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**Towards Service Logic:  
The Unique Contribution of Value Co-Creation**

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## Towards Service Logic: The Unique Contribution of Value Co-Creation

Key words: Value co-creation, value creation, value facilitation, service logic, service-dominant logic

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## Towards Service Logic: The Unique Contribution of Value Co-Creation

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### **Abstract**

The underpinning logic of value co-creation in service logic is analysed. It is observed that three of the ten foundational premises of the so-called service-dominant logic are problematic and do not support an understanding of value-co-creation and creation that is meaningful for theoretical development and decision making in business and marketing practice. Without a thorough understanding of the interaction concept, the locus and nature of value co-creation cannot be identified. Based on the analysis in the present article it is observed that a unique contribution of a service perspective on business (service logic) is not that customers always are co-creators of value, but that under certain circumstances the service provider gets opportunities to co-create value together with its customers. Finally, the three problematic premises are reformulated accordingly.

**Key words:** Value co-creation, value creation, value facilitation, service logic, service-dominant logic

### Background and purpose

As far as value for the customer is concerned, according to the prevailing rhetoric in the service “-dominant” logic stream of literature “the customer is always a co-creator of value” (e.g., Vargo and Lusch, 2008). Originally, this phrase was stated as “the customer is always a co-producer of value” (Vargo and Lusch, 2004). Since Vargo and Lusch made this re-formulation, invariably almost in every publication on this service perspective on business and marketing, without criticism or even questioning it, the statement is repeated. However, what is the underpinning logic of this statement, what does it mean, and which are the theoretical and practical conclusions that can be drawn from it? The firm’s role in the value-creating process is also said

not to be that of a value creator but of a value co-creator (Vargo and Lusch 2008: Vargo, Lusch and Akaka, 2008; Lusch, Vargo and Wessels, 2008:10). These questions have never been properly discussed or even addressed. In a recent article, Vargo, Maglio and Akaka's (2008) conclude that "... (the) exploration of value co-creation raises as many questions as it answers. For example, *what exactly are the processes involved in value creation?*" (p. 151; emphasis added).

On the highest level of abstraction – both the customer and the service provider are in some capacity part of the value-creating process – the statement "The customer is always a co-creator of value" is correct, of course. However, it is too simplistic to allow for theoretical development or practical decision making in any meaningful way. Moreover, it does not capture the real innovative implication of service, viz. service allows the firm to co-create value with its customers, albeit only under certain circumstances.

The *Evolving to a new dominant logic for marketing* article by Vargo and Lusch (2004), where the authors organized some 30 years of service marketing research into a service perspective or as they have labelled it service-dominant logic (Vargo and Lusch, 2006) in the form of nine (Vargo and Lusch, 2004) and subsequently ten premises (e.g. Vargo and Lusch, 2008), made service an issue of interest for marketing academics at large and not only for researchers within the service marketing field. Basically, they propose that service should be seen as a perspective on value creation and marketing (compare the study on service as a perspective reported in Edvardsson, Gustafsson and Roos, 2005) Their publications have triggered a whole host of articles and conference presentations, where basically without much questioning their fundamental position is repeated in various research contexts. In our view, seven of the premises advance the understanding of service well, although some of them may need some clarification and adjustment. Out of these seven premises, especially the ones stating that value is always determined by the customer (no. 10), goods are distributions mechanisms for service (no. 3) and customers are resource integrators (no. 9) are relevant and supportive for understanding and further developing value creation and co-creation. However, according to the analysis in the present article, three of the fundamental premises include statements that are problematic, viz. service is the basis for all business (no. 1), the customer is always a co-creator of value (no. 6)

and the firm cannot deliver value but only offer value propositions (no. 7). In the present article the seven statements in the above mentioned six premises will be scrutinized and when appropriate further developed and re-formulated<sup>1</sup>. In Table 1 these seven statements are summarized and briefly commented upon.

The *purpose* of the present article is to analyze the value-generating process in the context of a service perspective on business and marketing (service logic) and specifically to analyze the value co-creation aspect of value creation and the roles of the customer and the firm, respectively. This article claims that the statement that “the customer is always a value creator” and the corresponding view that the firm is a value co-creator (or a value creator, for that matter) need to be reconsidered.

As Gupta and Lehman (2005) observe there are two sides to value creation, viz. value for the customer and value for the firm. Although the firm’s goal is to create value for itself out of engagements with customers and value creation for the firm and the customers are interrelated, in the present article only value creation for the customer is considered.

Furthermore, service as a perspective or logic enables firms to expand the scope and content of marketing beyond conventional marketing frameworks and models. For example, the management of interactions with customers become an integrated part of the marketing process, making use of concepts such as *interactive marketing* (Grönroos, 1982), *part-time marketers* (Gummesson, 1991), *internal marketing* (Berry, 1981) and *moment-of-truth* (Normann, 1984), which all for the past twenty-thirty years have been part of service marketing and management. However, it also has implications for the development of business, enabling the development of new business models and even earnings logics. However, the implications for business are beyond the scope of the present article.

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<sup>1</sup> The seventh premise includes two statements, viz. the firm cannot deliver value and the firm can only offer value propositions. The latter statement relates to the marketing implications of the service perspective on business and is outside the scope of the present analysis. It is only briefly commented upon in the final section of the article.

**Table 1. Foundational premises related to value creation according to Vargo and Lusch, 2008**

<b>Foundational premises related to value creation</b>		<b>Implication</b>
No. 1	Service is the fundamental basis of business ("Service is exchanged for service")	The ultimate goal for parties engaged in business is to provide service
No. 3	Goods are a distribution mechanism for service provision	Goods have no value in themselves, but only as transmitters of service for the user
No. 6	The customer is always a co-creator of value	The customer as user is always involved in the value-creation process
No. 7a	The firm cannot deliver value	Value is not embedded in resources delivered by the firm. Hence, the firm cannot produce value.
No. 7b	The firm can only offer value propositions	The firm cannot engage itself with the customer's value creation and influence it
No. 9	All social and economic actors are resource integrators	Consumption/usage is about integrating resources acquired from different sources into a usage process
No. 10	Value is always uniquely and phenomenologically determined by the beneficiary (e.g. in a business context the customer)	In a business context the customer and only the customer determines what value is created (or emerges) for him-/herself in the specific context of usage

### What is value, value creation and the value-generating process

Value is an elusive concept (Woodall, 2003). Typically, in the literature (see Sánchez-Fernández and Iniesta-Bonillo, 2007; Sánchez-Fernández, Iniesta-Bonillo and Holbrook, 2009) value concepts imply some form of an assessment of benefits against sacrifices (Zeithaml, 1988; Day, 1990; Woodruff and Gardial, 1996), means-ends-models (Rokeach, 1973; Gutman, 1982; Peter and Olson, 1987; Woodruff, 1997; de Chernatony, Harris and Dall'Olmo Riley, 2000) or hedonic appreciation of the object of consumption (Holbrook, 1994). Value creation is a process through which the user becomes *better off* in some respect (Grönroos, 2008) or which increases the customer's well-being (Vargo, Maglio and Akaka, 2008). Grönroos (2008:303) defines value for customers in the following way: "Value for customers means that after they have been assisted by a self-service process (cooking a meal or withdrawing cash from an ATM) or a full-service process (eating out at a restaurant or withdrawing cash over the counter in a bank) they are or feel better off than before". This is, of course, a simple working definition, but it indicates where a process of value creation is directed.

Understanding when value for a customer occurs is also an elusive issue, perceived in an individualistic way. For someone driving a certain car may mean value, whereas for someone else value relates to having an opportunity to meet with friends enabled by the drive made possible by this car. Yet another person may find value already in the process of considering buying a special car or doing the actual purchase.

We know very little about the process of value creation, when it starts, what it includes, when it ends. The expressions *value creation* and *create value* are frequently used in the literature. Also in the present article they are used. However, it is debatable whether the process of creating value is best described using the verb 'create'. In many situations it would perhaps be more accurate to say that value *emerges* out of the use of goods and service activities (Korkman, 2004).

With *value-generating process* we mean the total process that is needed for value to be created. It includes development, design, manufacturing, delivery and usage of resources, some of which is considered part of what can be termed value creation. The whole process is needed to enable value creation, but all parts of it are not part of value creation for the customer. Basically, production is generation of potential value, whereas usage is generation of real value. Furthermore, the present article takes the stance that to be meaningful from a business perspective, value creation and service as a logic should be studied in a business context, where societal factors only influence the process.

#### Some fundamental aspects of a service perspective on business and marketing (service logic)

Before the issues of value creation and value co-creation are analyzed, some fundamental aspects of service as a perspective on business need to be discussed. In the service “-dominant” logic literature the phrase “service-dominant” logic is used (Vargo and Lusch, 2004; 2008). Since it came to use, it has never been questioned by authors writing about this logic. However, as the ten premises of this logic (see, for example, Vargo and Lusch, 2008) clearly demonstrate it is a perspective or logic based on service as the fundamental basis of all business. Moreover, according to the fundamental premises, all types of resources are claimed to be used by customers as service, and furthermore, all kinds of resources, including goods, are considered to

transmit service to customers (Vargo and Lusch, 2004). If one agrees with this view that all types of resources transmit service and are used as service, which is done in the present article, it is a logic of service, not a logic dominated by service. In this perspective there are no goods-centric aspects. It is about service as support or assistance to customers' practices<sup>2</sup> in a way that renders service (see Gummesson, 1995). The roles of goods or of any types of resources in this perspective or logic are to enable the execution of this logic, not to distort its service centrality in any way. Hence, the phrase "service-dominant" logic is confusing, and moreover, creates the wrong impression of what this perspective is all about. Therefore, following Normann (2001) in the present article the term *service logic* (Grönroos, 2006) is used. When viewpoints and statements of the service logic according to the premises put forward by Vargo and Lusch (2004; 2008) are referred to in the present article, the expression service "-dominant" logic is used. In other situation the expression service logic is used.

Furthermore, it is claimed that there are no services in service "-dominant" logic (Vargo and Akaka, 2009:39). This statement is based on the view that, when adopting a service perspective on business according to which all kinds of resources are used as service, the traditional distinction between goods and services or service as activities is not meaningful. Instead the terms tangible and intangible resources are used. However, regardless of the perspective taken, service activities have not disappeared. They exist very much as before, in the same way as goods do. Because it adds another type of confusion, the use of the terms tangible and intangible resources is problematic. Goods are sometimes tangible for people, sometimes intangible. For example, a used car can be very intangible for a buyer, whereas a service activity such as fast-food services and transportation includes a lot of tangible elements, and can be perceived in a tangible way. Hence, it is more appropriate and clear to use the precise terms goods as outputs of production processes and services or service activities as interactive processes that lead to an outcome. Also the concepts and terms goods production and service production, and the differences between these two processes, are well established and create no confusion. Unless

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<sup>2</sup> In principle, practice is what people or organizations are doing as part of everyday individual or organizational life. About practice theory, see for example Reckwitz (2002) and Schatzki (2001).



critical confusion is caused by existing concepts and terms, changing terminology just because concepts are considered to have their background in a goods logic is counterproductive and only creates new and unnecessary confusion.

### The fundamental basis of business

The first fundamental premise of the service “-dominant” logic claims the service is the fundamental basis for business and that service is exchanged for service (Vargo and Lusch, 2004). This statements is based on the theory of economic decision making developed by the French 19<sup>th</sup> century economist Frédéric Bastiat (1848), who claimed that economic decisions have to be made with the customers interest in mind and that in return for service received from a firm customers provide service to the firm.

However, although we agree with Bastiat’s conclusion - when a firm provides service to a customer, in return, in addition to payment, it may get service in the form of information, input to product development etc. – service is only a mediating factor, a means to an end. As Vargo and Lusch (2008; see also Lusch, Vargo and Wessels, 2008) state, service “-dominant” logic is *a perspective for understanding value creation and marketing*. Vargo and Akaka (2009:39) formulate it in the following way: “... the *goal of service systems* is to provide *input into the value-creating processes of other service systems* and thus to obtain reciprocal inputs” (italics in the original). What should be achieved by providing service is value for the parties involved, value creation for the customer and for the supplier, respectively. Hence, especially based on today’s emphasis on value-in-use the basis of business is that *value created by the customer is exchanged for value created for the supplier*, with service as a mediating factor in this process (cf. Grönroos and Ravald, 2009). Mutual value creation is the basis for all business.

This fits well the discussion of the goal for business in both the marketing and the management literature. In the more recent literature the focus on value and value creation as a focal issue is emphasized more than ever (e.g. AMA marketing redefinition attempts, 2004 and 2007; CIM the Chartered Institute of Marketing re-evaluation of the marketing definition, 2007; Sheth and

Uslay, 2007; Kim and Mauborgne, 2005; Prahalad and Ramaswamy, 2004; Grönroos, 1997; Holbrook, 1994; Rust and Oliver, 1994; Alderson, 1957; Drucker, 1954).

### The nature of a service perspective on business (service logic)

In the discussion of a service “-dominant” logic service is often defined as application of specific competences on resources for the benefit of someone (Vargo and Lusch, 2008). Competence is fundamental in business and in marketing and this definition is, of course, correct as such.

However, it does not indicate *what* more specifically, beyond “for the benefit”, is achieved and says nothing about *how* something is achieved. Because the inner meaning of service is support or assistance (“for the benefit of someone”), in the present article service is defined somewhat more specifically and in a way that relates service to value creation in the following way: *Service is support to another party’s everyday practices in a way that enables value creation in those practices*. As suggested by Normann (2001), this support may either *relieve* customers from taking on some task or *enable* them to do something that otherwise would not be possible to accomplish or would be accomplished less efficiently or effectively.

The service logic is of a multidimensional nature. Depending of from which vantage point service is viewed, its content varies. Contrary to what normally is claimed (Vargo and Lusch, 2004 and 2008; Vargo and Akaka, 2009), service means different things in the provider sphere as compared to the user sphere (Grönroos, 2008:300). Providers/sellers and users/buyers have diverging and sometimes even conflicting goals. Hence, although customers may provide service in return for service received, for example in the form of information and input that can be used for adjusting the supplier’s processes or for its product development, the customer and the supplier are still two parties engaged with each other with differing goals. Even when two parties are engaged in reciprocal business, buying from each other, the basic situation is the same, and the situation should be viewed as two supplier-customer systems.

### *Logic for usage*

For customers/users service means that *all resources* (e.g. goods, service activities, information) acquired from a supplier *are used by the customers in a self-service process, where they integrate such resources with other necessary resources available to them and apply skills held by them, in order to create value for themselves in their practices (customer service logic)*.

Regardless of whether physical goods or service activities are provided by a supplier, they are used *as service* (Gummesson, 1995; Vargo and Lusch, 2004 and 2008) in a process similar to any *self-service process* (Grönroos, 2008:301). The customers as resource integrators (Vargo and Lusch, 2008) have to be able to integrate the resources acquired with other necessary and available resources to create value for themselves. This is self-service in the same way as, for example, using a vending machine to enjoy a coffee break. Viewing usage as self-service makes the expression “are used as service” more concrete and understandable. The supplier can, of course, strive to engage itself with its customers’ usage processes and get involved in interactions with them and hence offer more assistance than merely providing resources. In such cases the supplier may move the customers’ self-service usage in the direction of full-service processes. In summary, from the customer’s vantage point, service means to be able to use resources provided in a value creating way. (Grönroos, 2008:301)

However, various types of resources function in different ways. Goods which are provided without being embedded in a service process trigger a self-service process in the customer’s sphere: “A good represents potential value (or utility) for the consumer. He purchases the good and subsequently he has to initiate and implement the activities required to transform this potential value into real value for him” (Grönroos, 1979:86; compare Becker, 1965). A service activity, or a good embedded in a service process, may trigger another type of service process in the customer’s sphere, where the provider can get another role as provider of a full-service offering. A service activity “... is in itself an activity ... with in-built ability to transform potential value (or utility) for the consumer into real value for him” (Grönroos, 1979:86). In other words, usage of goods only is a closed system for the provider, whereas usage of service activities and of goods embedded in service processes, from the provider’s perspective is an open system, where the firm, therefore, can be active.

### *Logic for provision*

For firms/providers service means *supporting customers' practices with resources and interactive processes in a way that enables the customers to create value for themselves in those practices (provider service logic)*. When doing so, the provider should manage to *create value* for itself as well from supporting its customers' practices. Hence, from the firm's vantage point service means to provide value-creating support to its customers' practices. (Grönroos, 2008)

This means that to be a service provider a firm should strive to develop interactive processes, in which the customer is at least partly involved (for example, add call centre or delivery service or infuse interactive intelligence into a good) and embed the goods resource or resources in such interactive processes. As process and interaction are defining characteristics of service activities, such interactive processes are service activities. The provider service logic is also a business logic based on service provision.

A good that is provided without such interactive processes triggers a self-service usage process in the customer's sphere, and it may support favourable value creation. However, the firm has no control over how the customer's value-creating process proceeds and what it leads to. Hence, this kind of goods provision is not according to a service logic.

### Value-in-use and service

In the discussion of a service logic that was triggered by Vargo and Lusch's 2004 article the fact that value is created by the user/the customer (*value-in-use*) has been a fundamental ground pillar (Vargo and Lusch, 2004 and 2008). Although the conventional value concept of value-in-exchange, operationalized as price obtained by the seller, still exists of course, there is an overwhelming acceptance that value is created in the user's sphere (Vandermerwe, 1996) and that from a business and marketing perspective value-in-use is more important (compare, for example, Holbrook, 1994 and 1996; Ravald and Grönroos, 1996; Wikström, 1996; Woodruff and Gardial, 1996; Normann, 2001; Prahalad, 2004; Grönroos, 2006 and 2008). In the long run at least, if customers cannot create wanted value out of a good or a service activity, they will not be willing to pay the price demanded for this resource, but either ask for discounts or stop buying.

Hence, value-in-exchange is a function of value-in-use. Moreover, value-in-use over time is also a prerequisite for value created for the supplier (Gosselin and Bauwen, 2006). If enough value is not created, revenues will go down.

Value-in-use means that value for the user is created or emerges during usage, which is a process that the customer as user is in charge of. As Vargo and Akaka (2009:38) observes, "... there can be no value without the customer incorporating the firm offering into his or her life". Hence, value is created by the user, and moreover, also experienced by the user, who also uniquely determines what value is created (Vargo and Lusch, 2004).

Recently in a service logic context, Vargo (2008) has proposed *value-in-context* as a replacement for value-in-use. Because value creation is dependant of its context, this change of terminology is proposed. However, although from a phenomenological point of view context is instrumental (Vargo and Lusch, 2008), context is a static concept, whereas use/usage is a dynamic process. Hence, value-in-context is problematic as a concept and expression. Of course, the context of value creation is important, and it should be recognized that if the context changes, the flow and outcome of the value-creating process may also change. A theoretically exact expression to use is *value-in-use dependant of the context*, abbreviated *value-in-use*.

#### "The customer is always a co-creator of value"?

The statements that both the firm and the customers are always co-creators of value make only one logical conclusion possible: both the firm and the customer are involved in value creation. Any implication of this statement beyond this simplistic conclusion is not possible. The roles of the firm and the customer, respectively remains unclear. Moreover, the possible relative importance of the two parties in the value creation and their roles in the total value-generating process cannot be established. From a business and marketing practice point of view, no conclusions for meaningful decision making can be made.

Regardless of whether the firm is termed a co-creator or creator of value (cf. Vargo, Lusch and Akaka, 2008; Lusch, Vargo and Wessel, 2008), the implicit conclusion in the literature has been

that the firm is in charge of the value-creating process and the customer is invited to join it as a co-creator. This impression is probably due to a mix-up with customer co-production in service processes (Eiglier and Langeard, 1975 and Grönroos, 1982), where customers engage themselves with a production process managed by the service provider. However, in view of the value-in-use notion widely accepted today, according to which value is created in the usage or consumption process, and the proposal of the service “-dominant” logic that it is the customer who determines what value, if any, is created (Vargo and Lusch, 2004), this conclusion cannot be supported. It is the customers as the users who are in charge of their value creation (Grönroos, 2008:323). Even if customers and firms are considered to be engaged in value creation on equal terms (co-create), the wrong conclusion, i.e. that both parties are value creators, is drawn.

Value-in-use means that the customer as the user is the party in a business engagement that creates value. *Value is created by the user for the user*. Hence, the statement “the customer is always a co-creator of value” is not only too simplistic to be useful for theory development and practical decision making, it also directs the thoughts of academics and practitioners alike in a direction that may lead to invalid theoretical conclusions and fatal management decisions and actions. It draws attention away from the underpinning logic of value-in-use and distorts its meaning.

Because value is created by the user for the user, i.e. the customer, to understand the value-creating process the following statement is logical: *The customer as the user and integrator of resources is the value creator* (Grönroos, 2006 and 2008). This leads to the following question: If the customer is the value creator, what is the role of the firm as service provider?

### The role of the firm in value creation

We have established that the customer as the user is creating value for himself or herself by integrating resources provided by a firm with other necessary and available resources in a self-service process. If this is the case, the firm that provides the customer with such resources cannot logically be a value creator on equal terms with the customer. The role of the firm must be another one.

Resources used and integrated by customers are made by someone. Some can, of course, be self-made by the customer, but most are produced by one or several firms. Rather self-evidently manufacturing is one role of firms in the value-generating process, but not in customers' value creation. However, goods, service activities, information and other possible resources also have to be delivered to the customer either over the encounter or distributed to the customer's premises or electronically over the Internet or in an interactive service process. Developing, designing, manufacturing and delivering resources (for these processes we use the collective term production in the present article) are processes required to make it possible for customers to create value, i.e. *they facilitate customers' value creation*. This is the first and fundamental role of a firm in the value-generating process. Hence, this basic role of firms in value creation can be formulated as follows: *The firm is fundamentally a value facilitator* (see Grönroos, 2008:308).

It is important to realize that value facilitation is not value creation or value co-creation, it is only part of the total value-generating process. It does not make the firm a co-creator of value. Fundamentally the customer creates value and the firm facilitates value creation. This leads to an interesting question regarding co-creation: Is there anything such as co-creation of value at all in the context of service logic? To be able to answer this question, the concept of interaction has to be discussed first.

#### The interaction concept and its impact on value creation

In service marketing research, especially within the Nordic school research tradition, the interaction concept is a key construct. For example concepts such as *interactive marketing* based on buyer-seller interactions (e.g., Grönroos, 1982), *part-time marketers* (e.g., Gummesson, 1991) and *interaction quality* (e.g., Lehtinen and Lehtinen, 1991) have been developed. Interaction has also been discussed to some extent within other service marketing research traditions (e.g., Solomon, Surprenant and Czepiel, 1985). Moreover, the interaction concept and buyer-seller interaction term have also been used within the IMP approach in the interaction (e.g., Håkansson, 1982) and network (e.g., Håkansson and Snehota, 1995) models of business marketing (see also Waluszewski, Hadjickani and Baraldi, 2009), in many industrial marketing publications (e.g., Dwyer, Shurr and Oh, 1987 and Jap, Manolis and Weitz, 1999), in branding research (Fyrberg

and Jürriado, 2009), and in other marketing publications (e.g., Day and Montgomery, 1999, Rayport and Jaworski, 2005, Yadav and Varadarajan, 2005 and Ramani and Kumar, 2008). However, in a marketing context the underpinning logic of the interaction concept has not been thoroughly discussed and its implications for value creation have not been studied.

Interaction is *mutual or reciprocal action where two or more parties have an effect upon one another*. The parties involved are in some contact with each other. In a business context *supplier-customer interactions mean that two or more parties are in contact with each other for a business reason, and in these contacts they have opportunities to influence one another's processes*.

Interactions can take place in face-to-face or man-man contacts, but provided that machines, systems and infrastructures include intelligence, man-machine, man-system and even system-system interactions can also occur. Hence, in the marketplace interactions can also take place between a customer and systems or infrastructures, mediated, for example, by IT or mobile technologies. As Yadav and Varadarajan (2005) observe, technological developments have triggered new types of interactions. An Internet-based diagnostic tool to identify reason for a problem in, for example, a manufacturing process enables interactions with the user. When two persons talk to each other using mobile phones they interact with each other and with the telecommunication mediated infrastructure provided by the telecom operator. Such IT mediated systems and mobile technology infrastructures can function as intelligent systems which, within limits, can perform in a flexible manner according to the customers' actions. The customers and the supplier take actions that influence the other party. On the other hand, in many service settings interactions take place between customer and service employees. Characteristic for all these situations is that the two or more parties involved are interacting, and when doing so they can take actions of some sort which influence the other party's process. Hence, they can influence the course of each other's processes.

Traditionally, in typical goods-marketing situations after the customer has obtained the good no contacts with the firm occur and, unless prompted by the customer, no interactions take place. The supplier is inactive and silent. By creating intelligence into goods, so that they can adjust their performance to the customers' actions, interactions are developed. Also by adding, for



example, call centre services, interactive systems for order taking, logistics or diagnosing problems a goods marketer creates interactions with its customers. By doing so the firm creates opportunities to engage itself with its customers' practices and to influence their flow and outcomes.

During interactions the customer's and the firm's processes are simultaneously occurring. For example, serving a restaurant guest and being served are simultaneous processes, where both the waiter and the customer take or can take actions that influence the flow of the other party's process, and may influence the outcome of it and, therefore, also the joint process of producing and using the part of the service process where they interact. This part of a customer's process that takes place simultaneously with the firm's process is part of his or her value-creating process. From a value creation perspective they are dialogical processes (Ballantyne 2004 and Ballantyne and Varey, 2006) that *merge into one integrated process* where both parties are active, learn together and from each other, and may directly influence each other. As a co-producer in the firm's service production process (or co-designer in a design process or co-developer in a product development process) the customer is engaged in the firm's process as a resource in the production process managed by the firm. At the same time, the firm engages itself with the customer's usage process and operates as a resource in the customer's value-creating process, which the customer is in charge of, directly and actively influencing the flow and outcome of that process. The two parties operate inside each other's processes. The two processes are one.

### Interactions and value co-creation

From a value creation point of view, the fact that interactions do not include two parallel processes but *one merged interactive process* is key. The customer as co-producer can influence the firm's production process. Furthermore, which in the context of the present article is more important, the firm gets an opportunity to influence the customer's usage process. Because usage at the same time is value creation for the customer, the firm gets an opportunity to take part in his or her value-creating process – *as co-creator*.

Hence, although they fundamentally facilitates their customers' value creation, *during interactions with customers firms get opportunities to engage themselves with their customers' value creation and become co-creators of value as well* (see Grönroos, 2008:308). Furthermore, although customers are in charge of their value creation and fundamentally are the value creators, during interactions, provided that the firm makes use of the opportunities of such an interactive process, the customers also co-create value with the firm. Hence, firm's value co-creation can be characterized as *joint value creation* with the customers. Customers' value creation with resources outside interactions is *sole value creation*. Outside interactions firms cannot be sole value creators, only value facilitators.

Hence, co-creation of value can take place only if interactions between the firm and the customer occur. *If there are no interactions, no value co-creation is possible*. However, the mere existence of interactions does not automatically mean that the firm is engaged in the customer's value-creating process and influence it. It is important to realize that the existence of interactions is only a *platform* for influencing the customers' usage processes and value creation, which the firm must manage to make use of. The opportunities provided by this platform can be taken care of well or less well by the supplier. In the former case customers probably perceive that they get more value out of the resources they use, whereas in the latter case the customers will perceive that their value creation is not influenced in any way or perhaps even with a negative outcome. However, the quality of the interactions between the parties is fundamental for value co-creation (compare Fyrberg and Jürriado, 2009:422).

In summary, what a service perspective on business uniquely offers as a logic for value creation is *not that customers become co-creators of value, but rather that firms when performing as service providers get opportunities to become co-creators of value*, but only if interactions exist. In Figure 1 the various aspects of the total value-generating process including the production and value creation phases is schematically illustrated.

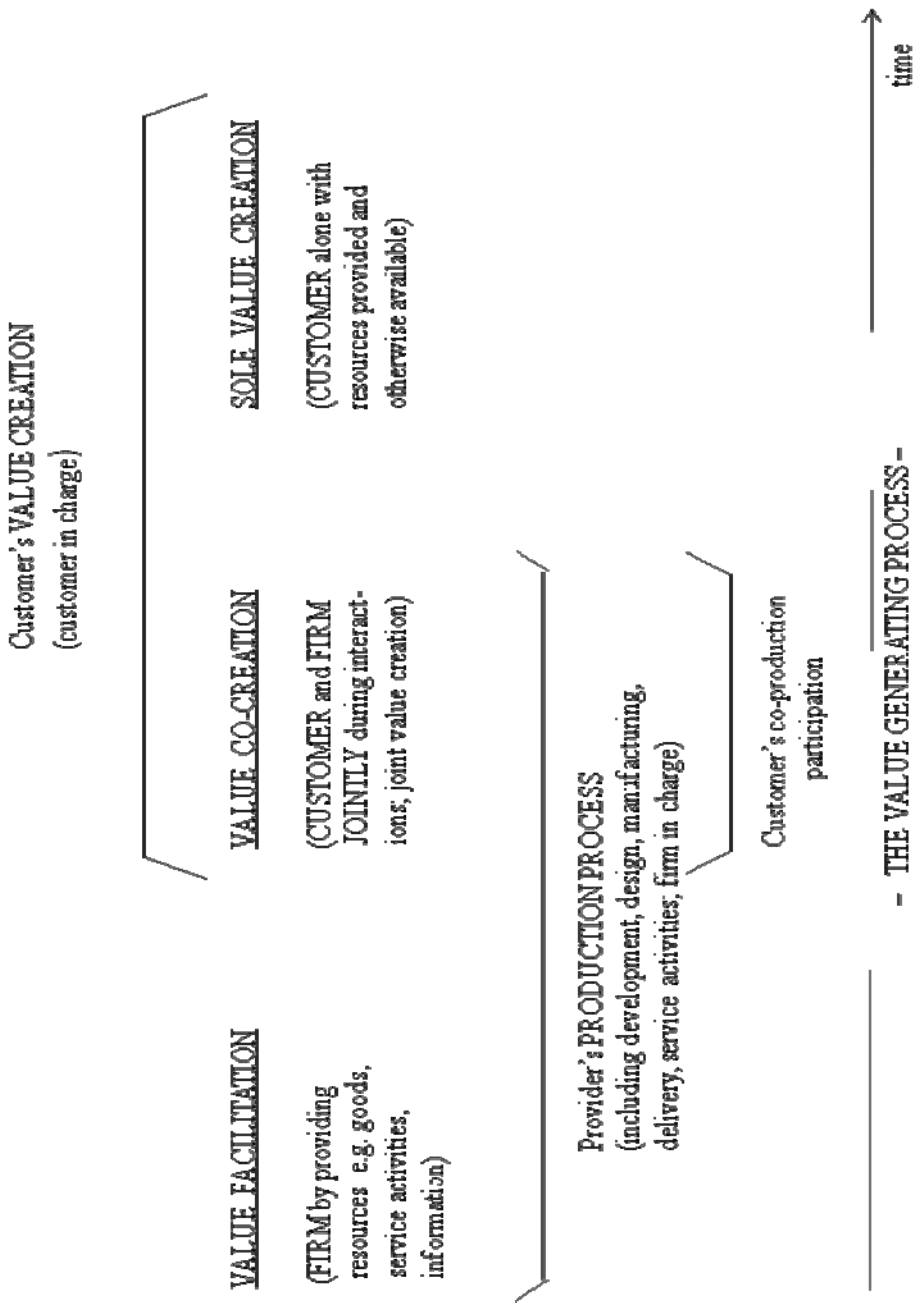


Figure 1. Phases in the value-generating process  
 Source: Gronroos, Christian, Marketing as promise management: regaining customer management for marketing *The Journal of Business & Industrial Marketing*, Vol 24, No. 5/6, 2009, p. 354; slightly developed

In the figure a distinction is made between production (sometimes including design, development, manufacturing and delivery phases) and value creation. The firm is in charge of the production process, where during interactions the customer may participate as co-producer. Most of the production process is generation of potential value or *value facilitation*, where resources for customers' use are developed, designed, manufactured and delivered without interactions with the customers. The customers, in turn, are in charge of their value-creating processes, where value for them is created or emerges (generation of real value). If customers are engaged in, for example, design or product development processes or in deliveries, interactions take place in those processes and *joint value creation* is made possible. If there are no interactions, customers are engaged in *sole value creation* with the resources obtained from a firm and otherwise necessary and available to them. When interactions occur, joint value creation with the firm takes place, where a customer and a firm co-create value together. Otherwise the firm is only facilitating the customers' future value creation.

In reality the production and value-creating processes are not as linear as the figure implies. Although linearity is indicated by the timeline in the figure, value facilitation, joint value creation and sole value creation can follow each other in different sequences. Moreover, although the firm's value facilitation normally is a foundation for customers' value creation, value creation activities can also take place before value facilitation even begins. The customer may, for example, initiate the development of new resources and then the whole process starts with a joint value creation phase, where both parties co-create value together.

### Discussion

The analysis of the value-generation process and its phases demonstrates that, provided that value-in-use is taken as the starting point, the statement "the customer is always a co-creator of value" indeed is problematic. Furthermore, the notion that firms as well always are value co-creators (or value creators for that matter) is equally problematic. The situation is much more complex. However, to understand the full complexity of value generation and possibilities offered business and marketing practice by the adoption of a service logic, the concept of interaction and the nature of this concept have to be included in the analysis and correctly

Table 2. Toward a service logic: value creation and co-creation revisited

Premises relevant for value creation	Analytical conclusion	Premises revisited
No. 1 Service is the fundamental basis of business ("Service is exchanged for service")	<i>This statement is problematic.</i> Service is only a mediating factor in the value-creating process, which ultimately aims at generating value for all parties in the process	<i>Mutual value creation is the fundamental basis of business.</i> "Value created for the user is exchanged for value created for the firm".
No. 3 Goods are a distribution mechanism for service provision	<i>This statement is unproblematic.</i> However, the value is not embedded in the goods, but emerges when goods are used	
No. 6 The customer is always a co-creator of value	This statement is correct only insofar that it says that together with another party (co-create) the customer is always involved in value creation. Beyond this simplistic conclusion, the statement is meaningless for theoretical and practical purposes.	Fundamentally the customer is always the value creator.
No. 7a The firm cannot deliver value	<i>This statement is problematic</i> insofar that under certain circumstances (during interactions) the firm can become a co-creator of value. This possibility uniquely made possible by service logic goes unrecognized. However, the firm cannot produce value.	<ol style="list-style-type: none"> <li>1) Fundamentally the firm is a facilitator of value for the customer.</li> <li>2) Provided that the firm can engage itself with its customers' value-creating processes during interactions, it has opportunities to co-create value jointly with them as well.</li> </ol>
No. 7b The firm can only offer value propositions	<i>This statement is problematic.</i> Because the firm's and its customers' processes merge into one integrated process during interactions, uniquely due to service logic the firm can move beyond offering value propositions only.	<i>The firm is not restricted to offering value propositions only, but has an opportunity to directly and actively influence its customers' value creation as well.</i>
No. 9 All social and economic actors are resource integrators	<i>This statement is unproblematic.</i>	
No. 10 Value is always uniquely and phenomenologically determined by the beneficiary (e.g. in a business context the customer)	<i>This statement is unproblematic.</i> However, value is also experiential, dependent of the customers' global experiences. Value is not only determined but also experienced by the customer.	<i>Value is always uniquely and both experientially and phenomenologically perceived and determined by the customer.</i>

understood. In the middle column of Table 2 an analysis of the seven statements of the six foundational premises of the service “-dominant” logic that were considered relevant for value creation (see Table 1) is summarized. In the column to the right in the table reformulations of the premises warranted by the analysis are presented (cf. Grönroos, 2008).

*Service is the fundamental basis of business.* Service can be understood as a logic of value creation. There is a substantial support, both in the marketing and management literature, for the view that creating value is the ultimate reason for business and marketing. The role of service is that of a mediating factor in the value-creating process. It can also be concluded that value creation has two sides, viz. value for the customer and value for the provider. Hence, value creation is not a one-sided process, but a two-sided one, where value is created mutually. Consequently, the first premise is reformulated as *Mutual value creation is the fundamental basis of business.* According to this “value created for the customer is exchanged for value created for the firm”.

*Goods are distribution mechanisms for service provision.* As customers integrate all sorts of resources in a self-service process to create value for themselves, this statement is important and unproblematic. However, it should be remembered that value is not embedded in goods, nor in any other kind of resources, but emerges from them during usage.

*The customer is always a co-creator of value.* As the analysis demonstrated, this statement holds only as a very simplistic observation that both the customer and the firm have some role in value creation. However, it provides no indications as to what these roles are and who is in charge of value creation. Nor does it indicate whether the firm always is value creator or co-creator or when the firm is that, or in situations where it is not a value creator or co-creator, what is the firm’s role in the process. As the analysis demonstrated, the customer is not always a value co-creator, only under certain circumstances. However, the customer is always the value creator. Consequently, this statement takes the following form: *Fundamentally the customer is always the value creator.*

*The firm cannot deliver value, but only make value propositions* includes two different statements, which therefore are discussed separately.

*The firm cannot deliver value.* According to the value-in-use notion this statement seems to hold. However, when considering the underpinning logic of the interaction concept, the situation becomes more complex. As the statement says, the firm cannot directly deliver value, but it can get engaged with its customers' value-creating process. It turns out that during certain circumstances, when interactions with customers occur and the firm manages to use this interaction platform (Grönroos and Strandvik, 2008:55-56), the firm can co-create value jointly with its customers. This is an option firms with no interaction platforms do not have. *It is uniquely made possible by a service logic* which is based on the provision of interactive processes. If there are no interactions, the firm can only facilitate customers' value creation. Consequently, the firm's role in value creation is twofold: *1) Fundamentally the firm is a facilitator of value for the customer, but 2) Provided that the firm can engage itself with its customers' value-creating processes during interactions, it has opportunities to co-create value jointly with them as well.*

*The firm can only offer value propositions.* Conventional marketing is basically about making promises and without interactions with customers even a good, or any other resource, provided by a firm is also a promise about potential value for the customers (cf. Levitt, 1981:96). In that case this statement holds. However, when interpreting the underpinning logic of interactions one realizes that the integrated interaction process removes this restriction. The firm can take actions directly as part of the customer's value creation process and change the flow of that process. Hence, the firm can also directly and actively influence the customer's value fulfilment. This opens up new avenues for developing marketing beyond promise-making activities, and *this opportunity is uniquely due to the adoption of a service logic.* Consequently, this statement is reformulated as follows: *The firm is not restricted to offering value propositions only, but has an opportunity to directly and actively influence its customers' value creation as well.*

*All social and economic actors are resource integrators.* This statement indicates that usage is a process where customers combine resources obtained from a given firm with other necessary resources and applies necessary skills held by them in a self-service process with an aim to create value for themselves. This statement is unproblematic.

*Value is always uniquely and phenomenologically determined by the beneficiary.* In a business context this means that value is determined by the customer. As such this statement is unproblematic. However, two aspects should be added. First of all, customers do not only determine value. They also perceive value as an experience, where their global experiences from the past have an impact. From an axiological perspective Holbrook (1994:27) formulated it as “Value is an interactive relativistic preference experience”. Hence, value can be considered experientially perceived as well, and not only phenomenologically. Consequently, these aspects are added: *Value is always uniquely and both experientially and phenomenologically perceived and determined by the customer.*

#### How to implement a service logic in business and marketing

Based on the definition of the multidimensional service logic and the reformulated premises in Table 2, the service business logic in action from the firm’s perspective can be summarized in the following way (Grönroos, 2008:306; slightly refined): Applying a service logic means that the firm

- focuses on well-defined customer practices;
- focuses on assisting such everyday practices in a value-supporting way
- gears goods and service activities as well as other resources provided towards the customer’s everyday practices;
- includes interactions with the customer that occur in its market offering, which enables the firm to engage itself in its customer’s usage and value-creating process and thereby to directly and actively influence these processes;
- by engaging itself during interactions with the customer’s value creation develops opportunities to co-create value with its customers; and
- by doing this, is no longer restricted to offering value propositions only, but can get involved in the customer’s value fulfilment as well, thus expanding both the scope and



content of its marketing strategies and tactics beyond the boundaries of a conventional marketing process (cf. *interactive marketing, part-time marketers*).

### Research and managerial implications

As the discussion and analysis in the present article have indicated, the reformulation of three of the central premises guiding service as a perspective for business and marketing creates a meaningful basis for understanding the total value-generating process and the customer's and the firm's various roles in that process. The central role of value for business and marketing is emphasized.

From a research perspective the clarification of the value-generating process with its design, development, production and delivery phases (in the analysis collectively called production phase) on one hand and its value creation phase on the other hand enables researchers to study the separate parts of the process from the point of view of value creation and value outcomes, and to study the processes of value creation and co-creation and how they relate to each other.

The marketing implications of value creation and especially of joint value creation, where the firm and the customer co-create value together, can also be further studied.

From a management point of view, especially the importance of interactions with customers is highlighted, which enables managers to create and manage interactions in a way that supports customers' value fulfillment. Simultaneously the marketing implications of the interactions can be appreciated and activities during customer interactions better developed as part of the firm's marketing process. Finally, the service perspective as a business logic enables firms to rethink their business models and earnings logics and develop them in a service-centric and at the same time customer-centric direction.

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