



Co-creation of Value and S-D logic

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overview

- outline key definitions and views of value co-creation
- define customer value co-creation
- customer value co-creation activities
- customer's perceived role as resource integrator
- event type – negative (major/minor)
- future research ideas



co-creation of value

- what is co-creation of value?
- who co-creates value?
- is value always co-created?
- can value be co-created without a firm?
- can customers co-create value by themselves?



defined variously

- value co-creation has been variously defined in the literature giving rise to considerable confusion
- a key point of intellectual debate, stemming from different conceptual roots, is “**value-in-use**” versus “**value-in-exchange**”.

value-in-exchange perspective



- from a “value-in-exchange” perspective, value is created by a producer (typically a firm), to be purchased by a customer
- customer is outside the firm, merely a passive recipient of what a *firm* does (Deshpande 1983)
- focus on “for” or “to” the customer



yet... some early definitions

- “actors come together to **co-produce value**” (p.54)...actors originate from both the supply network and from the customer network (Normann and Ramirez 1994)
- “The idea is that when the customer is conceived as a **co-producer (of value)**, the interaction between the parties should generate more value than a traditional transaction process, during which the buyer and the seller meet briefly, exchange finished products and then go their separate ways” (p. 6). (Wikstrom 1995)



value-in-use

- central to S-D logic and a view shared by many authors including Gummesson (1998), Gronroos (2000) Xie, Bagozzi and Troye (2008), Vargo and Lusch (2006), Ng, Maull, Smith (2010), is that value co-creation occurs only when a service is consumed, that is, **value-in-use**.



co-create value vs create value

- Gronroos (2008, 299) argues that “customers use resources provided by a firm together with other resources and applying skills held by them [customers], customers create value for themselves in their everyday practices”.
- Although Gronroos (2000, 2008) contends that customers do not *co*-create, they create value, he argues that customers do this *with* others.



theoretical stance

- We take the theoretical stance that when customers integrate resources with self and with others they *co-create* value, because they are doing this ***with*** self and others.
- In other words, value is not created until the beneficiary **integrates resources from various sources** (Vargo and Akaka 2009)



customer co-creation of value

- Customers are not always passive recipients of service and associated value.
- Rather customers can be *active* (c.f. Toffler 1980; Baron and Harris 2008; Payne, Storbacka, and Frow 2008; Xie, Bagozzi, and Troye 2008).
- Vargo and Lusch (2008b, p. 35) argue that the customer is “endogenous to both its own value creation and that of the firm”.
- **to varying degrees**, customers play an active role in the provision of service and in the realisation of its benefit (co-creation of value) (Prahalad and Ramaswamy 2000; Vargo and Lusch 2004; Tax, Colgate, and Bowen 2006).



S-D logic perspective

- in S-D logic value is determined “in use”
- through the integration of resources
- always co-created (Foundation Premise 6)
- value is always determined by the beneficiary (Foundation Premise 10)
- all social and economic actors are resource integrators (Foundation Premise 9)
- firms cannot create or deliver value, firms can only offer value propositions (Foundation Premise 7) (Vargo and Lusch 2008)



in S-D logic that means...

- individuals (actors) co-create value (*with* self and others)
 - private (eg self, friends, family, peers)
 - market-facing (eg firms, other organisations)
 - public (eg community groups, government)
- individuals may be customers, firms, government departments, community groups. (NOT JUST FIRMS)
- customers may co-create value with themselves, with firms, with other customers, with community groups etc



in S-D logic that means...

- of course not all actors will be able or willing to co-create value with themselves, with firms, with other customers, with community groups etc
- some may choose or be forced to engage in relatively few value co-creation activities and interactions (due to individual preferences and/or resource constraints)



customer co-creation of value

- Some customers might be involved in activities that are typically viewed as “**firm**” activities such as **self service** (Bowen and Schneider 1985; Mills and Morris 1986), or in **providing ideas** for improving service (Bettencourt 1997), even in **co-designing**, and can thus be regarded as ‘part time employees’ of the organisation, that is, in **co-production**.



customer co-creation of value

- While not all customers are involved in co-production activities, it may be argued that **all customers are involved to various extents through a range of different activities and interactions integrating resources with a range of others to realise the benefit** (Arnould, Price, and Malsche 2006; Barron and Harris 2008).
- Thus, all customers are involved in value co-creation.



co-creation of value definition

- Definition – “unavoidable, broad-based, multi-party nature of value creation” (Vargo and Lusch 2008)



our definition of customer value co-creation

- We define customer value co-creation as “the enhancement of customer benefit from integration of resources through activities and interactions with collaborators in the customer’s service network” (McColl-Kennedy et al. *under review*)



our definition of customer value co-creation

- **Activities** are defined as ‘performing’ or ‘doing’ (cognitive and behavioural)
- **Interactions** are the ways individuals engage with others in their service network to integrate resources
- The **service network** is composed of private, market-facing and public sources (Vargo and Lusch 2011)



co-production

- compared to customer value co-creation, *co-production* is a more narrowly defined construct, that is, doing what traditionally has been regarded as the firm's work such as self service, service design and new service development
- co-production is engaging customers as active participants in the organisation's work (Lengnick-Hall, Claycomb and Ink 2000; Etgar 2008)



co-production definition

- Co-production is the less compulsory, narrow involvement of customers in service provider processes such as self service, design of the service delivery and in new service development (Vargo and Lusch 2008)



the 7Cs of customer value co-creation activities (source: McColl-Kennedy et al *under review*)

- **co-operate** (compliance)
- **collate** (sorting, assorting, synthesising)
- **combine** complementary skills, knowledge, expertise
- **connect** eg with family, friends, service providers, support groups
- **co-learning**
- **co-produce** (self service, co-design, new service development)



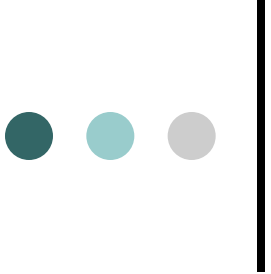
The 7 Cs of customer value co-creation (cont)

- **cerebral** activities (eg positive thinking, reframing, emotional regulation) (McColl-Kennedy et al *under review*)



interactions

- one or two (limited) ... many
- weak - strong links

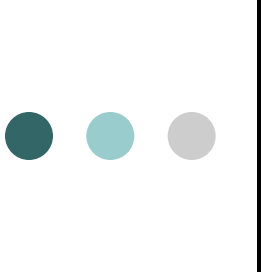


customer value co-creation practice styles

- passive compliance
- partnering
- team management
- insular controlling
- pragmatic adapting



Is there also a dark side to
customer co-creation of value?



2 more Cs of customer value co-creation activities (cont)

- primary benefit for whom?
(self/others/joint)

customers may also

- **compete** for resources (self focus)
- **connive** for self gain (self focus)
- as such can diminish value for others
either intentionally or inadvertently



future research

- **scale development and validation**
- **linking different activities to different outcomes** eg what types of activities are more likely to assist in reaching certain goals than others (self focus/joint/other focus)



future research

- need to better understand the nature of the **interactions** (eg social network analysis)
 - pace
 - frequency
 - depth
 - breadth



future research (cont)

- what happens when things go wrong?
 - co-recovery
 - opportunistic (negative) customer co-creation behaviours (see Wirtz and McColl-Kennedy 2010 JAMS)
 - inadvertent
 - deliberate (McColl-Kennedy and Tombs 2011)



thank you

