# Service logic revisited: who creates value? And who co-creates?

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## Abstract

**Purpose** – In the discussion on service-dominant logic and its consequences for value creation and marketing the inner meaning of the value-in-use notion and the nature of service marketing have not been considered thoroughly. The purpose of this paper is to analyze the meaning of a service logic as a logic for consumption and provision, respectively, and explore the consequences for value creation and marketing.

**Design/methodology/approach** – Being a research-based paper, the topic is approached by theoretical analysis and conceptual development.

**Findings** – Discussing the differences between value-in-exchange and value-in-use, the paper concludes that value-in-exchange in essence concerns resources used as a value foundation which are aimed at facilitating customers' fulfilment of value-in-use. When accepting value-in-use as a foundational value creation concept customers are the value creators. Adopting a service logic makes it possible for firms to get involved with their customers' value-generating processes, and the market offering is expanded to including firm-customer interactions. In this way, the supplier can become a co-creator of value with its customers. Drawing on the analysis, ten concluding service logic propositions are put forward.

**Research limitations/implications** – The analysis provides a foundation for further development of a service logic for customers and suppliers, respectively, ("service logic" is preferred over the normally used "service-dominant logic") as well for further analysis of the marketing consequences of adopting such a business and marketing logic.

**Practical implications** – Marketing practitioners will find new ways of understanding customers' value creation and of developing marketing strategies with an aim to engage suppliers with their customers' consumption processes in order to enhance customer satisfaction.

**Originality/value** – For a scholarly audience, the paper provides a more truly service-centric understanding of value creation and of its marketing consequences. For a practitioner audience, it offers service-based means of further developing marketing practices.

**Keywords** Services marketing, Marketing theory, Value analysis

**Paper type** Research paper

The article on service-dominant logic by Vargo and Lusch (2004) immediately gave rise to an international discussion of what a service perspective on business can offer marketing in general. In the following year, a survey was published of the observations of a number of leading international scholars in the service field on service and service marketing (Edvardsson *et al.*, 2005). The key finding was that service was indeed more generally considered to be a perspective than merely an activity: "Service is a perspective on value creation rather than a category of market offerings" (Edvardsson *et al.*, 2005, p. 118).

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During the 1990s and continuing into the 2000s, the issue of value creation and the *locus* of value creation for customers had started to gain interest in the management and the marketing literature. The prevailing view that value for customers is embedded in products that are outputs of firms' manufacturing processes, value-in-exchange, was challenged by an alternative view, viz. that value for customers emerges in the customers' sphere as value-in-use in their value-generating processes (Normann and Ramirez, 1993; Holbrook, 1994; Ravald and Grönroos, 1996; Vandermerwe, 1996; Wikström, 1996; Woodruff and Gardial, 1996; Normann, 2001; Vargo and Lusch, 2004; Grönroos, 2006). According to this view, value is not created by the provider but rather in the customers' value-generating processes (Grönroos, 2000). As Vargo and Morgan (2005) pointed out, this is not a new approach to value creation, but in the economics and business economics literature it has long been overshadowed by the value-in-exchange notion.

In one of their original propositions about a service-dominant logic, Vargo and Lusch (2004, 2008) viewed customers as co-producers, but later changed this view into customers as co-creators of value. Gradually, the issue of value creation has become a central issue in the discussion of whether service as a perspective or logic can offer marketing something new. The discussion of service logic has been preoccupied with what service does for customers, and conclusions for marketing management have been drawn from this perspective. However, service as a logic is more complicated than this view implies. It has at least two aspects, viz. a logic for consumption and a logic for service provision. These two aspects of service logic are, of course, intertwined with and dependent on each other. Furthermore, the provider logic has to be geared towards the customer logic. Based on an analysis of the value creation concept, the purpose of the present paper is to examine the two facets of service logic: the customer and the provider service logic, respectively[1].

Although the notion of value creation in the customer's sphere and the concept of value for customers as value-in-use have become topics for international discussion in a service context in the current decade, the existence and meaning of value-in-use both for goods and services are by no means new topics in the service marketing literature:

> It is [. . .] reasonable to consider both goods and services to be bought by consumers in order to give some service or value satisfaction.
>
> 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. [. . .] A service is in itself an activity [. . .] with in-built ability to transform the potential value (or utility) for the consumer into real value for him. [. . .] A service has use value [. . .] whereas a good (as such) has exchange value for the consumer (Grönroos, 1979, p. 86).

From these almost 30-year-old quotes the essence of the service logic for the customer and the provider, respectively, can be derived and summarised in the following way:

(1) When using resources provided by a firm together with other resources and applying skills held by them, customers create value for themselves in their everyday practices (customer service logic).

(2) When creating interactive contacts with customers during their use of goods and services, the firm develops opportunities to co-create value with them and for them (provider service logic).

In the rest of the paper, this double-faceted service logic and its marketing consequences will be elaborated. Since as perspectives a service- and goods-centred approach to understanding customers and doing business are different in nature, the term service logic is preferred over the term service-dominant logic. Service is a value-supporting process, whereas goods are value-supporting resources (Grönroos, 2006). Service as a business logic means facilitating interactive processes that support customers' value creation in their everyday practices. The supplier gets directly involved with the customers' practices. Such practices are what customers are doing (Schatzki, 2001; Reckwitz, 2002). Adopting a service-centred perspective is not a matter of adding weight to the service aspect of a logic in order to become service-dominant. Rather, it is a new logic in itself.

**Aspects of service**

There are at least three different aspects of the concept of service as it is used in the literature today:

(1) service as an activity;

(2) service as a perspective on the customer's value creation; and

(3) service as a perspective on the provider's activities (business logic).

Service as an activity is what is traditionally meant by the term service in the literature. It is a process where someone, for example a service firm, does something to assist someone else, for example a customer, and his or her everyday practices (activities or processes). A cleaner washes and irons a customer's business shirts and, thus, enables him to go to his office; a lunch restaurant provides a meal for him or her during the lunch break, so that he or she will be able to manage the afternoon's tasks successfully. In both cases, the firms' activities are providing something of value for the customer. In this form, a service can be defined as follows:

> [. . .] a process that consists of a set of activities which take place in interactions between a customer and people, goods and other physical resources, systems and/or infrastructures representing the service provider and possibly involving other customers, which aims at assisting the customer's everyday practices. (Grönroos, 2006, p. 323, slightly modified)[2].

Assisting everyday practices means that a service activity should support some activities or processes of a customer, regardless of whether this customer is an individual, a household or a business organization. In definitions of service different aspects can be stressed, but the process or activity nature is often emphasized. Normann (2001, p. 114), for example, defines services as "activities (including the use of hard products) that make new relationships and new configurations of elements possible."

The second and third aspects of service are not related to the service activity. Instead they are perspectives that are or can be applied as a foundation for customers' purchasing and consumption processes (customer service logic) and for organizations' business and marketing strategies (provider service logic), respectively. The service concept is probably more important for businesses as a perspective than as an activity only (Edvardsson *et al.*, 2005). In subsequent sections, service as a perspective will be developed further.

**Consumption as self-service**

The citations from 1979 presented in the introductory section of the present paper imply that goods and services are consumed in essentially the same type of process. A good has to be put into an activity of consumption handled and managed by the customer, whereas in the case of services the provider offers the context of this activity, or at least part of it. During the 1970s, 1980s and 1990s, the service marketing literature maintained the view that services and goods are different, and services were often defined by comparing them with goods. Since the field of service had to establish a position for itself, this was quite understandable. However, in the 1990s, the view was voiced that, from a consumption and value creation perspective, there may not be any fundamental differences between goods and services. As Gummesson (1995, p. 250) noted, "(customers) buy offerings (including goods or services) which render services which create value". Much earlier, this point had been made by Levitt (1974), but this was ignored by the academic community as well as by marketing practitioners.

This view means that people do not buy goods and services for basically different purposes. They are bought by customers in order to assist them with a service that should create value for them. Groceries are not bought for the sake of having them in store. They are bought in order to provide input resources in the process of cooking dinner for the family, for example in order to have a nice family occasion around the dining table. This is the value outcome of the process of cooking dinner. A precious painting is not bought only for the sake of the painting, but in order to be able to look at it, to show it to others, or just for the sake of knowing that it is in the buyer's possession. These are all processes where the painting is an input resource needed to create value for the owner.

The process nature of services is their most distinguishing characteristic, and the aim of this process is to assist customers' everyday practices (Grönroos, 2006). The process can be either actively supported by a service provider using a full-service concept (or a variety of full service) or only passively supported through a self-service set-up. By using the possibilities provided by this set-up, the consumer is expected to initiate and implement all activities of the service process needed to get the service and subsequently the value rendered by it. To operate the process and possibly some additional resources, the consumer only has to add his or her skills. Withdrawing cash from an ATM is an example of such a situation. The customer needs some skills to operate the ATM, following a predetermined set of standard procedures, and in addition a plastic card is required as an extra resource. Fundamentally, there are no differences between a goods consumption process and a self-service process. In both cases, a firm provides the customer with some resources, the groceries or the painting or the ATM, and the customer adds skills and, if required, additional resources, such as spices or a wall for the painting or a cash or credit card.

Regardless of whether customers are using the service of a self-service vendor or consuming goods, they are orchestrating a self-service process, the purpose of which is to provide value for them. Hence, consumption is basically a self-service process. In the case of a full-service service provider, the situation is crucially different from those involving goods in self-service provision as described above. In this context, the service provider has an opportunity to engage itself with the customers' practices and to interfere with the consumption process, learn from the customers, teach them new skills, provide them with more varied procedures than is possible in a standard self-service context, and adjust to their possible preferences that go beyond what was initially expected. This is still a service process aiming at creating value for customers. However, in comparison with, for example, the self-service process of goods consumption it gives the provider more leeway and flexibility to interfere with the consumption process and influence value creation. This is due to the fact that the service provider can interact with customers during consumption, and during these interactions the provider can actively influence the flow and outcome of the consumption process. This is, of course, a two-way street, as at the same time the customers have the opportunity to influence the activities of the service provider. However, as will be demonstrated in a later section, these possibilities to participate in the consumption process have a decisive impact on a firm's role in the value creation process, and it also has critical consequences for marketing.

The unique contribution of service research, especially but not only by the Nordic School of Service Marketing, is to explicitly integrate consumption processes and marketing, building on the interactions between customers and the service provider[3]. Traditionally, consumption has been seen as a black box in marketing (Grönroos, 2006). Whether the consumption of a product was appreciated or not can only be observed through the market exchange mechanism. Customers either buy again or do not buy again. Service research emphasizes the interaction mechanism. Examples of marketing concepts based on the view that interactions with customers form a cornerstone for marketing success in service contexts are: interactive marketing (Grönroos, 1982) in addition to the traditional external marketing function, part-time marketers (Gummesson, 1991) in addition to the full-time marketers of this traditional marketing function, and the perceived service quality concept with its technical or outcome and functional or process and interaction dimensions (Grönroos, 1982; Lehtinen and Lehtinen, 1991) as well as the Servqual (Parasuraman *et al.*, 1988), the Servperf (Cronin and Taylor, 1992) and other quality measurement instruments.

## Value foundation: the input by the provider and the customer, respectively

The customer service logic relates to how customers create value for themselves. It is a perspective on how customers, by consuming service, create value. It is different from a provider service logic, which in turn is a perspective on how, by adopting a service approach, firms can adjust their business strategies and marketing to customers' service consumption-based value creation.

However, the starting-point is that customers consume service, regardless of whether they buy goods or services (Grönroos, 1979; Gummesson, 1995; Vargo and Lusch, 2004, 2008). By making use of goods or services they have acquired, customers consume the services they manage to create with these resources (Levitt, 1974). Cooking meals, driving cars, looking at or displaying a painting are examples of everyday practices where goods are used so that the consumer can create the service of preparing a meal, getting from one place to another, or having an esthetic experience. Even though these examples are from consumer markets, business customers also pursue everyday activities and processes (e.g. manufacturing, accounting, and advertising campaigns) that have to be supported by their own resources or resources acquired from outside sources. To implement the service processes of cooking a meal or manufacturing a physical product, some resources are purchased for the occasion (steaks and vegetables or raw material), whereas other resources already exist in the customer's possession (spices or the production facilities). In addition, the customer needs the skills required to run the processes.

Customers are not primarily interested in what they buy and consume, but in what they can do with what they have in their possession. They use resources in self-service processes in order to "get something out of it". In other words, they use resources to get something of value for themselves. Cooking dinner for the family creates a nice gathering around the dining table, and driving to see a friend enables the driver to enjoy a pleasant evening with friends. Value comes from the family occasion or the evening spent together with friends. Consumers do not even buy fashion garments for the sake of the clothes, but in order to be considered trendy or fashionable by friends or just to feel good by wearing these clothes. Value can, for example, be based on a feeling of being accepted or appreciated.

However, value is a concept that is difficult to define and to measure. In this paper, the following simple working definition is used:

> 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.

Of course, there may also be negative value. Sometimes the value that has been created can be measured in financial terms, for example through effects on revenues or wealth gained or through cost saving, but value always has an attitudinal component, such as trust, affection, comfort and easiness of use. In many cases, especially on consumer markets, the consumer's perceptions are predominant.

During recent years, the term co-creators of value has been used for customers in the management and marketing literature (Normann, 2001; Prahalad, 2004; Prahalad and Ramaswamy, 2004; Grönroos, 2006). Also, in the discussion of service-dominant logic, customers are considered to be co-creators of value (Vargo and Lusch, 2008). This view of the customer's role in value creation follows from the notion of value-in-use, according to which rather than being embedded in goods or services (value-in-exchange) value is created when customers use goods and services. However, if customers are value co-creators, what is the role of the firm? Are firms the main creators of value, or what are they?

As firms provide customers with resources for their use, they can be viewed as creators of a value foundation through a value facilitation process. When customers use these resources (goods or services) and add other resources (goods, services, and information) and skills held by them, the value potential of the resources is developed into value-in-use. Hence, the customers also bring a value foundation to the table. If they do not have the skills needed to make use of the resources provided by a supplier or if they do not have the additional resources required for this, value-in-use will be non-existent or lower than otherwise. The skills held by customers and their access to other resources needed for the self-service consumption process form the customers' value foundation. However, the value for the supplier of the customer's value foundation is dependent on the value the resources have for customers (value-in-use). As Alderson (1957) already noted 50 years ago, the value created when products are used is more important both for the customer and for the firm than the value that is exchanged between them. Applying the terms value-in-use and value-in-exchange, the former is more important than the latter. If customers cannot make use of a good, value-in-exchange is nil for them. Since they have paid good money for nothing, it is actually negative. Only during consumption, realised value in the form of value-in-use is created.

Since value for customers and customer satisfaction can be observed only after consumption, focusing on value-in-exchange is less important for the supplier as well. Dissatisfied customers are less likely to return and long-turn revenues will go down. However, short-term initial sales give an impression of high value-in-exchange and easily hide the fact that due to low value-in-use the value-in exchange is in fact also low. Hence, value-in-use as a concept is not only important for customers, it is equally important for suppliers. Although, it is more difficult than value-in-exchange to observe and measure in the short-term, from the management point of view, the creation of value-in-use is the important value concept for suppliers.

However, concentrating on marketing as exchange (Pyle, 1931; Kotler, 1972; Bagozzi, 1975; Hunt, 1976; Vargo and Lusch, 2008) draws the marketers' attention to short-term value-in-exchange and away from value creation (Sheth and Uslay, 2007) and this conceals the importance of customers' creation of value-in-use to long-term marketing success (Grönroos, 2007). As Kotler (1972, p. 48) noted, "... the core of marketing is transaction. A transaction is the exchange of values between two parties." A distinction between direct and indirect exchange, as suggested in the discussion of service-dominant logic (Vargo and Lusch, 2008), does not change this in any fundamental way. On the contrary, using the term exchange metaphorically weakens the exchange construct's base in economic theory and, moreover, makes its meaning and role even more elusive and difficult to use for analysis and planning. Moreover, as the analysis of value creation according to a service logic in the next section will demonstrate, the real value of an exchange for the firm cannot be assessed before it has been determined whether value-in-use for the customers has been created or not. When creating value for customers is taken as the objective of marketing, as Sheth and Uslay (2007) suggest, a focus on exchange as the foundational marketing construct is no longer supportable (Sheth and Uslay, 2007; Grönroos, 2007). Instead, the interaction concept central to a service logic is a more productive option. As Ballantyne and Varey (2006, p. 336) put it, interaction is a "generator of service experience and value-in-use". Furthermore, interactions help firms gain and deepen their information about customers and their preferences (Srinivasan *et al.*, 2002).

## Value creation: the role of the provider and the role of the customer

As was argued in the previous section, when customers are using resources they have purchased value is created as value-in-use. Value-in-exchange is a function of value-in use (Ravald, 2001). Theoretically, the former only exists if value-in-use can be created. In practice, goods and services may have exchange value in the short term, but in the long run no or low value-in-use means no or low value-in-exchange. Hence, value-in-use is the value concept to build upon, both theoretically and managerially.

However, the question is who creates value as value-in-use? In the previous section, it was argued that both suppliers and customers as value facilitators bring a value foundation to value creation. As value is created in the customers' sphere, it emerges in customers' everyday practices, in customers' value-generating processes (Grönroos, 2000). In the management and marketing literature in general and in the discussion of service-dominant logic as well, the term customer co-creation of value has consistently been used. In this view, customers are considered to co-create value. Generally, the arguments put forward state that firms still create the value, but customers are allowed to engage themselves with the suppliers' work (Lengnick-Hall *et al.*, 2000; Auh *et al.*, 2007) and enter it as co-creators.

If value is created in customers' value-generating processes and should be understood as value-in-use, and if value-in-exchange for the suppliers is dependent on whether value-in-use is emerging or not, the customers have to be the value creators. The customer is not co-creating value, he or she or an organization creates value. More than four decades ago, the economist and Nobel Prize winner Becker (1996) described this view in his discussion of the household as a utility or value producing unit. Firms supply the household with the resources, such as goods, services and information, that it needs for this production task. But if customers, or households as in Becker's analysis, are the ones who create or produce value, what is the role of firms as suppliers or service providers in value creation?

The first question is why customers have been given the role as only co-creators of value in contemporary management and marketing literature? Key reasons for this are probably the dominant role of the exchange construct in marketing and thus the value-in-exchange concept, as well as the notion that value for customers is embedded in products supplied by firms. Giving up the view that value is exchanged has been seen as too bold, and hence, the most a customer can be allowed to do is to co-create value. However, if value-in-exchange is a function of value-in-use, this cannot be correct. Then it is not value that is exchanged: only resources as a value foundation aiming at facilitating value-in-use are exchanged. In the service marketing literature, one reason for considering the customer as a value co-creator only may be confusing the customer as a production resource with the customer as a value creator. Long ago, it was established that customers participate as co-producers in the service process (Eiglier and Langeard, 1975; Grönroos, 1978). The service firm produces the service activity and the customer takes the role as co-producer. In the case of self-service, the customers' role increases.

When the customer's role as value creator is recognized, what is the role of suppliers? Depending on whether a firm adopts a service logic or not, its role in the value-creating process varies. Suppliers have to provide customers with the necessary resources for their value-generating processes. Suppliers can be said to facilitate customer value creation by providing the value foundation required. Hence, basically the supplier's role is to facilitate value creation, and consequently they take part in the value-creating process as value facilitators. When value is created by customers in isolation from the suppliers, which is the case in traditional goods logic-based marketing models, suppliers have no direct means of engaging with the consumption process. In other words, suppliers cannot influence value creation in the customers' processes. Taking a value-in-use approach, they are not even co-creators of value, they are value facilitators. However, the better suppliers manage to facilitate value, the more value-in-use will be created, and eventually, the higher the value-in-exchange will be.

The value creation model discussed in this section, where the firm's part in value creation is that of a value facilitator only, is labelled the value facilitation model. The supplier develops a value proposition, which is the value foundation to be used by customers, and if the customers accept this value proposition during consumption as their value foundation, they add their own skills and the additional resources needed into a value-generating process in order to achieve value fulfillment in the form of value-in-use (Grönroos, 2006). The firm cannot engage itself actively and directly in customers' consumption and value-generating processes where value fulfillment occurs. Hence, from a marketing point of view, in this case the firm is restricted to making value propositions only[4]. The value facilitation model is summarised in Table I.

When adopting a service logic, firms can assume a larger role in their customers' value creation. The next section discusses the supplier service logic or service as a business logic, and demonstrates how suppliers, adopting a service logic, can engage in the customers' consumption processes and extend their role beyond pure value facilitation, thus becoming value co-creators.

## Service as a business logic: supplier service logic

Customers are not predominantly interested in goods or services, but in how these can be used for value creation. Both, goods and services are consumed as services in customers' self-service processes. Firms should not be distracted by existing goods or services in their market offerings, but focus on understanding their customers' everyday practices and value-generating processes where goods and services are used. Taking this as the starting-point, suppliers can focus on understanding how they can assist customers' value creation by supplying goods and services that support customers' creation of value-in-use. This is the base for the third service aspect presented at the beginning of the paper, viz. the provider service logic or service as a business perspective.

A service-based business logic for a firm means that it:

- focuses on well-defined customer practices (activities and processes in the customers' everyday practices);
- focuses on assisting those everyday practices in a value-supporting way;
- gears goods and services, and new goods and services to be developed, towards the customers' everyday practices;
- includes interactions that occur between the firm and its customers in its market offerings, which enables the firm to engage itself in its customers' consumption and value-generating processes and thereby to directly and actively influence these processes;
- by engaging itself in the customers' value creation the firm develops opportunities to co-create value with its customers; and
- by doing this, the firm is no longer restricted to making value propositions only, but can engage itself in customers' value fulfillment as well.

**Table I.**
Firm and customer roles in value creation when firms are value facilitators only (value facilitation model)

| Value facilitation model | Supplier | Customer |
|---|---|---|
| Role | Value facilitator by providing customers with a foundation for their value creation in the form of resources (goods, services, information or other resources) | Value creator during value-generating processes (consumption) where other (necessary) resources available to customers and skills held by them (customer's value foundation) are added and where value fulfillment takes place |

The focus on customer practices means that suppliers should develop its business and marketing strategies based on knowledge that goes beyond the needs that conventional market research reveals. Need is an abstract construct that indicates what people believe creates the best value in some everyday practice of theirs. However, if potential customers' voiced needs had been used as guidance, we would, for example, never have had microwave ovens and text messages (sms). Value is created by customers in their practices and, therefore, a thorough understanding of people's, everyday practices has to be the starting-point for developing a customer-centric offering based on a service logic.

Since value is created in customer practices, the firm should focus on supporting value creation in those processes. However, regardless of whether a firm is traditionally considered a service firm or a goods-manufacturing firm, if it attempts to assist its customers' practices and support their value creation, it has to think, plan and act as a service business. A service provider's market offering includes, first of all, a core service package consisting of a core service and facilitating (enabling) and supporting (enhancing) services. However, it further includes the service process making the service package accessible to customers and interactions with the customers in which customers participate as co-producers (Grönroos, 2000).

The firm-customer interactions that are a defining characteristic of services make it possible for firms to initiate direct contacts with its customers during the consumption process. In the value facilitation model of value creation in Table I, no interfaces between a supplier and its customers exist, and therefore the supplier's role in the value creation process is that of a value facilitator only. Adopting a service logic and creating interactions with customers provide the supplier with an extended role in value creation. Instead of being restricted to acting as a value facilitator only, the firm can actively take a role in the customers' value-generating processes and directly influence them. The supplier becomes a co-creator of value with its customers.

However, contrary to the views expressed in the conventional literature on value creation and value-in-use, it is not the customers who get opportunities to engage themselves in the supplier's processes, but rather the supplier which can create opportunities to engage itself with its customers' value-generating processes. It is not the customer who becomes a value co-creator with a supplier, rather, it is the supplier which, provided that it adopts a service logic and develops firm-customer interactions as part of its market offerings, can become a co-creator of value with its customers. As Storbacka and Lehtinen (2001) observe, customers produce value for themselves independently, but suppliers may offer assistance. Co-creation opportunities that suppliers have are strategic options for creating value (Payne *et al.*, 2008).

In conclusion, adopting a service logic makes it possible for firms to get involved with their customers' value-generating processes and, hence, also to actively take part in value fulfillment for customers. Without adopting a service logic this is not possible. In Table II, a value creation model, and value creation and value fulfillment, enabled by a service logic is presented. Since in this model the supplier can directly engage itself in value fulfillment, the model is labelled the value fulfillment model. In Table II, the roles of the firm and the customer, respectively, are described. For comparison, the value facilitation model presented in Table I, and value creation and value fulfillment according to this model, are also included in Table II. The value fulfillment model is based on a service logic, whereas the value facilitation model is based on a goods logic,

**Table II.**
Value creation and value fulfilment according to a service logic and a goods logic (the value fulfilment model and the value facilitation model), respectively, as well as in a value-in-exchange context (the exchange value model)

| | Supplier | Customer |
|---|---|---|
| *Creation of value-in-use according to a service logic* | | |
| Value fulfillment model | | |
| Role | Value facilitator by providing customers with a foundation for their value creation in the form of resources (goods, services, information or other resources) and | Value creator (1) during value-generating processes (consumption) where, if needed, other necessary resources available to customers and skills held by them are added and |
| | Value co-creator during direct engagement in interactions with customers during their value-generating processes (consumption) | (2) through value-supporting interactions with suppliers as service providers during the value-generating processes, where value fulfillment takes place |
| *Creation of value-in-use according to a goods logic* | | |
| Value facilitation model | | |
| Role | Value facilitator by providing customers with a foundation for their value creation in the form of resources (goods, services, information or other resources) | Value creator during value-generating processes (consumption) where other necessary resources available to customers and skills held by them are added and where value fulfillment takes place |
| *Creation of value-in-exchange* | | |
| Exchange value model | | |
| Role | Creator of value-in-exchange by producing goods and services to be exchanged for money or its equivalent | Creator of value-in-use during the value-generating processes (consumption) where value fulfillment takes place and Where the level of the value-in-exchange for the firm is determined |

because firm-customer interactions are lacking. In the bottom third of the table, an exchanged value model is presented. This model is based on the idea that value is embedded in goods and services and exchanged for money or the equivalent.

## Marketing consequences of adopting a service logic

At least, three fundamental marketing consequences for the service logic can be derived from the nature and scope of the customer and provider service logic, respectively. Two of these have already been listed in the section on service as a business logic, namely: the market offering is expanded from a goods-based offering to including firm-customer interactions, and marketers are no longer restricted to making value propositions only. As interactions between the firm and its customers form an integral part of a service, the market offering is extended to include facets of these interactions (compare the augmented service offering model in Grönroos (2000)).

In publications on the service-dominant logic, it is claimed that firms can only make value propositions (Vargo and Lusch, 2004, 2008). From the point of view of the service provider's service logic, this cannot be the case. As a matter of fact, it is the other way around. According to the goods logic, firms can only make value proposition, but they cannot get involved in customer's consumption and value-generating processes nor actively influence how value is really created as value fulfillment. However, characteristic for service is the fact that firms can actively influence how the value propositions made are fulfilled through the customers' value creation (for example, the interactive marketing and part-time marketer concepts). Hence, according to a service logic firms are not restricted to making value propositions only, but they have the opportunity to influence value fulfillment as well.

As has been noted previously, focusing on the exchange construct that for decades has been considered the foundational construct in marketing conceals the importance of value creation for successful marketing and makes the marketers focus on short-term transactions. Exchange is a goods logic-based concept. When value creation is considered the goal for marketing (Sheth and Uslay, 2007) and customer value is viewed as value-in-use, interaction becomes a key marketing concept. When focusing on interactions, the firm can extend its value facilitation efforts to value co-creation with its customers and directly influence their value fulfillment. Exchanges take place, of course, but exchange is a too elusive a concept to use. In service contexts, it is difficult to assess when an exchange has taken place, and furthermore, exchange makes the marketer focus on the firm-centric value-in-exchange concept instead of the customers' value creation and the customer-centric value-in-use concept.

Finally, a fundamental question is whether all firms are service firms? In the sense that customers consume goods and services as service, all firms are indeed service firms. However, this does not necessarily mean that customers always buy everything in the form of services. Although goods are consumed as services in self-service processes, when making purchasing decisions some customers may still focus on the resource they buy (a good or a service) and not on the manner in which it can be used and create value in their consumption processes. When making purchasing decisions, customers who do not focus on goods and services as value-creating processes but rather focus on them as resources or who cannot be persuaded to do so, will not buy services but resources only (as goods, and even a service can be bought as a good). Attempting to approach such customers with a service logic-based approach is clearly not effective. Hence, although from a consumption point of view every business can be considered a service business, some customers still may see and buy goods as goods and not as services. In such situations, value propositions should be developed and communicated accordingly.

## In conclusion: service logic propositions

Based on the analysis of service logic in the previous sections, the following ten service logic propositions were developed. These propositions combine the customer and supplier perspectives in a marketing context. This means that, like the discussion in the previous parts of the present paper, the propositions were developed and formulated so that they are meaningful for the understanding of marketing according to a service logic. Therefore, the propositions were categorized into three groups, viz. propositions related to value creation, propositions related to the market offering, and propositions related to marketing:

*Propositions related to value creation:*

- According to the service logic marketing is focused on supporting value creation for customers.
- Goods and services are consumed in the customers' self-service processes, where goods and services that have been purchased by customers, together with other necessary resources available to them, are used as input resources and skills held

by customers are applied. These self-service processes form the customers' value-generating processes.

- By using such resources and applying such skills in these self-service value-generating processes, customers create value for themselves.
- The firm cannot create value for customers. Its role is, first of all, to serve as value facilitator. By providing customers with value-facilitating goods and services as input resources into customers' self-service value-generating processes, the firm is indirectly involved in the customers' value creation.
- Secondly, by applying a service logic the firm creates opportunities to develop interactions with its customers during their value-generating processes and directly engages itself in value fulfillment for the customers and thus becomes a co-creator of value.

*Propositions related to the market offering:*

- A market offering based on service logic is a value-supporting process which includes resources, such as goods, services and information, and customer-firm interactions during the customers' value creation in their everyday practices. As a continuation of making value propositions, by being involved in interactions with customers the firm is, at least partly, directly involved in value fulfillment – a market offering based on a goods logic is a resource, or combination of resources, that the customers as sole creators of value themselves fit into their self-service consumption processes. By facilitating customers' value creation through resources such as goods the firm is only indirectly influencing value fulfillment in its customers' everyday practices.
- Although customers use both goods and services as input resources in self-service processes, i.e. they use them to produce a service that creates value for them, and although every firm in this sense is a service business, customers may still buy them as either resources (goods), based on their value facilitating capabilities, or as services, based on their value fulfillment capabilities. In the former situation, goods are bought as goods and no customer-firm interactions are expected to be included in the market offering, whereas in the latter situation they are bought as part of value-supporting processes with customer-firm interactions as part of the market offering.
- Adopting a service logic is a strategic decision. If customers are buying goods and services as value-creating processes or can be persuaded to do so, a strategy based on a service logic is supportive – on the other hand, if they only buy them as resources, developing a market offering based on a goods logic makes more sense.

*Propositions related to marketing:*

- Applying a service logic means that the firm is not restricted to making value propositions only, but also gets opportunities, through the value co-creation possibilities during interactions with the customers, to actively and directly participate in value fulfillment for its customers.

- According to the service logic, interaction rather than exchange is the fundamental construct in marketing – exchange is not geared towards customers' value creation, but towards transactions and value facilitation only. Interaction is focused on customers' value creation and value fulfillment, and moreover, it enables the firm's co-creation of value with its customers. Exchange conceals the importance of customers' value creation and the opportunities for the firm to perform as value co-creator.

## Notes

1. The discussion is largely but not exclusively based on the thinking of the Nordic School of Service Marketing (for more information on this school of thinking in the service and relationship marketing fields, see Grönroos (2007)).
2. Vargo and Lusch (2004, p. 2) provide the following definition: "We define services as the application of specialized competences (knowledge and skills) through deeds, processes, and performances for the benefit of another entity or the entity itself". This definition is consistent with the one adopted in the present paper. The terms deeds, processes and performances are frequently used in definitions of services (Lovelock, 1991; Zeithaml and Bitner, 2000).
3. However, interaction has also been discussed to some extent within other service research traditions (Solomon *et al.*, 1985) and in relationship marketing (Gummesson, 2002). Moreover, the interaction concept and buyer-seller interaction terms have also been used within the IMP approach in the interaction (Håkansson, 1982) and network (Håkansson and Snehota, 1995) models of business marketing, as well as in many industrial marketing publications (Dwyer *et al.*, 1987; Jap *et al.*, 1999) and in publications with a broader marketing scope (Day and Montgomery, 1999; Rayport and Jaworski, 2005; Yadav and Varadarajan, 2005; Ramani and Kumar, 2008).
4. In a recent article using the term value actualization, Gummesson (2007) discusses fulfillment of value propositions in a value creation context.

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