuelband can be used to process the data. After each achievement, runners can sync the Nike+ device with their gadgets to track their progress and if they have not reached their goals, they can replay the mission.

Nike has converted the simplest sport in the world into a gamified social sport that offers users enormous amount of data about their personal achievements, which enables them to become better at running and thus in a healthier lifestyle.

1.2. Research question

Recently, the concept of service as value co-creation has been proposed by academic literature, which implies that the company and consumers participate in co-creation of the value within a service system (Vergo S., 2008). This line of literature suggests that the value of an offering is achieved in-use rather than exchange. Vargo and Lusch (2004) proposed a service-dominant logic (S-D logic), implying that the company's offering is just a proposition for consumers and need to be realized at the point of use. An offering is just potentially valuable before this point, i.e. in use. A service dominant logic claims that value is described and created by the consumers and not embedded in the products (Stephen L, 2004).

Meanwhile, development in game and service design industry have resulted in increasingly used term "Game mechanics" to drive customers attention and engagement outside the area of what traditionally is seen as, games. While a growing number of games are applied as services to customers, very few academic literatures has been studied to connect the gamification studies with service dominant literature.

Games are co-creation activity involving the game developer and the players. The developer's role happens when game design, visual patterns and story line is created. The player's part of the co-production takes place every time the game is played and interacted with. The main service of the game is to deliver challenging, hedonic and exciting experience for the players (Kim, 2008) or gameful experience (McGonigal J. , 2011). The quality of a game service largely depends on the game or service experience, which referred to as "flow" (Csikszentmihalyi M. , 1990).

Based on the service marketing insight, it is only the player's contribution in the games, i.e. completion of a game service production can merely be achieved by the player's participation. Nonetheless, according to service dominant logic theory, the value of a service is solely considered by consumer's subjective experience, as service providers can only offer the value. It

is clear that value of a game service, whether is 'pleasure', 'suspense', 'mastery' or 'gamefulness', is always determined by the player's individual perception i.e. it is possible that the use of a game service results in gameful experiences with one player but does not do so with another player. This difference in outcomes may be because of the differences in skills of the two players (Tuunanen, 2012).

Connecting the findings in game studies to the existing service dominant logic literature could provide a basis to investigate whether gamification can be viewed as a platform for transitioning from classical marketing logic (Goods dominant logic) to service dominant logic and on how a gamified offer can support core service offerings.

This single exploratory case study attempts to identify the relevant motivational factors behind gamified offers and in particular Nike+ Fuelband and answer to this research question:

Why gamification could be used as a platform for transitioning from goods dominant (G-D) logic to service dominant (S-D) logic?

Therefore this thesis is carried out based on foundational premises of S-D logic and gamification features used in Nike+ Fuelband. Moreover, intrinsic and extrinsic consumer participation's drivers for using Nike+ Fuelband as well as game elements that constitute a gamfication offering in order to involve consumers as claimed co-producers of the value are in the center of this research.

1.3. Structure

This thesis is arranged into seven main chapters. Chapter one delivers the background of the case study and the objective of this thesis. Chapter two focuses on description of the case and its contribution to the knowledge of S-D logic literature. Chapter three provides the theoretical explanation and outlines the existing literature on service dominant logic, gamification and consumers' motivation. Chapter four illustrates the research design and methodology, explains the case study and argues the overall framework for analysis. Chapter five presents the findings for the case study and analysis the case through crowdsourcing and consumers motivational

drivers for gamified offers. Chapter six sketches the discussion and addresses the research question based on the findings from the analysis chapter and literature review. Chapter seven concludes the findings and offers future research suggestions.

2. Description of the case

2.1. NIKE Background

Nike, Inc. an American multinational corporation is one of the world's largest producers of sports shoes and apparel (Sage, 2008) and a major manufacturer of sports equipment, with revenue more than 24.1 billion dollars in its fiscal year 2012. It employs over 44,000 people worldwide and the brand itself is valued at 10.7 billion dollars, making it the most valuable brand among sports businesses (Schwartz, 2012).

The company was founded on January 25, 1964, as Blue Ribbon Sports, by Bill Bowerman and Phil Knight (Nike, Nike Inc., 2010), and officially became Nike Inc. on May 30, 1971. The company takes its name from Nike, the Greek goddess of victory. Nike markets its products under its own brand, as well as Nike Golf, Nike Pro, Nike+, Air Jordan, Nike Skateboarding, and subsidiaries including Hurley International and Converse. In addition to manufacturing sportswear and equipment, the company operates retail stores under the Niketown name. Nike sponsors many high-profile athletes and sports teams around the world, with the highly recognized symbol of "Just Do It" and the Swoosh logo.

Nike produces a wide range of sports gear and its first products were running shoes. At present, Nike makes shoes, jerseys, shorts, cleats, etc. for a varied area of sports, including track and field, baseball, ice hockey, tennis, football, basketball, and cricket (Nike, 2013).

In 2006 Nike and Apple Inc. teamed up to produce the Nike+, a product that tracks runner's performance using a transmitter device in the shoe that connects to the Apple iPod. The iPod software provides different modes: Basic, Time, Distance and Calories. At any time during the workout users can observe information regarding the time elapsed, the distance run so far and the current pace. At the end of a workout, users have the option to sync their iPod with iTunes and send the information to Nikeplus.com. The website offers various visualizations of their

performance, the ability to challenge others and a forum for discussing and sharing the ideas (Saponas, Lester, Hartung, & Kohno, 2006).

Nike has also launched an application called Nike+, a GPS App for Apple and Android products that pulls in data from the device's accelerometer and GPS to give runners a real, precise and beneficial tool for getting in shape and staying motivated. The application lets runners to graphically map and track every movement, indoor and outdoor, "free range" or treadmill. The advantage of using this application is that users do not need to have Nike shoes to transmit data to their devices and it works perfectly with GPS system. Nike claims the app even works when GPS signal is unavailable. Mapped paths show a breakdown of the runner's speed at various points during the run as well. Therefore it can track the distance, time and number of calories burned. One remarkable feature of the application is the "Challenge Me" which helps runners challenge themselves to run for greater distances, longer times or quicker paces than their previous runs. Aside from giving challenges, the application also provides motivational messages from professional champions and celebrities and of course the app carries the social sharing settings. Through integration with NikePlus.com, runners can save each run to their online profiles and share the run through social networks such Twitter and Facebook (Mashable, Mashable, 2010).

The most creative product of Nike marketed in early 2012, Nike+ Fuelband, a device that looks like a bracelet and aims to deliver a common information for tracking all physical activities. The product was built on Nike+ that the company launched in 2006. The Fuelband monitors what Nike calls "Nike Fuel". Trevor Edwards, Nike's VP Global Brand said at a press event in New York City that the product, "Allows everyone to measure up and compete with others." The band itself tracks activities via oxygen kinetics and shows whether a runner is doing an intense physical activity or a light training.

Users can sync their FuelBand with Nike+ via bluetooth or USB. That data is then available via a mobile application or desktop software. Nike lets users set daily NikeFuel score goals, and the FuelBand uses red, yellow, or green coloring to let users know how they are doing toward their goal (Mashable, 2012). The device also includes social features, which has certainly helped to increase awareness and demand for the product.

Participants have the opportunity to challenge friends. This provides a great motivation to use this application and in turn, it maintains greater level of momentum in user engagement. The further a runner moves, the more points he or she can get and the community will be aware who is ranked at the top of the leader board. This is a very clever way to make an association between a fit body and Nike's brand.

In addition, Nike gives software developers open access to data gathered from the runners. Nike understands that its users want answers to simple sport related questions they have. Even more simply put, as Nike's Vice President, digital sport Stefan Olander said: "Nike+ thrives on the fact that people want credit for their athletic activity". Therefore, Nike+ platform gives users answers to questions like: How fast am I running and am I progressing? How much calories do I burn while running? When do I lose momentum when I am running? How are my friends performing and what does it take to beat them?

Nike has made an engaging gamified platform where runners can interact with each other, share their data and learn from the insights derived from it. Considering all the data this generates and the insights it provides for Nike, it illustrates a great example of how gamification is a friendly supporter of big data.

2.2. Service dominant logic

Marketing scholars started forming a new school of thought by focusing on services in the late 1970's and early 1980's. The reason was that classical marketing were based on the exchange of physical products, which was unable to deliver satisfactory understanding on services (Grönroos, 2007). This stream of research developed separately from the conventional marketing science until 1990's (Grönroos, 1994) when it started getting attention outside the area of service marketing.

Marketing theory focused on services began to seem useful also for goods and classical marketing. Vergo (2004) for the first time used the term service dominant (S-D) logic in 2004 and proposed that the service approach should substitute the classical marketing theory. Since then, service dominant logic has gained growing attention in academia and also in industry.

The universal applicability of service dominant logic and the difference with traditional goods dominant logic can be explained by two main concepts of the service approach, customer as co-producer and value-in-use. Based on the traditional marketing theory, production is carried out by the firm and value is created in the production process and embedded in the final product. According to this view, product carries the value inside it and then transfers to the consumer with the exchange process. However, in service context, the value-in-exchange approach becomes pointless because there is no physical product that the value could be embedded in (Kai Huotari, 2012).

Value is only generated when consumer uses the service or products. Therefore, service marketing literature considers customers as co-producer of the value, i.e. consumer as a value creator in the production process. The role of company in this value-in-use model is to support customers by offering enough resources for value creation (Vergo S., 2008).

Service dominant logic can be used as an interesting alternative outlook for companies value offering, but the current goods dominant logic of value proposition, particularly for manufacturers of tangible goods, is a belief that is well-established and any interest to make a transition to service dominant logic faces the challenge of looking for methods and empirical research that could help in that transition (Ng, Parry, Smith, & Briscoe, Transitioning from a goods-dominant to a service dominant logic, visualising the value proposition of Rolls-Royce, 2012).

2.3. Gamification

There has been so much hype in the last few years regarding gamification as a trending topic. Gamification is a tool that supports user's engagement and increases positive feedback in service use (Hamari J. , 2013). The major reason for the emergence of this new topic in marketing would be the positive and gameful experience that games hold and also motivational affordance embedded in the service (Huotari & Hamari, Defining gamification: a service marketing perspective, 2012). Gamification is considered as the next generation tool for marketing and consumer's engagement. Gartner (2011) predicted that more than half of the companies that are involved in innovation processes will apply gamification features for their businesses by 2015. In addition, a growing number of successful companies have already dedicated their entire service

on attaching a gamified service to the core activity. Code academy is a good example of such companies, a service that uses gamification elements to teach users how to code.

According to Vargo and Lusch (2004) service is defined as "the application of specialized competences (knowledge and skills), through deeds, processes, and performances for the benefit of another entity or the entity itself". So, any action that helps an entity can be categorized as a service. Thus, game design elements can be considered as service and games as service systems (Kai Huotari, 2012).

Nike is a perfect example of a company that turns its marketing approach into service offering. Consumers do not just purchase Nike+ Fuelband but rather the service of running assistance. Nike+ Fuelband enables users to achieve their goals by offering them a gamified service that motivates them to engage more in routine exercises. The co-creation idea embedded in the device is one of the foundational premises for transitioning towards service dominant logic. Thus, the gamified platform has made it easy for consumers' involvement to participate in the process of co-creation.

Undoubtedly, building an appealing and full-fledge gamified platform requires a lot of investments and dedication, but the rewards are massive for companies. With so many users interacting over a long period of time on different platforms while doing something they enjoy, of course is extremely valuable for the brand of Nike. With this approach of big data, Nike can manage to change the behavior of many consumers and in return receive great insights that can be used to improve the upcoming products.

3. Theoretical explanations

3.1. Service dominant (S-D) logic

As opposed to goods dominant logic which developed from the normative work by Smith (1776) and sees the final products as components of exchange (Vargo & Morgan, 2005), the new approach of marketing -service dominant logic- delivers a framework to understand the importance of service and its role.

Kotler (1972) in his famous marketing management book says that "marketing management seeks to determine the settings of the company's marketing decision variables that will maximize the company's objective(s) in the light of the expected behavior of non-controllable demand variables." Based on this definition, it is assumed that competitive advantage could be achieved through utility maximization by adding value in products with the 4Ps manipulations, and considering a passive customer in mind (Lusch, Vargo, & O'Brien, 2007)

Upon foundation of goods dominant logic, the idea that service can enhance competitive advantage was developed. At the beginning, service was considered just a type of product or a mean to increase the value of other products. While there was a great deal of attention to define services as type of products, i.e. intangible goods, there has been a little progress in understanding the concept of "service" as an independent variable and its role as a main concentration of exchange (Fisk, Brown, & Bitner, 1993).

In mid 1930s, American marketing association defined marketing as a set of business activities that direct the goods and services from producer to consumer. According to this definition, marketing's role was taking goods and services "to market". After the Second World War, marketing thoughts shifted to a "market to" orientation that the customer and the market were analyzed and then in order to meet customer's needs, products were produced. Based on this concept of marketing, customer is viewed as an "operand resources", a resource to be acted on. Therefore, according to goods dominant logic, the customer can be segmented, targeted, distributed to and promoted to. Value is also embedded in the product that the producer offers (Webster, 1992).

In contrast to the last two approaches, Service dominant logic perceives the customer as an "operant resource", a resource that can be used to act on other resources and can co-creates value

with the firm (Vargo & Lusch, 2004). In other words, it offers a "market with" approach. Figure 1 shows the evolution of marketing concepts.
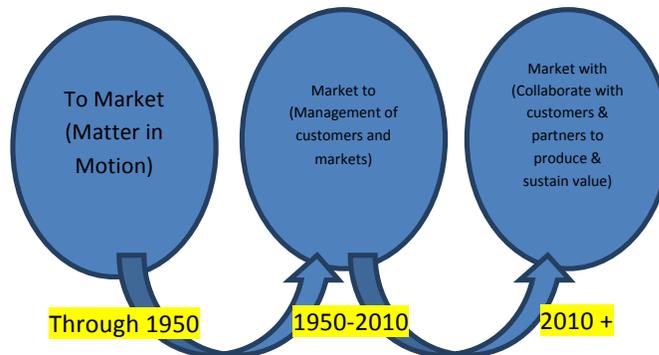
Figure 1, the Evolution of Marketing, Lusch, Vargo, O'Brien (2007)

According to service dominant logic, focusing on the interaction between customer and the company is the key that allows us to have a better understanding of 4Ps. Thus, products are viewed as service carriers; promotion is a mean for conversation and dialog with customers; price is considered as a value proposition created by both sides of exchange and place is replaced with value networks and processes (Vargo & Lusch, 2006). Besides, in contrast to the dominant marketing paradigm (G-D logic) which assumes that legal, competitive, social and physical environments as uncontrollable forces that need be adapted to; service dominant logic views the external environment as potential resources to support the process of co-creation (Lusch, Vargo, & O'Brien, 2007).

3.1.1. Foundational Premises (FPs)

Vargo and Lusch (2004, 2006, 2009) elaborated ten foundational premises that service dominant logic is grounded on. This section reviews these ten premises along with the importance of each.

"FP1: The Application of Specialized Skills and Knowledge Is the Fundamental Unit of Exchange"

Physical and mental skills are two basic operant resources distributed in a population. Since people have different skills than the others, specialization is necessary and efficient way for people and society's survival. This specialization needs to be exchanged (Macneil, 1980). Thus,

value is recognized as the relative appreciation of mutual skills and services that people exchange in order to gain utility. Value here means value-in-use.

"FP2: Indirect Exchange Masks the Fundamental Unit of Exchange"

Over the time, the exchange process shifted from one-to-one specialized skills to indirect way of exchange in large and hierarchical organizations with vertical marketing structures. Besides, the exchange manner became monetized. Also, the focus on customers as a direct trading partner mostly vanished, mainly because of the nature of industrial society and growth in vertical marketing, employees stopped interacting with customers (Webster, 1992).

As companies started to grow in size, they began to realize that they had lost the sense of customers (Hauser & Clausing, 1988) and also the reason of having a service provision. Losing customer contacts is not only limited to manufacturing companies. Even companies in service industry, which provide intangibles and have "microspecialists" to interact with customers, are not necessarily more customers oriented.

Therefore, fundamental process of exchange is the same, regardless of the company. It means that people exchange their specialized skills for another skills in a marketing system and thus goods, organizations and monetary transactions are just the exchange vehicles and carriers.

"FP3: Goods Are Distribution Mechanisms for Service Provision"

The main denominator of exchange is not goods but rather the use of specialized knowledge, mental and physical skills. There are different ways to transfer the knowledge and skills. It can be transferred directly by educating (training), or embedding inside the tangible goods. Therefore, tangible products can be considered as knowledge and skills holder (Normann & Ramirez, 1993). Hence, goods are regarded as platforms to help with benefits offering and according to Gutman (1982), goods are the distribution mechanisms for service offering and needs satisfaction.

"FP4: Knowledge Is the Fundamental Source of Competitive Advantage"

As an operant resource, knowledge is the foundation of competitive advantage and the main source of economic growth and wealth. Knowledge is made of "propositional knowledge" which

is referred to as techniques (Mokyr, 2002). To acquire competitive advantage, skills and competences (techniques) are necessary. This is in line with the opinion that the change in a company's productivity depends on knowledge or technology (Capon & Glazer, 1987) (Nelson, Peck, & Kalacheck, 1967).

According to Normann and Ramirez (1993), in order to create and gain competitive advantage, firms need to consider the whole value creation network and make it work. Besides, Barabba (1996) claims that marketing based knowledge and decision-making are the tools to gain the core competence. Therefore, mental skills and knowledge application are the main source of performance and competitive advantage.

"FP5: All Economies Are Services Economies"
Economic science and most of economic exchange categories are based on Smith's idea with manufacturing output. Consequently, services have been viewed as anything that does not end up with manufacturing output (Rathmell, 1966).
The exchange of knowledge and skills (operant resources) is the common denominator in different economic classifications. All the activities that used to be performed before have become divided into specialties and exchanged in the market but the role of services in all different economical approaches remains the same i.e. services are not now becoming more important, but becoming more apparent in the economy. Services and operant resources have always been considered as the essence of economic activities.

"FP6: The Customer Is Always a Co-producer"
Based on the traditional goods dominant logic, the producer and the customers are usually considered separated from each other. But in contrast service oriented view of marketing considers consumers as part of the value production. Even with tangible products, production is a middle process not the end. As it has been noted, goods are just carriers of the services and for these services to be delivered, the customer should learn how to use them, maintain and adapt them for his or her special needs. The key to create value is through co-production of the offering (Normann & Ramirez, 1993). Oliver, Rust and Varki (1998) claims that marketing is going

toward the "real-time" paradigm which combines mass customization and relationship marketing to satisfy customer needs as a co-producer (Prahalad & Ramaswamy, 2000).

Market has become a place for proactive consumer engagement, in a sense that the customer is an operant resource and co-producer of value rather than operand resource and to be acted on.

"FP7: The Enterprise Can Only Make Value Propositions"

The idea of value being embedded in tangible goods has been in the center of service marketing studies to define the value creation process. Gummesson (1998) argued that value creation only happens when a good or service is consumed and without consumers there is no value.

As for the tangible goods, knowledge and skills are embedded in the products that have potential value for targeted consumers. Therefore, consumer's specific needs can be met only through co-production and the company's role is only making value proposition that are more appealing than those of competitors.

"FP8: A Service-Centered View Is Customer Oriented and Relational"

The focus of service dominant logic is basically on customers. Therefore, customization, interactivity and co-production are symbols of service-centered view.

In service dominant logic approach, consumers are both at the center and active contributor in the process of exchange. Since a service dominant logic is dynamic and involving, it can be maximized by interactive learning process from both customer's and company's sides. Hence, what happens after the firm engages in a relationship with customers is more important than the exchange itself. So, the service oriented outlook is essentially both relational and customer centric.

"FP9: All social and economic actors are resource integrators"

The service provided by firm, is only input into value-creating activities of the consumer. Before the value can be realized, that input needs to be integrated with other resources, some of which are also attained through the market and some of which are privately or publically provided. Therefore, all individuals and departments act as resource integrators of ideas (Vargo S. L., 2009).

"FP10: Value is always uniquely and phenomenologically determined by the beneficiary"

Measuring and predicting value-in-use as it is co-created by individuals and customers could be very difficult. Value is created where interaction takes place. It cannot be easily predicted or determined in advance as it happens through co-creation (Vargo S. L., 2009).

3.2. Co-creation

One of the main aspects of service dominant logic is the role of customer as co-creator of value. This role is essentially about producing for own usage and consumption, which is referred to as presumption (Toffler, 1980). It is in a sense that the value creation process takes place when customers start using the products and that become their consumption experience. Co-creation includes two components, 1) value in use, which means value can only be generated by consumers through use and 2) co-production, which happens through co-design and shared creativity with consumers and other players in the value network (Xie, Bagozzi, & Troye, 2008).

There are also two main categories within co-production as well. Self-design which requires consumer's involvement in the design process and self-production which enables the customers to interact with the product and have impact on the result and outcome (Troye & Supphellen, 2012).

3.3. Gamification

The term "gamification" was first used in 2008 and became prevalent in 2010 (Deterding, Dixon, Khaled, & Nacke, 2011).

As a new term and topic, there are only few definitions of the term "gamification" but perhaps the most dominant one is, using game elements in non-game environments to shape the user's behavior (Zichermann & Cunningham, 2011). Gamification thus apply game design elements to solve organizational problems though user engagement. The user can be a stakeholder from an organization or a consumer of the product.

Huotari and Hamari (2012) define the term "gamification" as a process of supporting service with the use of gameful experience for backing up consumer's value creation. This definition is consistent with the notion of service dominant logic and consumer as co-creator of value.

According to Gartner, the aim of gamification is: "achieving higher level of engagement, changing behaviors, and stimulate innovation".

Since gamification originates from games, it is important to define game elements. They include: 1) Goal, which is the outcome of the game that a player needs to achieve. 2) Rules are game's limitations that require player's creativity to play within a framework. 3) Feedback system is a way of letting the player knows how close he or she is to achieve the goal. It also motivates the player to keep playing. 4) Voluntarily participation implies that everybody knows and accepts the rules, goal and feedback and has the freedom to choose an enjoyable experience (McGonigal J. , 2011).

Gamification has become a modern business practice that applies game design elements to influence, measure and reward user's behaviors. Gamification is a secondary phenomenon based on a game as its origin (Volkova, 2013).

According to LeBlanc, Hunickle and Zubek (2004), every good game has three major components, 1) Game Mechanics, which consists of rules, constraints and procedures reinforced by technology to manage performance of the player through incentives, rewards and feedback. Game mechanics is supposed to turn the usage intentions and motivations for adding value to the service (Huotari & Hamari, 2012). 2) Game Dynamics, which is player's interaction with the game mechanics. It is considered as behavioral communication of the game and the player. Bunchball (2010) argues that game dynamics originate from motivational nature of the player's experience, which comes from human desire. 3) Aesthetics, which is a set of principles concerned with the artistic and beauty of the games.

Based on Fogg's (2009) behavior model, which is shown in figure 2, three elements of motivation, ability and trigger must converge at the same moment for a behavior to occur.

1) Motivation: the person desperately wants to carry out the behavior, i.e. highly motivated.
2) Ability: the person considers the behavior very easy.
3) Trigger: the person is triggered to do the behavior.

Wu (2011) applied Fogg behavior model to analyze how gamification can change the behavior of the users. "Game mechanics and game dynamics are able to positively influence human behavior because they are designed to drive the players above activation threshold and then trigger them

into specific actions. In other words, successful gamification is all about making these three factors occur at the same time".
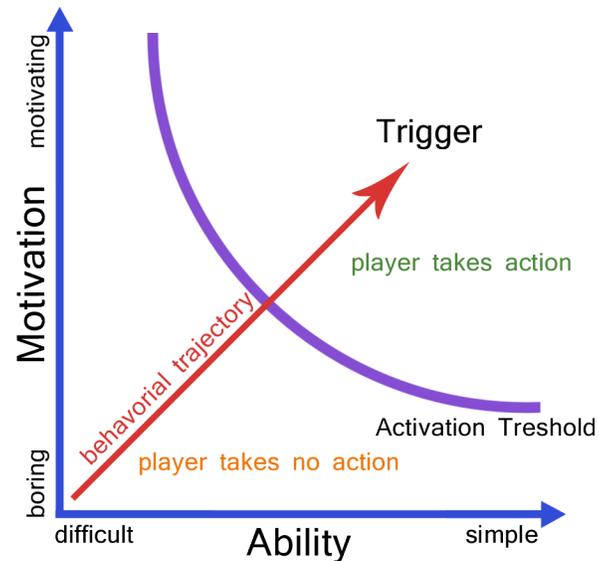
Figure 2- Fogg Behavior Model

Gamification differs from games in a few key ways: 1) Gamification attempts to create experience similar to games, developing a sense of flow and feelings of mastery and independence rather than delivering direct hedonic experiences. 2) Gamification tries to affect motivation rather than behavior and attitude. 3) Gamification refers to adding gamefulness experience to existing systems rather than building an entirely new game as it is performed with "serious games" (Hamari & Koivisto, 2013).

Although the benefits of applying gamification are tremendous but there are criticisms regarding the concept. Game mechanics such as levels, badges, and points make consumer's engagement just for a short period of time and as games become easier, they lose their challenge and excitement (Hamari & Lehdonvirta, 2010). Also, consumers pursuing to get more rewards, will not remain loyal when the game ends (Zichermann & Cunningham, 2011). The long-term negative influence of gamification is not completely clear for companies. Research shows that, external rewards end up with decrease in user's intrinsic motivation (Deci, Koestner, & Ryan, 2001). Therefore, if gamification is only used as a tool for extrinsic motivation, stopping it could

result in less chance of participants to come back without extrinsic stimuli. Moreover, gamification as a marketing tool, has always had the risk of falsely motivating customers and involving them just for gaining more game mechanics like rewards, badges which might make the content of gamification less important (Boulet, 2012).

3.3.1. Gamification and Motivational theory

Motivational theory is the crucial part of gamification to understand how this phenomenon works and what could be the possible incentives for participating in gamified services.

Gamification involves consumers with both intrinsic and extrinsic incentives (Muntean, 2011). Fang and Zhao (2010) identified the main gamification factors. They concluded that competing with others, level of challenge, distractions from stress, responsibility and unreal environment of the games for doing extraordinary tasks are the major gamified characteristics.

Games offer voluntary complications and obstacles, and let players apply their power and mental capabilities to handle the problems that cannot be handled in real life. Doing different kind of work, creative and discovery tasks with high level of involvement make the player gain "hard fun", which happens when user feels positive stress. Besides, the optimistic sense of capabilities that players get during the game makes it addictive (McGonigal J. , 2011).

According to McGonigal (2011), players in gameful experiences hold four different behavioral characteristics. 1) Urgent optimism, which is the belief to reach the goal, success and changing the world. 2) Social fabric, which concerns with making social connections and association through the game. 3) Blissful productivity, which implies that people show the maximum productivity when they are busy and dedicated to an important task. 4) Epic meaning which is the need to influence on the game and the story that players are interacting with.

Perhaps one of the best theories describing why people play games is the theory of "flow" introduced by psychology professor Mihaly Csikszentmihalyi (1991) that is widely accepted. According to Csikszentmihalyi (1991), there is an optimum point in intrinsic motivation, which causes particular happiness that is assumed to be the essential reason for playing game. Flow is categorized by the degree of involvement, intensity of concentration, loss of self-awareness, feeling of being perfectly challenged and loss of time (Csikszentmihalyi M. , 1991). This state of

mind requires person to be intrinsically motivated and also possible for performing any task (Csikszentmihalyi M. , 1988).

There are seven fundamental components of flow that are summarized in table 1. These components can be broken into two groups: conditions and characteristics. Conditions must be attained before flow can be reached. Characteristics occur while a person is in flow, even if they are unaware of it (Csikszentmihalyi, Abuhamdeh, & Nakamura, 2005).

Table 1-Flow Condition and Characteristics, Csikszentmihalyi (1991)

Conditions of flow	Explanation
Clear tasks	Players understands what they must complete
Feedback	Person receives clear and immediate feedback showing what succeeds and what fails
Concentration/Focus	Person is not distracted and can fully focus on the task
An attainable, balanced goal	The goal is challenging and within their abilities to complete
Characteristics of flow	**Explanation**
Control	Person believes their actions have direct impact on tasks and he/she can control the outcome
Reduced awareness of self	Complete focus on the task leaves little room for feeling self-conscious or doubt
Altered sense of time	Perception of time is distorted and time passes by quickly

In order to achieve the flow, the right conditions must be fulfilled specially the last condition, balanced goal. A goal that is challenging yet achievable within the individual's ability. A task that is not challenging or requires extra time to complete becomes boring and results in loss of interest for the player; a hard task on the other hand causes anxiety and frustration and makes the player tired. As a user's skills improve over time, the challenge needs to increase accordingly. This balance is called the flow channel as it is depicted in the figure 3.
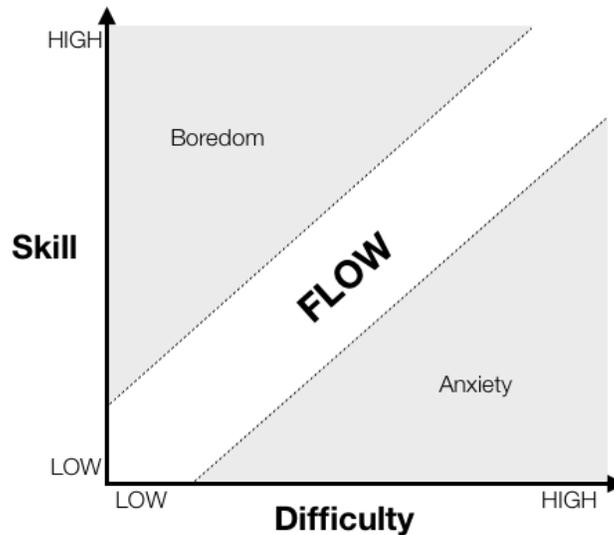
Figure 3- Flow: The Psychology of optimal experience, Czikszentmihalyi (1991)

Zichermann and Cunningham (2011) introduced the SAPS model for extrinsic motivations including Status, Access to new content, Power and Stuff such as gifts that accords with game dynamics. Extrinsic rewards are normally connected with game mechanics as points, badges, and leader boards. Extrinsic motivations are considered to have a short-time effect on consumers, which decrease the long time span of interest in the subject (Vockell, 2004). Gamification is assumed to offer a viable value and more importantly work as a supporting system for the primary value drivers (Wu M. , 2013).

Gamification can be used as a great tool to achieve benefits that are difficult to reach with the use of current marketing tools in engaging, re-engaging, motivating and creating loyalty (Deterding, Dixon, Khaled, & Nacke, 2011) (Zichermann & Cunningham, 2011).

The immense success of gamification can be seen in Foursquare and Frequent Flyer Program (FFP), the most well known services that applied gamification (Zichermann & Linder, 2013). Both Foursquare and FFP's have gamification at their core and this has created a service that offers customers experiences that motivate them to use these services frequently and with intensity. Applicability and fun making techniques are at the center of gamification that can be tailored to suit business objectives (Zichermann & Linder, 2010).

3.4. Virtual Communities and Crowdsourcing

Crowdsourcing has become one the most successful trends nowadays and works as a virtual distributed problem solving framework (Brabham, 2008).

High level of collaboration and interaction in between company and consumer increase the competitive advantage (Prahalad & Ramaswamy, 2004) and create a source of value creation (Zwass, 2010). Value co-creation is dependent on participants in online communities and relies on knowledge of the crowd that built up crowdsourcing concept (Surowiecki, 2005).

Customer participation in virtual communities has a great impact on development of organization through conversion of free-time online activities into useful source of information for the benefit of company, which only occurs by social interactions of collective consumers and could not be reached by a single person (Kozinets, Hemetsberger, & Schau, 2008).

Crowdsourcing has a wide area of applications that allow empowering social interactions, increasing creativity, and controlling human activities (Gowdy, Hilderband, Plana, & Campos, 2009). Perhaps the most important benefit of crowdsourcing is to reach a big pool of creative ideas to solve problems and extract a great deal of external knowledge (Howe, 2006). Crowdsourcing is managed and supported by the company, which generates contents, creates inducements for participating and gives rewards (Brabham, 2008) (Howe J. , 2009).

Crowdsourcing is also considered as a type of brand community that enables the firm and virtual participants in community to make a strong bond with each other (Chafkin, 2012). All sort of virtual communities share certain features concerning how they work and their impact on their members. They are all categorized as netnographically communities that have specific rituals, traditions, focused on a certain good or service (Muniz & O'Guinn, 2001). Virtual communities are built based on distinct interest, which provides the reason for existence (Bagozzi & Dholakia, 2002). Besides, the members of these communities create a bond with the other members and try to distinguish themselves from non-community members (Wellman & Gulia, 1999). Also, user interaction in online communities develops jargons and makes boundaries and commitment to community's goal (Bagozzi & Dholakia, 2002). Participation of active members is the basis for establishment and continuance of online communities (Arnould, Price, & Malshe, 2006).

Therefore, virtual communities can bring individual's interests and hobbies together with the need for socially belonging and identification (Kozinets, Hemetsberger, & Schau, 2008).

Crowdsourcing shares all these characteristics with virtual online communities but the difference is that these communities are managed and controlled by the company which profit from them (Brabham D. C., 2012).

The reason for participating in online community and involve in crowdsourcing activities has been in the center of scholars research. The social exchange theory seems to be the best suited theory which implies that consumers get involved in online communities due to the reward expectations (Emerson, 1981) (Füller, 2010). "Self-determination" theory argues that participation and spending time on virtual co-creation can be explained by two forms of intrinsic and extrinsic motivation reflected by consumers (Guay, Vallerand, & Blanchard, 2000). Extrinsic motivations are performed as means to achieve participant's objectives and are in favor of goal-oriented behaviors (Wong-On-Wing, Lan, & Lui, 2010). These behaviors are categorized by situational engagement, selective or intentional involvement, interest in content and utilitarian advantages (Hoffman & Novak, 2009). On the other hand, intrinsic motivations are carried out for the sake of experimental oriented behaviors (Gagné & Deci, 2005). They are considered as determined contribution to the virtual community, indirect engagement, amusement, enthusiast in content involvement, hedonic benefits and entertaining activity (Füller, 2010).

Rewards and extrinsic motivation are usually mixed up in the literature. Rewards are used as goals or objectives to strengthen the behavior whereas extrinsic motivation encourages an individual for an action (Porter, 1970). Although, in virtual communities, extrinsic motivation can be shown as monetary incentives or reputation; the dominant stimuli are assumed to be intrinsic motivations (Dahlander & Magnusson, 2005).

Füller (2010) identified ten reasons describing why people engage in online co-creation activities. They include playful tasks, community support, friends making, curiosity, self-efficiency, looking for information, developing skills, compensation monetary reward, recognition, personal need displeasure.
A handful of studies have been carried out on variety of online communities, from Star Trek to open source portals (Brabham, 2008) (Lakhani & Panetta, 2007). According to Brabham (2008),

intention to make money, enrich creative skills and networking stand above the other motivations for participating in virtual communities. Füller (2010) found out that the consumer's reasons for contributing in online communities are usually heterogeneous and a mixture of intrinsic and extrinsic drivers that motivate users to get engaged in content creation activities. Some members might be chiefly motivated by community affiliation or skill enhancement while others get motivated due to ideological reasons. Moreover, user's motivation can change from extrinsic to intrinsic over time (Shah, 2006).

4. Methodology

This chapter elaborates on the selected method for analysis and the research design of this thesis. Netnography technique is selected as the methodology for analyzing the case. This section starts with describing the choice of methodology and the rationale behind it. Then it explains the aspects of netnographic research design and finally the steps to carry out the research based on netnography's five phases design which includes: planning and entrée, data collection, data analysis and interpretation, research ethics and member checks (Kozinets R. V., 2002).

Netnography offers many benefits for conducting a case study compared with other methods of gathering data such as experiment, interviews, observation or surveys. It consumes less time and cost in contrast to traditional data collection and interviews.

4.1. Research Method choice

Case study provides rich and profound evidence that can be used for discovery of theory. Qualitative case study methodology assists researchers to investigate complex phenomena within their contexts. Yin (2003) suggests that a case study design should be used when: (i) the focus of the research is to answer "how" and "why" questions; (ii) researcher cannot manipulate the behavior of those involved in the case; (iii) researcher prefers to shield contextual environments because they are pertinent to the case study.

The research question of this study starts with "why" so conducting a case study is a proper way for this research. Besides, the topic of this research needs an exploratory approach. Robson (2002), suggests that an exploratory study is a useful tool for finding "what is happening", "to seek new insight" and "to assess phenomena in a new light". Since this thesis needs to clarify the understanding of a problem and investigate a new phenomenon, exploratory study is conducted.

Robson (2002) describes case study as a strategy of conducting a research that contains an empirical investigation of a specific contemporary phenomenon, which occurs in real life context. Moreover, according to Yin (2009), there are two goals in studying a case. 1) The researcher has no control of the events and 2) The focus is on contemporary experience in a real life. These reasons fit perfectly to this research. So a case study is an appropriate way to conduct this research.

The aim of this research is to gain insights on how gamification can be used as a platform for transitioning from goods dominant logic to service dominant logic with a strong emphasis on Nike consumer's co-creation activities in virtual communities. In this thesis, qualitative research

method is preferred instead of quantitative method. The reasoning for this selection is the exploratory nature of the research question that requires qualitative method for data collection. Besides, understanding consumer's motivation is by nature an abstract concept and necessitates profound information (Corbetta, 2003). Also in order to clarify the motivation for taking part in virtual communities, it is vital to access rich and deep data (Silverman, 2000).

Every case study can be categorized based on two discrete dimensions: single case versus multiple case, and holistic case versus embedded case. A single case is often used because it provides an opportunity to observe and analyze a phenomenon that few have considered before. Undoubtedly, a crucial reason for using a single case is defining the actual case (Yin R. , 2003). On the other hand, the rationale for using multiple cases is to observe whether the findings in one case happen in another i.e. the need for generalizing. The second dimension refers to the unit of analysis. If the research concerns only with one organization as a whole, then the research is a holistic case study. Embedded case study occurs when one wishes to examine a number of sub-units within an organization, such as departments or work groups (Yin R. , 2003).

Moreover, generalizations from cases are analytical and based on reasoning. There are three principles for reasoning: deductive, inductive and abductive. When generalization is based on deductive approach, a hypothesis is expressed and testable consequences are resulted by deduction. Then the findings, which derived from theory and the case, are compared with empirical findings to accept or reject the hypothesis. The second type of generalization is reached through induction. This can be achieved through conceptualization, which is based on data gathered from the case. The inductive theory generation results in developing a set of related concepts. The third mode of generalization is called abduction; a combination of deductive and inductive approach. Abduction is the process of encountering an unforeseen fact, employing some rules and as a result hypothesizing a case that maybe valid (Baxter & Jack, 2008).

This study is then conducted as an abductive, exploratory, holistic, single case study approach to understand consumer's behavior towards gamified Nike+ platform in virtual community and using Nethnography techniques introduced by Kozinets (2002) as a method for analysis of crowdsourced primary data. The data is collected through Nike+ online community that provides

rich and practical information. The study of Nike virtual community allows the researcher to gain a profound insight into the way that Nike manages consumer's needs and let the customers take part as co-producers of the value through the use of Nike+ gamified Fuelband and sharing their achievements.

4.1.1. Data Collection

Case study is well known for using several data resources, a strategy that enables data credibility (Yin R. , 2003). Resources for collecting data include: documentation, interviews, direct observation, participant observation and etc. Within case study approach, researcher can collect and integrate quantitative data as well, which helps to reach an overall understanding of the phenomenon. Therefore data can be collected from different sources and then converged in analysis process. This merging of data adds strength to the findings as the different components of data are integrated together to support a better understanding of the case (Baxter & Jack, 2008).

Nike+ online community is the main source of data collection for this research, simply because Nike represents as an outstanding case of a firm that applies gamification and engage consumers through Nike+ community and crowdsourcing. The creative online community delivers the opportunity to observe, unravel and analyze the customer's co-creation activities along with Nike's contribution for getting the users more engaged in value creation chain. By using Netnography techniques for analyzing Nike+ community and also highlighting the game dynamics and game mechanics embedded in the gamified Nike+ Fuelband, this study tends to explore the innovative use of gamification by Nike to engage customers in the process of co-creation and leverage this tool for transitioning from goods dominant logic to service dominant logic.

4.2. Netnography

Understanding customers has always been in the center of market research. Up until 15 years ago the major way to reach customers was contacting them physically. Nowadays, getting insights from consumer's activities in virtual world has become easy and accessible for a better understanding of them. Consumers tend to get involved in online conversations that are relevant to the companies (Firat & Dholakia, 2006). Just because consumers' activities happen in an

online space does not mean they are less real, but rather they are part of participants' real life activities and have different effects on various aspect of their behavior (Kozinets R. V., 1998).

The amounts of data and traces consumers remain on online platforms are limitless. These data could be exceptionally beneficial for marketing researchers and managers.

Qualitative methods using ethnographic approach have been always valuable in consumer's research and behaviors and Internet has generated a new and unique source of information for market researchers and marketing practitioners (Kane, Fichman, Gallaugher, & Glaser, 2009). The need for consumer's qualitative research in virtual space led to the rise of Nethnography as "a new qualitative research methodology that adapts ethnographic research techniques to study the cultures and communities that are emerging through computer mediated communications" (Kozinets R. V., 2002). Although, the application of Netnography as well as academic literature is growing (Bilgram, Bart, & Biel, 2011) (Kozinets R. V., 2002), the potential of this approach has not yet fully-exploited (Xun & Raynolds, 2010).

Netnography developed in line with ethnography approach for studying online behavior of consumers in virtual communities. Ethnography is a method of research that the researcher perceives and involves in day-to-day activities of people form different cultures and make conclusions on specified explanatory experience from that culture (Fisher & Marcus, 1986). Based on the researcher's needs, these ethnographic methods can be modified and altered (Kozinets R. V., 2002).

Netnography emerged as a research tool due to the development in social media and internet-based media platforms. The rise of communication technologies has made it easy for both firms and customers to voice their ideas. Consumers exchange information, share opinions and even re-define what products mean to them (Cova & Cova, 2001). Nowadays that the social media are on the growth, the borders between virtual and real have become vague i.e. virtual is becoming a part of the real (Jones, 1995).

Kozinets coined the term netnography in 1995 and delivered several examples of how ethnography can be used on online world. Netnography has started gaining acceptance among market researchers since late 90s and been used in variety of studies (Cova & Pace, 2006) (Muniz & Schau, 2005) (Nelson & Otnes, 2005).

The qualitative and interpretive nature of netnography has made it a perfect research method to study online social context (Bartl, 2009). Moreover, netnographic approach made it possible to

observe customer's motivation without having a physical contact or interactions with them. However, there is not a shared agreement among the scholars on netnographic approach. They basically hold two different views on this matter. Some believe that netnographic researchers have no interaction with virtual community and thus use only comments and words by the community members (Neyer, Bullinger, & Moeslein, 2009) and some others claim that because of the netnographic features, the researcher actually lives inside the virtual community and hence can attain the similar advantage as the ethnographic researcher in an online environment (Puri, 2007).

Kozinets (2002) advocates that netnography is chiefly grounded on contextual conversation, in a sense that it primarily encompasses "non-participant" observation of virtual community. Nevertheless, this does not imply that netnography's boundaries are limited to "non-participatory" observation. Netnography offers a great tool to gain understandings from online consumers and enables the researcher to grasp what customers think by extracting meaningful information from virtual contexts.

According to Kozinets (2002), netnography gives an opportunity to the researchers to investigate virtual communities without interfering and raiding customer's privacy and in a naturally happening behavior.

To understand what Nike+ Fuelband means to the consumers, this research applies netnographic approach to study consumer's behavior in Nike+ online community. This helps the researcher to get a deeper understanding of how consumers feel about Nike+ Fuelband and how motivated they are in participating to the online community. This also allows the researcher to analyze available online information that is in forms of discussions, posts and blogs.

Before emergence of netnography, study of consumer's incentives for contributing in online activities was mainly through interviews and questionnaires (Braham, 2008) (Cova & Pace, 2006) (Muniz & Schau, 2005). The problem with these methods was that the respondent's answers might have been partially biased because of unaware motivations during the interview or respondent's perceptions of the right answers to be delivered to the interviewer (Prisacaru, 2012). Netnography has gained great deal of popularity since its introduction and many researchers have applied it for variety of purposes. Researches employing netnography range

from different areas, from exploring the effect of post-modernism on consumers (Prisacaru, 2012) to inviting and absorbing information technology (IT) specialists (Belfo & Sousa, 2011), to study consumer's discouragement (Braunsberger & Buckler, 2011).

Nevertheless for every research tool, there are some challenges to be considered and netnography is not an exception. To begin with, the amount of data available in online communities is massive and quite reachable by almost everyone connected to the Internet. This huge amount of data can baffle the researcher, because making concrete information out of raw data is very difficult. Besides, interpretation of this data is quite subjective, and is dependent on researcher's knowledge and skills. This might result in different interpretations from the same data (Pursiainen, 2010). Moreover, netnography is limited to the nature of virtual communication context, meaning that it lacks human interactions like body language and gestures and this could be considered another challenge for predicting and generalizing online users' behavior (Kozinets 2002).

4.3. Netnography Research guidelines

Kozinets (2009) defines five stages in netnography that can be used to understand consumer's behavior in online communities. These guidelines include: planning and entrée, data collection, data analysis and interpretation, research ethics and member checks. Each and every one of the steps is elaborated in the following:

4.3.1. Planning and Entrée

During this step, the research question is defined and the online community is chosen. This means that the objectives of the research need to be shaped in a well-structured research questions that are clearly well written and also the data provider i.e. online communities for the purpose of this research need to be selected, whether it is a website, forums or blogs. The virtual communities provide the basis for empirical research, which allows the researcher to explore and back up his arguments regarding online participation in crowdsourced communities (Yin R. K., 2009). The selected online community for this research is Nike+ community that provides data needed for this research. This platform is a place for all the runners using Nike+ Fuelband and

application to share their achievements and discuss their challenges. User's posts on Nike+ community are the main source of exploring consumers' motivation and involvement.

The reason for choosing Nike+ community is based on the criteria proposed by Kozinets (2002) for a proper online community to conduct a netnography research. He proposes that selected online community needs to have: 1) relevant data for the research questions 2) high rate of user's posting 3) great number of participants 4) appropriate data and 5) high level of users interactions. Nike+ community meets these five requirements and is a perfect platform to perform a case study.

Furthermore, for prior understanding of an online community's characteristics, which is recommended by Kozinets (2002), the researcher invested sufficient amount of time within the community before the next step (Data collection) in order to grasp the norms and values between the participants.

4.3.2. Data Collection

To collect qualitative data from Nike+ community, relevant quotes and comments are extracted in order to understand the purpose and feelings behind the messages. Kozinets (2002) suggests that to gather qualitative data, we copy texts directly from consumer's participation and then use the interpretation skills to analyze them.

Data collection requires to be guided by the research question and other accessible resources, like time and skill level (Kozinets, 2002). The strength of netnographic approach is recognized by closeness to different online consumer groups and depth of communications (Kozinets, 2002). Thus, in this study, sufficient number of user's posts is selected for analysis and interpretation. Kozinets (2010) categorizes research activities within a community into three levels. 1) Observational netnography, a method in which the researcher does not disclose his identity. 2) Participant-observational netnography that the researcher reveals his identity and participates both online and offline in the community. 3) Auto netnography, which the researcher actively contributes to the community. Observational netnography is used in this research as only notes and quotes are taken from the community members.

4.3.3. Data Analysis and Interpretation

To analyze the data, Kozinets (2002) emphasizes on reliability more than validity of data and concerns that reliability might be a challenging task due to written and textual form of the data. This stage of data analyzing goes hand in hand with the data collection since the process of analyzing and collecting data happen simultaneously.

Content analysis and member's posts classification based on the literature review is used to analyze the data. It means that the literature works as an instruction for analyzing the data. Besides, following the Kozinets's (2010) netnographic approach, a set of analysis steps is used for data interpretation, namely coding, noting, abstracting, comparing, checking, refinement, generalizing and theorizing. Therefore, an abductive analysis of qualitative data is employed for purpose of this thesis. In this way, both inductive and deductive approach can be used for data interpretation.

In practice, the data is extracted in form of quotes form Nike+ online community and analyzed based on netnography approach and the literature review in order to find consumer's motivation and also gamification elements that have been used in the Nike+ Fuelband. Besides, user's posts are categorized in accordance to the major topics for facilitating the process of interpretation.

According to Dholakia and Zhang (2004) there is always the issue of member's identity in virtual netnography data analysis and interpretation that needs to be considered. In a sense that researcher cannot be fully confident that users in online community are the ones who declare to be. This problem can be tackled by the amount of "Nike Fuel" the users have in the community and their contribution to the group.

4.3.4. Research Ethics

Two major ethical issues have been taken into account in this research. One issue is the decision on being anonymous or revealing the researcher's identity and another ethical concern is the verdict on letting Nike+ community members know about using their quotes and comments for the purpose of this study. Langer and Beckman (2005) suggest that virtual community members should not be notified about the research or the researcher but on the other hand Haggerty (2004) proposes that researchers reveal their identity in virtual forums or communities.

Since there is no clear agreement in the literature regarding this ethical dilemma, the researcher decided to remain anonymous and keep his identity form the other members. Chiefly because all the data are available to the public and anyone with Internet can access to the posts and comments. Moreover, no confidentiality rules for using to this data have been found by the researcher. Also due to reviewing a great number of posts and comments by community members as well as availability of this thesis after its submission, the researcher decided not to notify the members for using their posts and comments.

4.3.5. Member Checks

Member checks are means of consulting with community members by offering them the summary of the research (Kozinets R. V., 2010). At the moment this research has not been completed for member checks. But the summary of this thesis will be available through Nike+ community after its completion and approval.

5. Analysis of the case

This chapter analyzes the case in two main parts. The first part focuses on analyzing Nike+ Fuelband gamification strategy based on the device performance and the consumer's insights from Nike+ online community. The analysis is carried out through the exploration of game mechanics used in Nike+ Fuelband as well as Nike+ virtual community. The second part investigates service dominant logic aspects of Nike+ gamified platform by analyzing foundational premises of S-D logic used in Nike+ fuelband.

5.1. Nike+ Gamification Strategy

5.1.1. Nike+ Fuelband Design and performance

Setting up Fuelband is very straightforward. After creating a Nike account, entering personal information such as height, weight and age and charging up the wristband, the device is all set to use. The Fuelband uses its accelerometer for measuring the activities and converts them into "Fuel" points. This metric creates a common denominator between all types of sportspersons. Just by pressing the only button on the device, it shows all the relevant data including amount of Fuel points one has earned as well as the daily goal percentage illustrated by LED lights from red to green.

The simple usability combined with proper functionality of the device makes it absolutely easy for everyone to measure up every step. Even in the promotional video of the device there is a line that goes, "You can't improve what you can't measure". Nike+ Fuelband not only gives the users data for their movements, but also helps them to tell stories about the data. Nike has created an amazing online experience that shows the story of data over time.

5.1.2. Nike+ Game mechanics

Nike+ Fuelband uses typical game mechanics that applies in non-game environment, which makes it a great example of a company that exploits gamification benefits to the extent.

Points mechanism is used in Nike+ Fuelband to measure individual's activities. The device uses "Fuels" as points mechanism that users can earn to evaluate themselves with others. Consumers can also set daily goals based on Nike Fuels and try to achieve the points. In addition to the usual steps, calories and Fuel that the wristband measures daily, it allows users to track individual

"sessions" and compare the results. The advantage of setting "sessions" is that it gives the chance to the users to choose their specific type of sports and thus receive more accurate metrics.

Moreover, countdown mechanism is translated into "Win the Hour" feature in the device that attempts to push the users by showing a friendly reminder in the form of "Go [Your Name] Go!" every hour. Winning hours does not earn the user bonus points, but rather encouraging the user to improve their physical stamina over time.

As for the rewards, Nike+ Fuelband illustrates banners like "Best Day" and "Longest Streak", plus trophies for beating levels like 10,000 Fuel points. After passing certain benchmark, a little symbol performs a dance and pulls down a banner in the user's honor. In order to unlock awards, trophies and surprises, user needs to move and earn more Nike Fuel. The LED lights on the device show the user's current status and pushing the users until it gets to the green zone. Cellphone application and the web site also offer more of the same information but with greater details.

Another interesting feature of Nike+ Fuelband is "Groups", which can be created among groups of friends and acquaintances, especially when sharing across wider social range is not desirable. This feature allows users to receive motivations as well as challenges by their friends. This is part of the social layer added to the device, which creates a richer experience for the users. Consumers are encouraged to connect to Facebook and post their achievements and get supportive comments from their friends. Also Nike has provided a community that Nike+ fuelband consumers get together and share their goals and achievements and receive direct support from Nike. Consumer's participation in this online community is analyzed in the next part for a better understanding of Nike+ Fuelband customers.

5.1.3. Nike+ Community structure, consumers perspective

Nike community forum offers a place for athletes who share a common goal. The community allows users to connect and help each other to reach their goals. Like other social networks, there are multiple ways for users to interact within Nike community. Posts, comments, likes, shares and flags are the typical forms of interactions.

In this part of analysis, the consumer's motivations in Nike online community are evaluated. User's posts and comments are explored with regards to Fuller's (2010) model and gamification

motivational factors. Besides, game dynamics, which represent behavioral patterns in reply to game mechanics, are investigated.

5.1.3.1. Consumer interactions

Nike online community is categorized by different topics such as achievements, motivation and training. The words "Goal" "Fun" and "Motivation" appear more often in the quotes than the others. Hence, Nike users really think that Nike+ Fuelband is fun way to exercise and the device motivates them to reach their goals. This is in line with Fuller's (2010) notion of playful task, which is a tool for intrinsically motivating people. Here are some quotes by the users:

"I love the Fuelband for motivation. I set a goal and know that I have to push myself to achieve it. It is accurate and keeps me from sitting too much during the day. I especially like the hourly reminders to get up and move more!" (Karen, 2014)

"That was fun but not as fun as running. Hope my calves will be fine soon!" (Oliver, 2014)

"I run for so many reasons...but the biggest reason I run is cause it makes me happy." (Lauren, 2014)

"I'm almost to 5 million Nike Fuel. I have a goal to get there in one month! Who else wants to join me?" (Karen, Nikeplus Community, 2014)

"Nobody said it is going to be easy, but it will be so worth it!" (Jason, 2014)

Requesting for relevant information and asking for new friends to start a challenge are another frequently posted quotes by users. According to Fuller (2010), exploration and curiosity seeking can be considered in the form of inspiration seeking. Posts highlighting inspiration seeking can easily be found in Nike+ forum.

"Hi guys, just got it today! Please add me. Let's help each other keep moving" (Catalina, 2014)

"Considering getting a fuel band, but just kind of curious about the accuracy of it and what everyone thinks about it overall. I'm currently just using the Nike Watch for runs, but would like to try a fuel band for my daily usage." (Demetrius, 2014)

Furthermore, Nike+ community leader board actively participates in the discussions by answering to the questions and giving inspirational quotes. For instance, in response to Catalina from the previous quote, Nikefuel commented:

"Welcome to the team, Catalina. What's on the action agenda for day one?"

Or it motivates participants by sharing inspirational and challenging quotes:

"Today's Challenge: Torch your goal by 150%. Then tell us how you got there." (Nikefuel, 2014)

Co-creation aspect of gamified Nike+ Fuelband is visible throughout the community by user's challenges and goals setting combined with posting their achievements. Socially motivated activities of the community members have a positive impact on co-creation result. This can be viewed by supportive comments of fellow members in Nike+ community.

"I had my best month and best week's in April. Excited to see what I can accomplish in May! How are you all doing?" (Karen, 2014)

"The Fuel Band is the best fitness monitor I can find, and I trust its accuracy after 10 months of use. The software is wonky and recently cost me a 73-day streak because data didn't download correctly. But I work hard to see the numbers I'm putting up every day and I enjoy studying the data. My life changed dramatically and for the better when I put the Band on though. Like Michael P., I'm addicted to making the numbers and steps soar, and the calories drop. Dropped 40 pounds and am working toward dropping 10-15 more and then maintaining. I can't see accomplishing that goal without my Fuel Band. Solid motivation, delivered every day!" (Arthur, 2014)

While the purpose of the community is to keep the users socially engaged, members are free to take part on each other's posts. Friends making and building relationships are aspects of consumer involvement in crowdsourced virtual communities (Fuller, 2010). Users tend to interact with like-minded people and share a sense of belonging to the community. Social factors

of the Nike+ community are fortified by the opportunity of sharing challenges and invite more audiences for the upcoming contests:

"I've just got a nike fuel band. Looking for new friend and groups. Plz add me" (Saori, 2014)

"Looking for competition! Can you beat me?" (Dan, 2014)

"Been using my fuel band for a few months, love it! need some friends for a challenge though!" (Channelle, 2014)

And then again users frequently receive supports from the community leader. For example in reply to Channelle, Nikefuel adds:

"We're here to help keep you motivated Channelle. What are you doing today to move more than yesterday?" (Nikefuel, 2014)

Problem solving and product dissatisfaction can also cause contribution in virtual communities (Fuller, 2010). Some displeased customers in the community voice their concerns with the product and some others with products difficulties look for relevant answers to their questions.

"Is anyone else having issues with the fuel not syncing properly. It registers correctly on my iPhone but not on my nikeplus dashboard. I have a streak of 16 days on my iphone but only 8 on the dashboard because it says I didn't reach my goal on one of the days. Is there anyway to get this synced properly?" (Brandon, 2014)

"How do I unlock the Living Legend trophy?" (Otto, 2014)

"I dislike that fuel band only cares about arm movement. I killed leg day (lifting) today and got basically nothing. Even if I log a workout and label it weight lifting it doesn't adequately reflect the work I put in. But other than I am happy with the fuelband." (Josh, 2014)

And of course they receive helps and self-experience from the fellow community members;

"Weights, yoga and bicycling are my main training outlets, and sessions or not, the Fuel Band ain't our friend in these fitness pursuits. I found my way around it, though and adapted. I walk, run and walk and run. The added cardio is great, and the points pile up. So I started doing combo workouts. Hell, I even started dancing, music or not. We can adapt to the Fuel Band and be winners!" (Arthur, 2014)

5.2. Gamification and S-D logic

In contrast to Goods dominant logic, service dominant logic provides a framework for the concept of service and its role in competition and exchange. Thus this section aims to connect the findings of gamification mechanism used in Nike+ Fuelband with foundational premises of service dominant logic, which relies upon ten foundational premises of S-D logic (Vargo et al., 2004).

According to the first foundational premise (FP1), the primary unit of exchange is particular skills and knowledge. As it is obvious for Nike+ fuelband, users look for the data regarding their physical activities and in fact they purchase a knowledge generator device rather than a fancy wristband. Consumers then use this data to get informed about their physical performance. The gamification aspect of the device helps customers and the firm in the process of exchanging the knowledge and skills. In contrast to goods dominant logic of marketing which proposes manipulation of 4p's related with mostly tangible goods brings competitive advantage for the firm; foundational premise 1 (FP1) suggests that it is not the product that the aim of consumer's acquisition, but rather the benefit available through the service of the provider.

Since the tangible product in this case is the Nike+ Fuelband, the process of exchange between Nike and consumers is indirect. This means that based on traditional view of marketing, Nike+ Fuelband as a product, money as the value of the product and all the means of indirect exchange obscure the service-for-service nature of exchange, which is in line with the second foundational premises of service dominant logic (FP2).

Foundational premise 3 (FP3) implies that in service dominant logic, goods are merely a way of distribution for service provision. As it can be seen for the case of Nike+ Fuelband, consumers

need to get motivated for their physical routines. This motivation is provided and embedded inside the Nike device through a set of gamified services as well as social layers. Therefore Nike+ Fuelband is just a mechanism to deliver a gamified device to meet consumer's needs.

Gamification provides a platform for both consumer and the firm to interact and exchange information. As users receive relevant data regarding their performance from Nike+ Fuelband, it gives a great opportunity for Nike to access this big data and employ it for the next innovative services. Moreover, Nike+ community takes user's insights on the device and their ideas of the product and therefore provides an extreme source of competitive advantage for Nike. In this case foundational premise 4 (FP4) that claims knowledge is the foundational source of competitive advantage can be fulfilled.

As for foundational premise 5 (FP5), which proposes that all economies are service economies, it is argued in the literature review that service is only now becoming more apparent with increased specialization and outsourcing. Gamification has helped the offering to be more visible due to the service nature

One of the most important aspects of shifting towards service dominant logic is the idea of consumer as a co-creator of value. According to FP6, there is no value until an offering is used. Nike+ Fuelband facilitates the usage experience and attempts to make the consumers part of value-creation process by motivating them to achieve more fuels and participate in online community.

Since value is always co-created by consumers (FP6), it cannot be embedded in manufacturing process (FP7) and therefore the company can only make value propositions. By adding a gamified layer to the core product, Nike simplified the acquisition of value proposition in order to engage the customers to the service of value-in-use. According to foundational premise 8 (FP8), a service-oriented view of marketing is relational and customer-centric. This means, operant resources being used for the benefit of consumers essentially put the consumers in the center of value creation and thus entails relational. As it can be seen through gamified Nike+ Fuelband, the consumer is always at the center of value creation process and therefore, the device per se is just a carrier of the value.

Organizations exist to serve society through the integration and application of resources and transform micro-specialized competences into services that are demanded in the marketplace (Vargo & Lusch, 2006). This foundational premise of service dominant logic can be achieved by the use of gamification. Nike+ Fuelband integrates all the micro-specialized capabilities that customers demand into a service offering through gamification.

Furthermore, based on foundational premise 10 (FP10) value is always and phenomenologically determined by the customers. People have different motives for using Nike+ Fuelband and they define the value according to their own perceptions and situational consumption. Therefore the perceived value varies by different customers. Gamification delivers a platform for a range of purposes, and due to use of big data, it helps the firm to identify the perceived value by customers.

Lusch et al (2007) argue that service dominant logic and its foundational premises provide competitive advantage for a company. It argues that since applied operant resources are what exchanged in the marketplace (FP1), they are indeed source of competitive advantage and the firm's ability to integrate (FP9) operant resources (FP4) develops capability to gain competitive advantage through innovation. Besides, the trends of open standards, specializations and reduced obstacles of technology application increase the prospect of customers and firms relationship (FP6, FP8). Due to customer's role as a value co-creator (FP6), and the firm's role as a resource integrator (FP9), competitive advantage is increased by proactively involving both consumers and value network partners. Furthermore, expertise, physical assets, risk taking and psychic benefits influence consumer's motivation and level of participation (FP6, FP9) in service delivery through collaboration (FP8).

On the other hand, from service dominant logic point of view, gamification is defined as a process of enriching a service with affordance for gameful experience in order to support customer's overall value creation (Houtari & Hamari, 2012). Both service dominant logic and gamification concept make explicit notion of value co-creation; value cannot be embedded within the product but rather be created by consumption (value-in-use). Gamification can reinforce customer's value co-creation by enhancing a service layer to the core product.

6. Discussion

This chapter addresses the research question based on the findings in Nike+ Fuelband gamified platform and its relationship to service dominant logic of marketing. With this empirical research, this thesis investigated why gamification can be used as a platform for transitioning from goods dominant logic to service dominant logic.

Based on the findings of the case and foundational premises of service dominant logic, this section will discuss the outcome of the case.

Transitioning from goods dominant logic to service dominant logic requires methods and empirical research that could assist in the process of transition (Deighton & Narayandas, 2004). That was the main reason for selecting this case to study and identify an appropriate tool for this transition.

Gamification has gained a lot of attention as a mean to motivate, involve and enhance customer's activity for the purpose of marketing in order to retain consumers in different business environments (Deterding et al., 2011). In particular, it is observed that Nike employs a wide range of gamification strategies for Nike+ Fuelband, which are intended to assist consumer's co-creation of value. The gamified service is leveraged through integrating game mechanics such as points, goal settings, challenges, achievements, rewards and status along with social layer embedded inside the product. Besides, a community is offered for consumers to participate and interact with other Nike+ Fuelband users and share their opinions and challenges.

Nike+ Fuelband is designed to give the consumers an opportunity to stay motivated in their exercises and empower them to measure their physical movements. This is obvious from the first impression of the device. Moreover, assistance provided from the online crowdsourced community plays a key role to maintain users intrinsically motivated and provoke a sense of belonging. Members are encouraged to participate in the discussions and share their challenges along with their feelings about the Nike+ Fuelband. They also receive direct inspirational quotes and comments from Nike+ community leader board which brings a sense of trust and support to the users.

Gamified platforms are usually criticized for being too concentrated on game mechanics and

numerical measurement like points and bonuses (Deterding, 2011). According to definition by Houtari and Hamari (2012), "gamification refers to a process of enhancing a service with affordance for gameful experiences in order to support user's overall value creation".

This definition stresses on the purpose of gamification, which is the experience it attempts to give rather than the methods. Other definitions mostly rely on the impression that gamification is merely achieved through the use of game elements. However, if the idea of using game elements in non-game contexts is the main factor in gamification, one could conclude that loyalty programs, decision support systems and other services that have points, levels and other metrics would also be considered as games.

The term affordance in this definition can refer to any entity that service system contributes to the gameful experience. The definition highlights that the gamification process does not necessarily have to be effective. In a sense that gamification can only attempt to reinforce the customer in creating gameful experience (Houtari & Hamari, 2012). Therefore the successfulness of gamification can only be measured through consumer's perspectives. In case of Nike+ Fuelband the company has the opportunity of using big data to analyze consumer's insights on the product. Moreover, by creating a crowdsourced online platform, Nike access to huge amount of information regarding consumer's habits and perceptions.

Another aspect of gamification definition (service-based) is the word "enhancement" which refers to the service logic of gamification. It means that gamification attempts to describe a service system where a core service is enhanced by another one. This is important form marketing point of view. To clarify, gamification cannot be defined by itself but rather by enhancing other services. For example, Foursquare, is not a gamified service by itself, but it can gamify and thus enhance other services by adding rules, goal, feedback and rewards.

It is also essential to note that not all service systems can be gamified according to this definition, it is important that the enhancing system reinforce the core service and not the opposite. In fact, it could be difficult to distinguish between core service and the enhancing service. It is always the consumer's subjective perception that defines what can be considered as a core service of a firm (Houtari & Hamari, 2012).

As findings revealed in analysis part, gamification used in Nike+ Fuelband does not rely merely on game mechanics and quantitative measurements but rather stepped outside the realm of pure gamification platforms and simple game elements by offering sufficient game features in order to maintain long-term customer's engagement and reduce the risk of using the device and its service just for the sake of playing a game. Moreover, game dynamics that are the user's behavioral pattern in response to game dynamics (LeBlanc, Hunicke, & Zubek, 2004) were investigated through Nike+ online community. It appeared through netnographic analysis that customers consider Nike+ Fuelband a fun way to stay motivated for working out and employ this fun as a tool for co-creation activities which is in line with the notion of hard fun proposed by McGonial (2011).

Furthermore, consumers actively participate in Nike online community. The supports from the community members as well as the leader board have made the online community a place for users to get together and build connection with other members. This helps them to challenge each other and also receive inspiring comments.

In order to analyze the compatibility of gamification with service dominant logic, this study employed foundational premises of S-D logic and tried to relate them with findings in Nike+ gamification. The S-D logic focuses on service, not product or services. This variation has created confusion and resulted in criticism of the study (O'Shaughnessy & O'Shaughnessy, 2011). According to the definition of service within S-D logic: the process of using one's competences for the benefit of another party (Vargo S. L., 2009) and foundational premise 1 (FP1), service is fundamental basis of exchange. Nike+ Fuelband is in fact a type of service offering for consumers and what is exchanged between the firm and customers is proven to be service.

Nevertheless service dominant logic does not reject the value of goods (Lusch, 2011) FP3 argues that it could be within the process of value creation and that actual integration along with other resources is essential for economic success (Ballantyne & Varey, 2008). Furthermore, service dominant logic differentiates resources and labels them as "operant" and "operand". As opposed to goods dominant logic, which is centered upon operand resources and recognizes customers as operand (Parry, Mills, & Purchase, 2011), Nike+ gamified platform considers customers as

operant resources and the primary source of value creation. Therefore, service dominant logic restructures the view on resources and value. Tangible products are no longer fundamentally valuable and basis for exchange. Based on this logic, value is no longer embedded inside an offering and thus transferrable, but rather the outcome from interaction between the value provider and value receiver. This means value is not created in exchange, but co-created by using it and in a context (Chandler & Vargo, 2011). Nike applied this idea into the Fuelband through embedding a gamified layer as well as social settings to prepare all it takes for consumer's value co-creation. This is in contrast with goods-dominant logic that believes value is understood in exchange. According to this view, value can be produced as a product or service and exchanged in the market for money (Vargo & Lusch, 2004). Following such concept, G-D logic makes a clear distinction between producer and consumer and the value chain (Vargo & Lusch, 2008). Value chains refers to a connected set of activities where the producer of an entity adds value by performing an act and exchange the unit with a customer in the marketplace (Vargo, Maglio, & Akaka, 2008).

Service dominant logic on the other hand states in foundational premise 6 (FP6) that value is always co-created with customers (Vargo & Lusch, 2008). This view of value co-creation discards separating conventional value chain and suggests a system where consumer and producer create the value by integrating their resources in a logical way (Lusch, 2011). The concept of co-creation then considers that value is determined by the consumer in usage process and made it clear in foundational premise 10 (Ramirez, 1999) (Gronroos, 2004).

The co-creation of value for Nike+ Fuelband appeared to be connected with consumer's intrinsically motivation for participating in gameful experiences. Gamification thus assists users with the process of value co-creation.

Based on service dominant logic perspective, consumers do not buy goods but rather look for value proposition, which they think to be potentially valuable and this value is only understood and realized inside consumer's context. Before this value realization point, the offering has no practical value for customers. This is stated in FP7 that the company is unable to deliver value but only offer value propositions (Ng, Parry, Smith, Maull, & Briscoe, 2012). This is also proven to be true for Nike+ Fuelband, since consumers are seeking for a service to keep them motivated;

the wristband is merely a value proposition from Nike that can be potentially valuable.

Although several arguments and discussions over the importance of service dominant logic has been studied, only few tried to operationalize the concept. If a company decides to make transition from goods dominant logic to service dominant logic, what is essential is to display whether an empirical and realistic structure of value proposition based on S-D logic, is feasible. That is the only way that a company can grasp an insight of why and when service dominant logic can be beneficial. Knowledge and understanding of two different fundamental approaches in marketing can be useful for firms to examine different logics and explore the transitioning process (Ng, Parry, Smith, Maull, & Briscoe, 2012).

7. Conclusion

This thesis studied a single exploratory case study of Nike+ Fuelband to investigate why gamification can be used as a platform for transitioning from goods dominant logic to service dominant logic. By employing netnographic approach for analysis, this research explored consumer's motivation for using gamified Nike+ Fuelband as well as participating in online community. It revealed that game mechanics used in the device such as points, challenges, rewards etc. are the key drivers for consumers to get intrinsically motivated and thus enhance their value co-creation. Until this point, the gamification proved to be a great tool for user's involvement. Moreover, this research focused on anchoring the findings in gamification with the new approach in marketing i.e. service dominant logic, which is grounded on ten foundational premises. Based on the literature review in S-D logic and analysis of Nike gamified platform, it is discovered that gamification can be used for Nike as a platform for shifting from goods dominant logic to service approach.

Nike is one of the most successful companies that despite of manufacturing tangible products, turned its approach towards service offering and considered customer as co-creator of value. Indeed, Nike took the advantage of applying gamification for this matter and proved that it can be a unique tool for transitioning from conventional marketing approach to service dominant logic.

Gamification, the integration of game mechanics into non-game tasks, requires to get fully unpacked. It could also be argued that everything is a game in our current socio-technical context (Wark, 2007).

In spite of all the benefits, there are criticisms for use of gamification in non-game environments. Most gamification efforts have been focused on marketing purposes to increase brand awareness (Zichermann & Cunningham, 2011). Therefore gamification is mainly in use for business objectives for changing desired customer's behavior. This can be achieved through points system attached to preferred behaviors and enrichment of the experience with badges, leader boards, challenges, social elements and rewards. Based on this pattern, Schell (2010) at the Design, Innovate, Communicate, Entertain (DICE) summit anticipates a "Gamepocalypse", an unpleasant future that everybody gains worthless points for every activity. Much of Schell (2010) argument was concerned with the upcoming technologies that provide a sort of useless reward system for every single daily activity. "Your toothbrush can sense that you are brushing your teeth. Ding, five points for that. Oh, and you brushed your teeth everyday this week. Ding 20 points for that. And toothbrush and toothpaste company love this because it means you'll buy more toothbrushes and toothpaste." This could be a big challenge gamification might face that marketers manipulate customers into whatever behaviors are most beneficial. In contrast McGonial (2011) argues that game and gamification will improve cooperative productivity and capability to resolve global problems and consumers have full control over their actions. McGonial (2011) in his famous book, "Reality is Broken", questioned the positive potential of real-world challenges that can be changed through games. The popularity of the book and the interest in engagement by those approaching games from this perspective was the opposite point of Schell's (2010) argument. There are countless examples of game-based experiences that have positive and significant outcomes for those interacting with them. Yet, arguments regarding "Gamepocalypse" rooted in a market-focused aspect of gamification with money at its core (Zichermann, 2011). While for instance, Nike+ fuelband have attempted to gamify running and motivate people to be healthier, it also enhanced Nike's brand. Exploring the use of gamification, one finds that what is being offered is the sense of engagement that games provide. Of course this can be perceived differently from one person to another. What perhaps makes the vision of gamification horrifying -according to Schell- is the consumption-oriented, head-down and proper socially responsible rules behind games, not the positive outcome of gamification (O'Donnell, 2014).

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