Service as business logic: implications for value creation and marketing

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Abstract

Purpose – The purpose of this article is to analyze the scope, content and nature of value co-creation in a service logic-based view of value creation, addressing the customer's perspective in a supplier-customer relationship. The nature of the activities and the roles of the supplier and the customer in value creation and co-creation are analyzed. Furthermore, the purpose is to discuss what implications for marketing can be derived from this analysis.

Design/methodology/approach – The article analyzes the marketing implications that follow from the pivotal role of interactions in service provision. The article, thus, builds on a long history in service marketing research pointing at the impact on the content and scope of marketing of customer-supplier interactions.

Findings – In this article, it is concluded that creating customer value is a multilaned process consisting of two conceptually distinct subprocesses. These are the supplier's process of providing resources for customer's use and the customer's process of turning service into value. The article results in five service logic theses which provide an understanding of the process of value creation and its implications for marketing. The theses offer a terminology that helps researchers and practitioners to understand the various roles of suppliers and customers in value creation and to analyze opportunities for co-creation of value.

Originality/value – The findings of this article challenge some of the salient propositions of the emerging service-dominant logic, i.e. customers as co-creators of value, and firms can only make value propositions. The role of marketing is reframed beyond its conventional borders.

Keywords Servicing, Marketing theory

Paper type Conceptual paper

1. Background and purpose

Although there are some earlier publications, today's research into service marketing has in roots in the 1970s. Three internationally recognized schools of service marketing, the French, the Nordic and the North American schools (Berry and Parasuraman, 1993), trace their roots back to that decade. During the following three decades, the amount of research and scientific publications grew rapidly, and the field also developed into a higher level of maturity (Fisk *et al.*, 1993). However, this development had only limited influence on the marketing discipline in general. With Vargo and Lusch's, 2004 article in the *Journal of Marketing* in 2004 "Evolving to service-dominant logic for marketing", this changed. What service marketing research has to offer became an interest for an even larger group of marketing scholars. The following year, Edvardsson, Gustafsson and Roos published a study in which a number of leading international scholars in the service field voiced a similar view on service and service marketing as in the 2004 article by Vargo and Lusch. The key finding was that service indeed was considered more a perspective than an activity only: "Service is a perspective on value creation rather than a category of market offerings" (Edvardsson *et al.*, 2005, p. 118).

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The work of Vargo and Lusch (2004, 2008) has in many important ways organized the result of 30 years of service marketing research into one organized structure and put service forward as a logic for marketing. However, in view of the scientific articles, reports and conference papers on the content of the logic, we propose that at least two central issues in the logic, namely the concept of value co-creation and the logic's marketing implications, need further development. The concept of value co-creation has to date been treated on a level of abstraction too far removed from theoretical and practical analysis. Here, we point out two in our view basic prerequisites for confirming the role of the service logic in marketing, i.e. an analysis of the scope, content and nature of value co-creation and of the roles of suppliers and customers in a service logic-based view of value creation.

It is claimed that customers are always co-creators of value, but no thorough conceptual elaboration has been made on what this really means and what implications for customers and service provider follow from this. The expression "the customer is always a co-creator of value" indicates, on an abstract, overarching level, that the customer is involved in a process-labelled value creation. However, the knowledge on how value is created, by whom and for whom is scarce. Accordingly, the expression causes confusion as to what it really means and to the customer's and supplier's roles in value co-creation, respectively. According to Vargo *et al.* (2008, p. 146), the roles of producers and consumers in a goods-dominant logic are distinct, whereas they in a service-dominant logic perspective are not. In our view, a clarification of the roles of different actors in value creation is necessary considering the implications for research and practice in marketing.

There is also ambiguity attached to the expression "value creation" itself as it seems to be used without nuances independently of context and perspective, which causes confusion and misinterpretations. Sometimes, value creation seems to refer to the customer's process of value creation. At other times, as in the expression "the customer is always a co-creator of value", the supplier's process of developing, designing, manufacturing and delivering resources out of which the customer creates value seems to be in view as well. In a recent article on the service-dominant logic, Vargo and Akaka (2009, p. 39) address this important aspect of research on value creation as they suggest that "[. . .] each instance of value creation is unique to and can only be assessed from the perspective of an individual service system [. . .]". We claim that the choice of perspective and the framing of context are of decisive importance when analyzing value creation.

Drawing on these observations, the purpose of this paper is to analyze the scope, content and nature of value creation and co-creation in a service logic-based view of value creation, addressing the creation of customer value in a supplier-customer relationship. The nature of the activities and the roles of the salient actors, here the supplier and the customer, involved in the process will be analyzed. Furthermore, our purpose is to discuss what implications for marketing that can be derived from this analysis. The paper responds to Vargo *et al.*'s (2008, p. 151) conclusion 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?" (emphasis added). As we have chosen to analyze customer value in our study, value creation for the supplier is outside the scope of this article – only value creation for the customer is discussed. The article analyzes the marketing implications that follow from the pivotal role of interactions in service provision. The article, thus, builds on a long history in service marketing research pointing at the impact on the content and scope of marketing of customer-supplier interactions.

In this analysis, the expression service logic (Normann, 2001; Grönroos, 2006) rather than service-dominant logic is used. The logic of service is based on the notion that potential value for customers is embedded in all types of resources used by customers and that such resources are used as service that renders value for them (Gummesson, 1995)[1].

2. A service logic-based view of value creation

During the 1990s and continuing into the 2000s, the issue of value creation and the *locus* of value for customers have gained an increasing interest in the management and marketing literature. The prevailing view that value for customers is embedded in products that are outputs of a supplier's manufacturing processes, value-in-exchange, has been challenged by the value-in-use notion. As Woodruff and Gardial (1996, p. 59) state, "[...] in fact, it is difficult to determine whether a product generally provides value for an individual or organization without understanding the many different ways the product will be used". The value that is relevant for a customer is according to them defined as:

> [...] the customers' perception of what they want to have happen [...] in a specific use situation, with the help of a product or service offering, in order to accomplish a desired purpose or goal" (Woodruff and Gardial, 1996, p. 54).

It is important to keep apart production and value creation, as they are different constructs. Production is the process of making the resources customers integrate in their consumption or usage processes. Value creation is the process of creating value-in-use out of such resources. Hence, value is not produced; resources out of which value can be created are produced. In the same manner, we need to distinguish between co-production and value co-creation. Owing to the interactive nature of service activities, where production and consumption are partly simultaneous processes, customers engage themselves with the production process and become participants in that process. The role of customers as co-producers of service activities was established already in the early days of service marketing research (Eiglier and Langeard, 1976; Grönroos, 1978, 1982). As Gummesson (1998, p. 247) observes, "[...] a service provider without customers cannot produce anything".

Regardless of whether customers buy goods or service activities, they consume them as service (Grönroos, 1978, 2008; Gummesson, 1995; Vargo and Lusch, 2004, 2008)[2]. From a consumption point of view, goods and service activities can then be considered distribution mechanisms for service (Gummesson, 1995; Vargo and Lusch, 2004, 2008; Levitt, 1974). Hence, customers can be regarded as co-producers of distribution mechanisms of service. However, they are not co-producing the value that is embedded in the use of these distribution mechanisms of service. In 2004, in their service-dominant logic article, Vargo and Lusch (2004, pp. 10-11) stated that the customer is always a co-producer (Eiglier and Langeard, 1976; Grönroos, 1978) who participates in value creation through co-production. However, because they considered production a concept that is not in accordance with a service logic (Vargo, 2008), they replaced this statement with the expression "customers are always co-creators of value" (Vargo and Lusch, 2008).

For example, when planning, developing and placing an automatic check-in system at the customers' disposal in an airport terminal, so that they can check-in and print their own boarding cards, the supplier produces a resource. When customers check-in and print the boarding card by using the check-in facilities, they co-produce the service embedded in the resource. The service implies an option of time saving and stress reduction (value co-creation).

The notion of value in use

Value creation, and particularly the value-in-use concept stating that value for customers is created during use of resources, are foundational issues for understanding the service logic. Value creation takes place in an interactive usage process through which the customer becomes better off[3] in some respect (Grönroos, 2008), as subjectively judged by the customer. As resource integrators (Vargo and Lusch, 2008), customers operate on resources made available to them by a given provider, by other market actors or by themselves in order to increase their well-being (Vargo *et al.*, 2008). As Holbrook (1994, p. 27) puts it, "Value is an interactive relativistic preference experience", and with the words of Mattsson (1991, p. 42), "Value experiences are the ultimate effects of consumption. [. . .] Product value patterns are the effects of an ongoing evaluative act by a consumer on being exposed to a product".

According to the value-in-use view, value for customers emerges in the customers' sphere during usage (Normann and Ramirez, 1993; Holbrook, 1994, 1996; Ravald and Grönroos, 1996; Vandermerwe, 1996; Wikström, 1996; Woodruff and Gardial, 1996; Normann, 2001; Prahalad, 2004; Vargo and Lusch, 2004; Grönroos, 2000, 2006, 2008; Lusch *et al.*, 2007; Ravald, 2008; to mention a few publications). As Vargo and Morgan (2005) have shown this is not a new approach to value creation, but in the economics and business economics literature, it has long been masked by the value-in-exchange notion.

In accordance with a service logic view, value is not created and delivered by the supplier but emerges during usage in the customer's process of value creation (Grönroos, 1979, 2006, 2008; Ballantyne and Varey, 2006; Gummesson, 2007). Wikström (1996, p. 362) views consumption as a productive process and describes a supplier's offering as "[. . .] a vital ingredient in the consumers' own value creation". More than four decades ago, the economist and Nobel Prize winner Gary Becker (1965) described this view in his discussion of the household as a utility or value producing unit. Actors on the market supply the household with the resources, such as goods which is the example he uses, which the household needs in order to create value (or utility) for itself. Consumption could then be regarded as a means for value creation, as customers are not primarily interested in what they buy and consume as such. They are more interested in the positive consequences embedded in their possessions or in the service activities they utilize. Cooking dinner for the family enables a nice gathering around the dining table for the family, and driving to a friend enabled by a dependable car makes it possible for the driver to enjoy a nice evening spent together his or her friend. Value emerges from the family occasion and from the time spent with the friend, not from the cooking ingredients or the car used in the process. In the same way, the possession of a valuable painting hanging on the wall enables the owner to feel good and uplifted when watching the painting or showing it to admiring friends. Value is created from the good feeling or from admiration shown by the owner's friends, not from the painting or the possession of it *per se* (Grönroos, 2008, p. 303; Ravald, 2008). The cooking ingredients, the car and the painting are only means to an end, just as toothpaste is not used for the sake of brushing teeth only, but to make the user feel fresh and secure among friends.

Quite obviously, in the contemporary literature and also in the discussion about service as a logic, there is a consensus that the notion of value-in-use is the basis upon which implications for marketing have to be developed. In a recent article, Vargo (2008) suggests that the value-in-use concept should be replaced by value-in-context. The reason offered for this is that as value creation takes place in a context, the value that emerges from usage is dependant on the context. However, customers' value creation is a dynamic process (Mattsson, 1991; Woodruff, 1997; Grönroos, 2000), whereas a context is not. Because value creation takes place during usage and integration of resources, this dynamic nature of the process has to be reflected in the value concept used. Value-in-context as a static concept does not meet this requirement, and therefore, it does not describe the nature of value creation appropriately. Hence, we use the value-in-use concept as a more accurate expression, of course keeping in mind that the creation of value during usage is dependant on its context and on changes in that context.

The salient role of the customer

The essence of value creation seems to be related to how and why the customer utilises an object in terms of an individual having-being-doing approach, as discussed by Belk (1988). According to Ravald (2008), the value of an object is related to what individuals want objects to be and do for them, i.e. which role they want goods, service activities and relationships to various actors on the market to have in their lives. The object needs to gain value for the customer as an individual, and this becomes possible only when the object is enclosed within his/her own value creating activities. The salient role of the customer in the process of value creation is hereby accentuated. Hence, it can be concluded that the consumer or user of resources such as goods or service activities is the one who creates value-in-use.

Adopting a service logic and a customer perspective on value creation, the obvious conclusion is that the customer is the value creator (Grönroos, 2008; Ravald, 2008). Nevertheless, in the recent discussion of value creation, it is invariably said that customers are co-creators of value. Liberally interpreted, this expression means that both the supplier and the customer are involved in the same process of value creation – a process in which value is created for the customer. Therefore, they are called co-creators of value (Vargo, 2008). As Vargo *et al.* (2008, p. 146, p. 148) say, "value is co-created by this reciprocal and mutually beneficial relationship" and:

> [. . .] (from a service-dominant logic view) value is co-created through the combined efforts of suppliers, employees, customers, stockholders, government agencies, and other entities related to any given exchange, but always determined by the beneficiary (e.g. customer).

However, this all-encompassing use of the expression "value co-creation" causes confusion for the understanding of how and for whom value-in-use is created.

As it is the customers who create value for themselves, a statement that implies that customers are engaging themselves with suppliers' creation of value for their customers is confusing and not accurate. Mixing service co-production with value creation may have contributed to this confusion in the literature.

According to Ravald (2010), one of the challenges for the future will be to create business models that successfully integrate the service provider's processes with the customer's process of value creation, rather than the opposite case. She concludes that the possibilities for service providers to engage in and contribute to customers' value creation are evident. In a service logic context, and following the guidelines of the marketing concept, the supplier should strive to find a way into the customer's arena for value creation rather than to try force the customer to fit into the service provider's processes. This is a true outside-in view. In this way, the supplier and its marketers can understand its customers' value creation and more efficiently and effectively provide resources and processes to support that value creation.

3. Reframing the role of the supplier

When recognizing that the customers are the value creators, what is the role of suppliers in customers' process of value creation? To be able to analyze the supplier's role in a service logic context and highlighting its role as service provider, we distinguish between value facilitation and value creation. Certainly, the supplier's role is to be responsible for the production process, including development, design, manufacturing and delivery as well as back-office and front-office activities. The supplier produces resources as input into its customers' processes of value creation. As this provision of resources is required for the customers' value creation, there must be something for them to integrate and to create value out of – this can be labelled value facilitation. As Normann and Ramirez (1988, p. 116) note, a defining aspect of a service perspective (service logic) "[. . .] is the role (or roles) that the seller plays in helping customers to create value for themselves". In a supplier-customer relationship, value facilitation can be regarded as a prerequisite or foundation for value creation, and hereby also a reason for customers to seek a relationship with a supplier. By providing its customers with such inputs into their value-creating processes, suppliers facilitate value creation. Fundamentally, the supplier is a producer of the resources the customer integrates in his process of value creation.

For a supplier of goods, the possibilities to interact with its customers are limited. The customer is solely in charge of the process of value creation, and the outcome also depends on his ability and competence as resource integrator. A supplier of goods can mainly indirectly influence customer's processes of value creation. A supplier of service activities has on the other hand more extensive opportunities to interact with its customers and influence them.

Adopting a service logic means that in a value creation context, during the simultaneous consumption and production processes, a supplier makes active use of existing interactions with its customers (Grönroos, 2006). These interactions are part of the customers' practices and consumption processes and hence also part of their value creation. In a service logic, all suppliers, also suppliers of goods, become service providers. If interactions do not exist by themselves, the supplier can strive to create such interactions, for example by adding call centre services or delivery, installing, maintenance and web site services to the offering. For example, by adding call centre services, a supplier of goods creates interactions with its customers. In such situations, the supplier can directly and actively in interactions with its customers influence their value creation.

The customers create value for themselves. However, during interactions with customers, the supplier gets opportunities to influence the process of value creation, in the best case enhancing the level of value the customers create out of a service activity or a good. Thus, although the customer is the value creator, the supplier becomes a co-creator of value with its customers (Grönroos, 2008). As Storbacka and Lehtinen (2001) state, customers produce value for themselves independently, but suppliers may offer assistance. Value co-creation necessarily requires interactions between the supplier and the customer. Co-creation opportunities that suppliers have are strategic options for creating value (Payne *et al.*, 2008).

However, understanding the nature of suppliers' value co-creation opportunities and the customers' role in this process requires an in-depth understanding of the interaction concept and the role of interactions in value creation.

4. The salient role of interactions in value co-creation

Interaction is a mutual or reciprocal action where two or more parties have an effect upon one another[4]. An inherent aspect of interaction is connectivity, i.e. the parties involved are in some contact with each other. In a business context, supplier-customer interaction means that two or more parties are in contact with each other. In these interactions, they have opportunities to actively initiate and perform actions, and through such actions to influence one another's processes. Characteristic for interactions is that the two or more parties involved are in contact with each other and can take actions of some sort that influence the other party's process.

The simultaneously occurring parts of value facilitation and value creation do not only flow in parallel. During a relationship, they connect in terms of coordinated interactions and hereby these distinct processes merge into one integrated process of joint value creation. In this integrated process, both parties become subjects[5] – they coordinate their activities and pursue the same (instrumental) goal. During interactions between the two parties directly influence each others' processes.

The opportunities for joint value creation that are embedded in interactions have implications for value co-creation as well as for marketing. Although the customers are prime subjects in their own processes of value creation, in being a service provider the supplier can reconfigure its role as value facilitator. During interactions, the supplier can actively and directly influence the customers' experiences and therefore also their value creation (of value-in-use). From the supplier's point of view, well coordinated interactions create opportunities to enter and contribute to the customer's process of value creation (rather than that the customers would get opportunities to co-create value with the supplier). Because both the customer and the supplier create value together (co-create), during this part of the customer's process of value creation, it is a matter of joint value creation. However, this co-creation of value can take place during interactions only.

It is obvious that the service provider is not always present in the customer's process of value creation as a subject. It is also obvious that the service provider's goals differ from the customer's goals and vice versa. From a marketing point of view, it is essential to observe that during service-based interactions, the supplier can actively contribute to the customers' experiences and value fulfilment. This opens up new opportunities for marketing to influence customers' preferences and behaviour and broadens both the scope and the content of conventional marketing. Both the value co-creation and marketing implications pointed out above are unique to a service logic-based business model.

5. Co-creation of value in a customer-supplier relationship

As can be concluded from the previous sections, although customers always are the value creators, during interactions with its customers, on top of being a value facilitator, the supplier gets opportunities to co-create value with its customers in a process of joint value creation. This opportunity is unique to suppliers defining themselves as service businesses and thus as service providers. Although the customer is the prime subject in the process of value creation, the supplier and the customer coordinate their activities and pursue the same instrumental goal during the integrated process of joint value creation. Without interactions, the possibilities for the supplier to actively to become a salient co-creator of value in the customer's process of value creation are limited.

In Figure 1, the dimensions of value creation and co-creation and the different roles in this process are depicted. Value facilitation, value creation and the interface between these salient processes as well as production and customer co-production are schematically shown. The figure outlines how the processes relate to each other only, without going into the mechanisms of value creation and value co-creation.

The customer's process of value creation is divided into two parts: one open and the other close part. In the open part, during interactions, the supplier can access the customer process of value creation. Here, joint value creation with the customer is possible. In the close part, the supplier is not present as a subject or co-creator of value. Likewise, the supplier's process is divided into two parts: a production phase aiming at facilitating value creation and an interaction phase. In the former resources for the customer's use (goods, service activities) are developed, designed, manufactured and delivered (for this process, we use the collective term production). In a supplier-customer relationship, these activities can be regarded as input to and hereby also as prerequisites for the customers' process of value creation.

In the latter, interaction phase, the supplier widens the interface with the customer, and the activities of the two actors are connected and coordinated in an integrated process of joint value creation. During the interactions, the supplier has an opportunity to become a co-creator in the customer's process of value creation.

In reality, the processes are not as linear as the figure implies. The different activities can follow each other in a variety of sequences. Taking a managerial perspective, value facilitation would precede customers' value creation. A customer perspective on the other hand implies that value creation may precede value facilitation, as the customers search for appropriate inputs into their processes. Interactions, and accordingly also joint value creation processes, can occur throughout the relationship, even during development, design, manufacturing and deliveries. If this takes place, the customer, on the one hand, participates as co-developer, co-designer, co-producer, etc. in the supplier's processes.

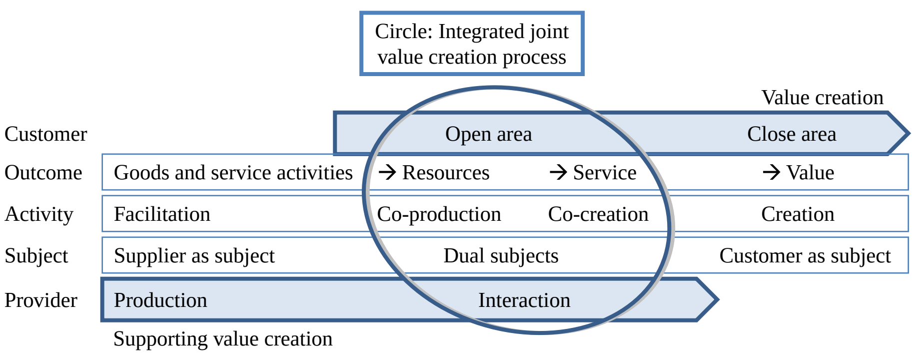

Figure 1.
Value creation and co-creation in supplier-customer relationships

This, on the other hand, enables the supplier to engage itself as value co-creator with the customer's process of value creation.

During interactions, both the provider and the customer are subjects, whereas during the two other phases, only one of the parties is subject (the supplier during the value facilitation phase and the customer during the close part of value creation).

6. The service logic-based view of value creation – implications for marketing

In the efforts by the American Marketing Association (AMA) in the USA (2004 and 2007) and the Chartered Institute of Marketing in the UK (2007) to update their marketing definitions, value has been included as a focal concept. Building on the AMA efforts, Sheth and Ulay (2007) have argued that directing marketing towards value creation indeed may be a more contemporary focus for marketing. In the 1990s, Holbrook (1994, p. 22) stated that the value concept is "[. . .] the fundamental basis for all marketing activity' and Rust and Oliver (1994, p. 7) claimed that "[. . .] ultimately it is perceived value that attracts a customer or lures away a customer from a competitor". Focusing on value creation as the ultimate goal for marketing may be an answer to the challenge posed by Alderson (1957, p. 69) over half a century ago, namely that rather than finding out what utility, or value, is created by marketing, what is needed is "a marketing interpretation of the whole process of creating utility". It also corresponds with Drucker's (1954) conclusion that it is what customers do with what suppliers produce and what they think is value for them that is decisive for any business.

As service logic is a logic of value creation and addressing equity in on-going relationships between market actors, the creation of reciprocal value can be considered the basis of business. Service providers or other actors, wishing to establish and consolidate relationships to selected customers, should aim at participating in significant customer activities and here successfully contribute to the creation of value, either directly or indirectly. On the basis of the discussion above, we propose the following formulation of the goal for marketing:

> The goal for marketing is to engage the supplier with significant customer practices[6] and contribute to value creation in those practices, in a mutually beneficial way.

In this view of the goal for marketing, value creation is a pivotal concept. This corresponds well with the fundamental role of value creation and nature of value in the service logic. However, as marketing and the whole business process also aims at benefitting the supplier, it is of course not only the customers who should gain value from business interactions with suppliers and service providers. These must benefit from the interactions with customers as well ("in a mutually beneficial way"). As Gupta and Lehman (2005) observed, value creation has two sides, namely value for the customer and value for the supplier. Value for the supplier requires that value for the customer is created as well.

6.1 From value propositions to value fulfilment

The marketing implications of the customer-supplier interactions and of the value co-creation opportunities enabled by interactions are substantial. According to a conventional view of marketing, the marketer can only make promises, or using the value proposition expression, can only offer value propositions, to persuade customers to choose a given product over competing options. Value propositions are suggestions and projections of what impact on their practices customers can expect. When such a projection is proposed actively to customers, it is a promise about potential future value creation. The supplier has no direct means of influencing the customers' process of value creation. The customers are solely in charge of that process, and the outcome also depends on their ability and competence as resource integrators. Whether customers manage to create promised or wanted value out of this resource or not is something the marketers cannot interfere with or influence.

When the logic of service is adopted, the opportunities for the supplier to influence its customers are much more far-reaching than what conventional marketing implies.

Owing to the existence of service-based interactions with customers, and the opportunities for co-creation of value with customers that are embedded in these, the supplier is not restricted to using traditional external marketing activities only, such as advertising, promotional efforts, price offers and the like. In addition to these traditional activities, a broadened scope of marketing is possible. A host of activities performed by people and systems outside a conventional marketing function becomes an integral part of the marketing process. During supplier-customer interactions, the customers' preferences, behaviour and future purchasing decisions are influenced by people who are performing operational, administrative and other traditionally non-marketing tasks. However, the way these tasks are performed influences customers' willingness to continue buying from the same supplier. They are engaged in an interactive process aiming at keeping customers, and therefore, their work has marketing consequences. Consequently, they are part of the marketing process[7].

These marketing activities that take place during interactions with customers are part of the open area of customers' value creation and offer value co-creation opportunities for the supplier. In this way, marketing and the suppliers' value co-creation efforts are intertwined. Making use of interactions and value co-creation as part of the marketing process is a marketing opportunity unique to suppliers that take up the role as service businesses. Because customers and suppliers during interactions with each other are involved as subjects in an integrated process of joint value creation, both parties can give and take, and act upon each other inside each others' processes. From this, it follows that the suppliers can directly and actively impact the customers' process of value creation and the outcome of this process. From a marketing point of view, this means that the supplier is not restricted to only making promises about future value, or offering value propositions only. On the contrary, in addition to making promises, a supplier can get actively involved in its customers' experiences with the supplier and actively influence and contribute to the customer's value fulfilment (Grönroos, 2008).

What this means is that marketing grows out of a separate one-function, one-department process performed as separate activities by full-time marketers. First of all, marketing becomes a customer-focussed mindset among people who as part-time marketers are involved in interactions with customers. Second, the part-time marketers perform marketing activities in the form of customer-focussed execution of their regular tasks. In the service marketing literature, this is called interactive marketing. This part of the extended marketing process is mainly promise keeping, and thus a base for future promise making. This reframes the role of marketing. It fundamentally broadens both the scope and the content of the marketing process from being a promise-making function to become a process of value fulfilment.

7. Concluding discussion

The discussion of value creation and co-creation and marketing in the context of a service logic is summarized in Table I. The table includes five service logic theses which according to our analysis provide an understanding of the process of value creation and its implications for marketing. These are focal issues in a service logic[8]. Furthermore, they offer a terminology that helps researchers and practitioners to understand the various roles of suppliers and customers in value creation and to analyze opportunities for co-creation of value and to take marketing beyond its conventional borders.

The contemporary literature emphasizes the role of creating customer value as a focal issue in marketing. It also stresses the importance of value-in-use and that value for customers is created by the customers for themselves. From a marketing point of view, this means that customers' creation of value is in focus. Consequently, as the first thesis implies, the goal for marketing is to support customers' value creation.

Theses	Comments
The goal for marketing is to support customers' processes of value creation	As value creation for customers has been emphasized as an ultimate outcome for businesses, it is only natural that is should be the goal for marketing
Creation of reciprocal value is the basis of business	Service is not provided to customers for the sake of service, but to enable customers to create value for themselves. Service providers should, in turn, be able to generate value for themselves. Hence, the ultimate meaning with a service logic is to enable reciprocal value creation
The customer is the value creator	According to the value-in-use concept, when all kinds of resources are integrated by customers with other resources available to them, value for customers is created out of the use of such resources. Consequently, there can be no other value creator than the customer
The supplier is fundamentally a value facilitator, but during interactions with customers, the supplier may, in addition, become a co-creator of value with them as well	Input resources into customers' processes of value creation are produced by suppliers, and hence suppliers facilitate value creation (indirect support to value creation). During interactions with customers, suppliers get opportunities to influence their customers' processes of value creation. Thus, they become co-creators of value with their customers as well (direct support to value creation)
Service providers do not only make value propositions. During salient interactions with customers, they also contribute to their value fulfilment	During interactions, the supplier's and the customer's processes merge into one integrated process of joint value creation. Hence, the supplier enters the customer's process of value creation and can directly and actively influence the outcome of that process. This creates marketing opportunities unique to service provision (interactive marketing by part-time marketers performed as part of the execution of their regular tasks)

Table I.
Five service logic theses – a summary

Clearly, helping customers create value for themselves is not a one-sided process only. Suppliers need to do this in a way that is profitable for them as well. From a value point of view, value has to be created from a business engagement for the supplier as well. However, such value cannot be expected to be created, unless customers' value creation is supported. Hence, as the second thesis implies, reciprocal value creation is the basis of business. A service logic means that a provider supports customers' value creation with resources and interactive processes (goods, service activities, information, etc.). Consequently, service is a mediator in this value-creating process. Service as such has no meaning, unless it does some good.

Basically, our approach is managerial, and in a service logic context, we study the creation of customer value. Value for the supplier is outside the scope of the analysis. To be able to understand and manage the creation of customer value, it is important to use the expressions "value creation" and "co-creation of value" in a well-defined way that cannot be interpreted in a multitude of ways. In the literature, co-creation of value is now used as an expression including all supplier and customer activities in an unspecified process that leads to value for customers. Because today value for customers is viewed as value-in-use, and value as value-in-use is created in the customers' sphere, it seems logical to restrict the use of value creation to the process where customer value indeed is created, i.e. in customers' creation of value-in-use. This means, as implied by the third thesis, that the customer is the value creator. This conclusion is important, because it makes it possible to, first of all, analyze the role of the firm as service provider in a distinct context of supporting customers' value creation. This is in line with the underpinning logic of the service perspective. Second, a distinct meaning of a concept "co-creation of value" can be developed.

The supplier's role in the process is to support customers' value creation (of value-in-use). According to our analysis, customers' value creation includes a close area and an open area (Figure 1). In the close area, customers make use of various resources to create value for themselves without any direct contacts with the firms as the resource provider. Here, the supplier can only facilitate its customers with resources that can be used by them in a value-creating way. It is only indirectly supporting value creation. On the other hand, in the open area, interactions between the provider and the customer take place. The simultaneously occurring supplier and customer processes are coordinated and merge into one joint process, where the customer, operating inside the supplier process, co-produces service, and the firm as the provider, operating inside the customer's process of value creation, gets opportunities to co-create value with the customer. If the provider manages to do that, it influences value creation directly. Hence, as implied by the fourth thesis, the supplier is fundamentally a value facilitator, but during interactions with its customers, the supplier may, in addition, become a co-creator of value with them as well.

By and large, conventional marketing is directed towards making promises, or offering value propositions, about what future value customers can be expected to create out of goods and service activities. Adopting a service logic, according to which providers can engage themselves with its customers' processes of value creation, and as value co-creators directly influence their creation of value-in-use, offers opportunities to expand marketing beyond these boundaries. Because the provider can operate inside the customers' value-creating process and coordinate its actions with those of the customers, it is directly involved in how promises are kept. By co-creating value with its customers, a supplier has a direct impact on value fulfilment, and on how the customers' preferences and future purchasing behaviour develop. Hence, co-creating value with customers is an integral part of the provider's marketing process directed towards how promises made, or value propositions suggested, are kept. Thus, as implied by the fifth thesis, service providers do not only make value propositions; during salient interactions with customers they also contribute to customers' value fulfilment.

As our analysis demonstrates, value co-creation and marketing are intertwined phenomena. This enables providers to include direct promise keeping in its marketing process. However, if no interactions occur, no value co-creation opportunities exist for the supplier, and direct promise keeping is not possible. In that case, marketing reverts to a mainly promise making process only.

The approach to understanding value creation, value co-creation and marketing developed in the present paper has important implications for managers. It points out the need to distinguish between value facilitation and value co-creation. Furthermore, it emphasizes the importance for suppliers of creating and utilizing interactions with their customers. Only the existence of supplier-customer interactions, and the effective use of them as a means of directly influencing customers' value fulfilment, enables co-creation of value. It also shows how the existence of interactions can be used to extend marketing beyond a promise-making activity. However, this requires that employees who are not part of a conventional marketing function, but who interact with customers in various other functions, are prepared and willing to take up this challenge and perform as part-time marketers. Thus, from a managerial point of view, the importance of internal marketing is emphasized.

In the present paper, a framework and terminology for understanding value creation and co-creation and their marketing implications in the context of a service logic have been developed. From a research point of view, further research into the mechanisms of value facilitation and co-creation of value, and the ways providers and customers conduct their roles and influence each other in these processes, is needed. Furthermore, the various ways suppliers can develop interactions with its customers, and how such interaction can be used as promise-keeping marketing activities, need additional research. This is especially important to study in manufacturing contexts, where the management of interactions with customers from a marketing perspective has shorter traditions, as compared to the consumer service field.

Notes

1. Throughout the present paper, a distinction between the terms "service" and "service activities" is maintained. Service is a perspective on business and service activities are one type of distribution mechanisms for service (Vargo and Lusch, 2004), along side goods. Even though service is viewed as a perspective, neither service activities nor goods have disappeared. They still exist as resources for customers to use in their value-creating processes. Goods are value-supporting resources and service activities are value-supporting processes provided by the supplier. Both are used by customers in a process, where value is created by them for them (Grönroos, 2008).
2. As observed by Lush *et al.* (2007), in economics, the conclusion that all resources are consumed as service was made by the nineteenth century economist Bastiat (1848), who claimed that service is exchanged for service, a statement that he considered a law. These views were grounded in his observation that economic decision must be made with the consumer's interest in mind. Within the field of service marketing research, this observation was made very early already in the 1970s: "It is [. . .] reasonable to consider both goods and services

(service activities) to be bought by consumers in order to give some service or value satisfaction" (Grönroos, 1979, p. 86). Earlier outside the field of service marketing, for example Abbott and Alderson expressed similar views: "What people really desire are not products but satisfying experiences. [. . .] People want products because they want the experience-bringing services which they hope the products will render" (Abbott, 1955, p. 39f) and "Goods do not really have utility from the consumer viewpoint until they come into the possession of the ultimate user and form a part of his assortment" (Alderson, 1957, p. 70).

3. Grönroos (2008, p. 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.

   Vargo *et al.* (2008) offer a definition with a similar meaning. In business-to-business context, "being better off" can be measured in terms of, for example, growth, premium pricing and/or cost savings opportunities created for a customer, but in business-to-consumer contexts the effects are frequently only or predominantly perceived as increased comfort, trust, attraction, etc. A comprehensive review of different approaches to value for customers can be found in Woodall (2003). In the literature, value is invariably treated as a positive outcome. However, value creation out of a resource can lead to a negative outcome as well. For example, if a good does not work, the value-creating process makes the customer worse off rather than better off.

4. Especially within the Nordic school research tradition, the interaction concept is a key construct in service marketing, for example in the forms of buyer-seller interactions and interactive marketing (Grönroos, 1982) and interaction quality (Lehtinen and Lehtinen, 1991) and in relationship marketing (Grönroos, 2000; Gummesson, 2002). Interaction has also been discussed within other service research traditions (Eiglier and Langeard, 1976; Solomon *et al.*, 1985). For discussions of the interaction concept in other contexts, see for example Håkansson, 1982, Håkansson and Snehota, 1995, Dwyer *et al.*, 1987, Jap *et al.*, 1999, Day and Montogmery, 1999, Rayport and Jaworski, 2005, Yadav and Varadarajan, 2005 and Ramani and Kumar, 2008.

5. The use of the terms subject in a value creation context derives from the axiological research tradition (Osborne, 1933; Lamont, 1955; Frondizi, 1971; Holbrook, 1999; Ravald, 2008). The term subject describes the role of the active part or owner of the process.

6. In principle, practice is what people or organizations are doing – physically and mentally – as part of everyday individual or organizational life. About practice theory, see for example Schatzki (2001) and Reckwitz (2002).

7. The interactive marketing (Grönroos, 1982) and part-time marketer (Gummesson, 1991) concepts developed within the Nordic school and the internal marketing concept discussed within the French, Nordic as well as the North American schools of service marketing (Eiglier and Langeard, 1976; Grönroos, 1982; Berry, 1981), the servuction concept introduced within the French school (Langeard and Eiglier, 1987) and also the three additional Ps in the 7P model (Booms and Bitner, 1982) and the servicescape model (Bitner, 1992), introduced within the North American school, are all examples of concepts and models addressing issues relating to marketing outside its traditional realm administered by a marketing department.

8. The theses further develop the propositions on value creation, market offering and marketing presented in Grönroos (2008).

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