Kristina Heinonen, Tore Strandvik, Karl-Jacob Mickelsson,
Bo Edvardsson, Erik Sundström and Per Andersson

Rethinking Service Companies’ Business Logic:
Do We Need a Customer-Dominant Logic as a Guideline?
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Key words: Service; customer-dominant logic; co-creation; value-in-use; customer experience

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Distributor:

Library
Hanken School of Economics
P.O.Box 479
00101 Helsinki
Finland

Phone: +358 (0)40 3521 376, +358 (0)40 3521 265
Fax: +358 (0)9 431 33 425
E-mail: publ@hanken.fi
http://www.hanken.fi/public

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ABSTRACT

Purpose – This paper explores and expands the roles of customers and companies in creating value by introducing a new a customer-based approach to service. The customer’s logic is examined as being the foundation of a customer-based marketing and business logic.

Design/methodology/approach – The authors argue that both goods-dominant logics and service-dominant logics are provider-dominant. Contrasting the customer-dominant logic with provider-dominant logics, the paper examines the creation of service value from the perspectives of value-in-use, the customer’s own context, and the customer’s experience of service.

Findings – Moving from a provider-dominant logic to a customer-dominant logic uncovered five major challenges to service marketers: Company involvement, company control in co-creation, visibility of value creation, locus of customer experience, and character of customer experience.

Research limitations/implications – The paper is exploratory. It presents and discusses a conceptual model and suggests implications for research and practice.

Practical implications – Awareness of the mechanisms of customer logic will provide businesses with new perspectives on the role of the company in their customer’s lives. We propose that understanding the customer’s logic should represent the starting-point for the marketer’s business logic.

Originality/value – The paper increases the understanding of how the customer’s logic underpins the customer-dominant business logic. By exploring consequences of applying a customer-dominant logic, we suggest further directions for theoretical and empirical research.

Keywords – Service; customer-dominant logic; co-creation; value-in-use; customer experience

Paper type – Conceptual paper
1. INTRODUCTION

The mental models guiding not only managers but also researchers in service settings have lately been eagerly discussed in terms of an underlying “logic” (e.g. Edvardsson, Gustafsson and Roos 2005, Grönroos 2006, Holbrook 2006, Gummesson 2007, Vargo and Lusch 2004, 2008b, Vargo, Maglio and Akaka 2008). A goods-dominant logic has been contrasted with a service-dominant logic. This debate has its roots in earlier contributions to the marketing literature (e.g. Grönroos 1982, Normann 1984, Normann & Ramirez 1993), but has been rephrased and repackaged in many articles by Vargo and Lusch (e.g. 2004, 2006, 2008) with additional comments and suggestions from several other researchers in the field of service research (e.g. Grönroos 2006, 2008, Gummesson 2007). The debate has largely stayed on a general conceptual level, with few elaborations on the general concepts. It has been characterized by a rather limited positioning of the body of earlier research, for example in service management, within the discussed issues, as well as a limited view on the implications for management. Thus the discussion has primarily been based on philosophical reasoning without substantial empirical data. The focus has been on distinguishing service in terms of process from goods in terms of outcome.

In this paper we contribute to the discussion on mental models guiding service management by conducting a conceptual analysis of service provider dominance in contrast to customer dominance. We also point to issues that we consider to be challenges for both practitioners and researchers. We derive these issues by adopting a customer perspective on service business. The derived issues are seen to apply both to consumer and to business markets. We argue that the process-outcome and provider-customer dimensions denote different business logics.

Over time marketing thinking has developed from provider-focused approaches to the service- and interaction-focused approaches of service-dominant logic (Vargo & Lusch 2004, 2008). We argue that, even though the service-dominant logic has widened the scope of understanding the function of marketing, the view on service-dominant logic is still very production- and interaction-focused, i.e. service provider-dominant. For example, approaches in service research are either focused on analyzing an individual service system from the company’s point of view (service blueprinting, see for example Bitner et al. 2008) or on customer-provider interactions over time (Payne et al. 2009). In both cases, service is viewed as co-creation dominated by and from the perspective of the service provider. However, when other researchers, argue that the ultimate goal for service should be to facilitate value for the customer (Grönroos 2008), the aforementioned approaches will inevitably lead to an incomplete understanding, not of what the service does for the customer, but of what the customer does with the service, as implied in the perspective on consumption practices.
(e.g. Holt 1996; Korkman 2006). This creates a gap in our understanding, and demands that we explore what a customer-dominant logic would entail in contrast to a provider-dominant logic.

We argue that current ideas in the debate concerning a service-dominant logic (Vargo and Lusch 2004, 2008) are not sufficiently customer-focused, but rather represent a more advanced company-based view where the consumer/customer is seen as a partner. An indication towards a customer focus can be seen in a recent comment by Vargo (2008, p. 214) proposing that a “firm’s activity is best understood in terms of input for the customer’s resource-integration, value-creation activities rather than it is in terms of its own integration of customer resources for the ‘production’ of valuable output”. What needs to be addressed is how value emerges for customers and how through a sense-making process customers construct their experience of value of a service provider’s participation in their activities and tasks. This is in line with for example Schembri (2006), Holbrook (2006), and Peñaloza and Venkatesh (2006), who emphasize the customer’s perspective. In this paper we take a more radical step towards a more holistic understanding of the customer’s life, practices and experiences, in which service is naturally and inevitably embedded. From a customer perspective many of the arguments in the current debate can be seen in a different light, and this has concrete implications for managerial action as well as for further academic research.

The purpose of this paper is to apply a customer focus to service in contrast to a service provider focus and to explore the implications of applying such a customer-dominant logic. The customer’s logic is proposed as the foundation of a customer-dominant marketing logic. The centers of interest are not exchange and service as such, but how a company’s service is and becomes embedded in the customer’s contexts, activities, practices and experiences, and what implications this has for service companies. The customer’s logic is seen as the foundation of a customer-dominant marketing and business logic. The paper contributes to the understanding of the mechanisms related to value-in-use in the customer’s own context and the customer experience of service. We are particularly interested in conceptually exploring what follows from a focus on customer-dominant logic in contrast to a provider-dominant logic, providing directions for empirical research and managerial implications when applying this logic.

The paper is structured in the following way. First, we propose a conceptual model of a customer-dominant logic as an alternative to a provider-dominant logic, including traditional service management and the current service-dominant logic. Next, we examine three issues (co-creation, value-in-use, and customer experience) that we consider to be cornerstones in the current discussion. We propose that it is not these issues as such that determine a marketing logic, but rather one’s specific standpoint and interpretation of them that leads to considering a provider-customer continuum and consequently to our proposed customer-dominant logic. Finally, we discuss implications and managerial challenges that follow from a customer-dominant logic.
2. CUSTOMER-DOMINANT LOGIC

Many of the current debates concerning marketing logic have implicitly suggested a need to revise the thinking on the roles of the seller and the buyer, and what the seller needs to do and manage in order to succeed in business. In this paper we propose that there are unexploited opportunities in applying a customer-dominant marketing logic rather than a service-dominant logic. A customer-dominant marketing logic here refers to a view that positions the customer in the center, rather than the service provider/producer or the interaction or the system. This approach differs from traditional notions of customer orientation by shifting the viewpoint: Instead of focusing on what companies are doing to create services that customers will prefer, we suggest that the focus should be on what customers are doing with services to accomplish their own goals. The difference is subtle but important. An approach that is grounded in customer agency (Marsden and Littler 1996) will allow companies to build a business on an in-depth insight into customers’ activities, practices, experiences, and context. Such insights are then converted into concrete ways for companies to participate in and support the customer’s processes (see e.g. Grönroos 2008). The company can develop and design service offerings based on such insight. The primary issue is not the offering as such, whether it is seen as an outcome (physical good, service, solution) or a process (service interaction), or both, but rather the customer’s life and tasks that the offering is related to. Hence, the customer’s logic should be the foundation of a customer-dominant marketing logic.

Below in Fig. 1 the perspectives within the traditional service management literature and the current service-dominant logic discussions (which we consider provider-dominant) are contrasted with the proposed customer-dominant view. The proposed T-model (T referring to the shape of the model) indicates that the customer’s perspective does not only comprise the producer’s service but also all the customer’s activities and life as a whole.
Figure 1. Customer-dominant logic of service contrasted with service management and service-dominant logic

Figure 1 portrays schematically the service company’s world in relation to the customer’s world. At the top is a timeline relative to the service company’s world but anchored in the customer’s experiences, activities and use of service. This is illustrated by the boxes: history, pre-service X, service X, post service X, and future. Theoretically, in the service management literature the service X has been addressed by designing service blueprints, identifying and developing service encounters and measuring perceived service quality and perceived service value. From the service company’s view the customer’s participation in and use of the service company’s activities and resources represent service X and when used it generates the service experience and the experienced value. In the current service-dominant logic discussions the perspective has been extended to include customer-company interaction and the co-creation of service. Thus, the act of service is seen as the central unit of exchange within marketing (Vargo and Lusch 2004, 2008b). However, from the customer’s point of view the context might be different, as indicated by the shaded area including the customer’s core activities and experiences, related activities and experiences, and also other influencing activities and experiences. Considering how value emerges, we argue that this perspective is totally different from the other two perspectives. Therefore, we suggest that it is not the act of service alone, but customers’ intentions as well as the resultant activities and experiences that should be the focus of marketers and service companies. In other words, they should find out what the customer is doing or trying to do, and how a specific service fits into this.

How do customers evaluate value related to the activity of a service company? Traditionally, one of the key challenges in service management has been the notion that customers are the ultimate judges of the service company’s performance. A service company’s activities represent the service
that is perceived and interpreted by the customer. Services are seen as designed and delivered to the customer by the company. Central concepts such as perceived service quality, perceived service value and customer satisfaction have thus dominated the service management literature (e.g. Grönroos 1982, Parasuraman, Zeithaml and Berry 1988, Zeithaml 1988). Perceived service value concerns customers’ experience of the service company’s total offering, including goods, activities, and over time the relationship between the company and the customer. From a managerial perspective, the key has been to integrate the customer in the service company’s production process and allocate some tasks to the customer. Even if interactivity in general has been considered essential, it has implicitly been interactivity dominated by the service company and based on exchange value. Traditional service management has in fact, applied a provider-dominant logic, by focusing on customer’s perceptions of their offering and assuming that the service provider’s process is primary and the customer is fulfilling scripts defined by them.

It has been argued that in contrast a service-dominant logic would focus on the co-creation of value in a process where value is realized by the customer when she uses the service company’s resources. Value-in-use is proposed as a completely different view compared to traditional exchange value thinking. Vargo and Lusch (2004), who initiated the current discussion on goods-dominant versus service-dominant logic, introduced ten propositions that they believe capture important aspects of a service-dominant logic. Their numerous articles have inspired many other researchers to discuss the propositions and arguments (e.g. Ballantyne & Vary 2006, Grönroos 2006, Penaloza & Venkatesh 2006) and they demonstrate that there are many different approaches and foci that can be applied. In this paper we propose that the explicit and implicit focus on the service provider needs to be shifted to focus instead on the customer. Further, we argue that it is managerially important to apply a customer-dominant logic rather than a provider-dominant logic. Is service-dominant logic a type of customer-dominant logic? We think it is not, and this article presents arguments to support our view. The discussion is highly topical because of the recent power shift in favor of the consumer/customer, increased volatility in the market place, and tougher, often global, competition.

In contrast to the service-dominant logic, the alternative view represented by the customer-dominant marketing logic places the focus on the customer and not on the service (interaction process and interaction system). Holbrook (2006) defines customer value as an “interactive relativistic preference experience” (p 715). Within this experience the customer uses all input, current and remembered, to form an impression of value influenced by both cognitive and emotional perceptions. These impressions serve to create an emotionally charged marker in the customers’ memory, which the customer uses as a guide for future behavior (Damasio 1996, Ravald 2008). The service provided by service company X and used by the customer becomes embedded in the customer’s context, activities, practices and experiences which together with the service company’s activities determine the value-in-use. This value may include both service x and all facilitating and supporting services before and after service x, as well as other only marginally related services. When combined these
factors shed new light on what the process of co-creation may imply, how service experience should be defined, and how value emerges and is realized for the customer.

However, the proposed approach does not mean that the service company’s role is eliminated. On the contrary, it in fact builds on the idea originally introduced by Grönroos (2006, 2008a), and accepted by Vargo and Lusch (2008) and others, viz. that the service company’s task is to support the customer’s creation of value and that the potential value of a service company’s activities can be larger than traditionally considered.

3. CHALLENGES RAISED BY A CUSTOMER-DOMINANT LOGIC

Among the numerous concepts discussed in the recent literature, three issues: co-creation, value-in-use, and service experience (cf. Vargo, Maglio and Akaka 2008, Grönroos 2008, Payne, Storbacka and Frow 2008, Vargo and Lusch 2004, Grönroos 2008, Sandström et al 2008, Vargo and Lusch 2008, Holbrook 2006, Grewal, Levy & Kumar 2009) are employed in this paper to demonstrate the significance of the proposed customer-dominant logic. These issues are inter-related and have a common denominator: the question of the customer’s role. The concepts are used to distinguish between a provider-dominant logic (including both service management and service-dominant logics) and the proposed customer-dominant logic. The conceptual analysis will yield a number of managerial challenges.

3.1 Nature of co-creation of service

Co-creation of service has been strongly supported by the proponents of a service-dominant logic in order to emphasize the difference compared with a goods-dominant logic. The co-creation approach has raised many questions and therefore a critical discussion of the nature of co-creation and the validity of emphasizing co-creation is needed.

Co-creation can be interpreted in many ways. A fundamental premise of the service-dominant logic is that the customer is always a co-creator of value together with the company (Vargo and Lusch 2008). It is argued that the company cannot unilaterally create value, but can only offer value propositions and thus potentially co-create service and the resulting customer value. “In S-D logic, the roles of producers and consumers are not distinct, meaning that value is always co-created, jointly and reciprocally, in interactions among providers and beneficiaries through the integration of resources and application of competences.” (Vargo, Maglio and Akaka 2008:146) Grönroos (2008b), however, argues that value creation and co-creation of service are distinct: “it is important to keep apart service production, in which customers take part as co-creators, and value creation.” (Grönroos, 2008b:4) In other words, co-creation does not necessarily result in value emergence. In practice customers might not be interested in the company’s offering; they can often perform all activities themselves, or wish
to reduce the role of the company. If the particular service plays a minor role in their life, they might not be interested in the service or in co-operation with the service company.

A customer-dominant logic includes understanding the role of different activities, practices, experiences, and contexts in the customer’s business or life. The terms ‘co-production’ and ‘co-creation’ indicate a service-provider oriented view in the sense that it focuses on the particular offering or service rather than on the role this offering plays for the customer. Hence, there is a need to contrast the established company-oriented view of involving the customer in service co-creation with a more radical customer-oriented view of involving the service provider in the customer’s life. The question is who is involving whom as an indication of initiative and scope of involvement. We believe that we need to start from understanding the customers’ life, including context, activities and experiences performing different tasks and how the service supports customers’ life. This shift in focus is crucial and is applicable both to B2B and B2C situations. The first managerial challenge can thus be formulated.

**Challenge 1.** Rather than focus on involving their customers in co-creation, should service companies focus on involving themselves in the customer’s business or life? This would imply a shift from a provider-dominant logic to a customer-dominant logic.

Similarly, when seen from a customer-dominant logic perspective, we argue that co-creation is not always a straightforward activity orchestrated by the company. In contrast, traditional goods-dominant marketing management literature has focused on the service provider’s processes and delivery where the offering with its different characteristics is managed with the aim of inspiring customers to buy. The company is seen as the active party and the customer reacts to the company’s activities. Although the customers’ role as co-producers of services has been accepted for some time, the interaction has largely been seen from the company’s perspective in the sense the company controls the interaction (see e.g. Eiglier and Langeard, 1976 and Grönroos, 1982). The relationship marketing literature has applied the same perspective on company-customer relationships. Increasingly, however, customers’ memory and experiences from one interaction, use occasion, or even relationship have been acknowledged as an influence on customers’ perception of the next service and value-in-use (Roos and Edvardsson, 2009). Vargo and Lusch (2008b) suggest that value is always determined by the beneficiary (proposition 10). However, the focus in service-dominant logic is on co-creation and this raises unanswered questions regarding the locus of control: Does “uniquely and phenomenologically determined by the beneficiary” (Vargo & Lusch 2008b:7) mean that in practice there is little control on part of the seller? Or can companies influence this experience so that they do not only control their own activities but also customers’ activities and thereby customers’ thinking and emotions, resulting in a company designed experience?

Grönroos (2008b:9) suggests that the control of value creation varies and that companies can take the role of value facilitators where they can potentially influence the customer: “The customers
create the value for themselves, but during the interactions the service provider gets opportunities to change the process of value creation, for example so that the customers get more value than otherwise out of the service or good.” Grönroos proposes that companies control their own value creation and the co-creation but not customers’ own value creation. Verhoef et al (2009) suggest that “experience is created not only by retailer controlled elements but also by elements that are outside of the retailer’s control.” (p. 32)

Challenge 2: If value creation is not orchestrated by the company but rather by the customers, what implications does this have for the company’s service strategy, service design and service operations?

3.2 Value-in-use

Contrasted with exchange value, value-in-use has been seen as a process in which value emerges rather than is delivered (e.g. Grönroos 2006, Gummesson 2007). It has been argued that “suppliers only create the resources or means required to make it possible for customers to create value for themselves.” (Grönroos 2006:324). Value creation has been linked to an interactive process (e.g. Grönroos 2008b, Vargo & Lusch 2008b), either by direct or indirect interaction: “A service is an interactive process and during such interactions the customer and the service provider co-produce the service. During this interactive part of the service process, production and consumption take place simultaneously, and hence during that process the customer perceives the value that is created or emerges from the service.” (Grönroos 2008b: 7). Thus, the service-dominant view on value-in-use emphasizes that value emerges in the interactive process. This is in line with traditional service management that has addressed the service episode where customers and interactions are visible to the company (e.g. Shostack, 1984, Bitner et al 2008). Here the emphasis is on managing interactions and back-office activities.

In contrast, a customer-dominant logic entails a broader understanding of value-in-use in three respects. First, the customer and most of the value-in-use emergence might be invisible to the company, beyond the company’s visibility line (in contrast to the traditional visibility line for customers described in service blueprinting). Value emerges in customers’ practices, in everyday life processes (or in the case of companies, their business processes) by using both goods and service. Value is experienced before, during and after the service and as such it is not only related to service but is also applicable to goods. Hence, value-in-use is not only linked to the service process, but extends beyond the interactive process. For example, when thinking about a holiday trip, customer value can emerge before the trip, value is created during the holiday, but also after the holiday in terms of memories. This means that value emerges mostly beyond the visibility of companies. The role of companies would thus be to understand the customers’ value creation processes embedded in customers’ practices and contexts. Here the focus is on understanding and trying to tap into customers’ activities.
Secondly, when emphasizing that value emerges in customers’ contexts and practices we argue that value-in-use is more complicated than only “use” in terms of the consumption process or the concrete interaction with the service. Thus we propose that value-in-use represents more than behavioral activity and also includes mental activity. For example, reflecting on earlier experiences of a holiday may create value. In a provider-dominant logic these experiences would entail how the company has performed, for example in offering friendly and timely service or exciting events. In contrast, in a customer-dominant logic the experiences would entail the enabling effects on the customer’s life, for example the emergence of new friendships.

Thirdly, Vargo, Maglio and Akaka (2008) have introduced value-in-context but they have not paid explicit attention to the drivers at the collective/intersubjective customer level. Furthermore, the context is dynamic and dependent on the customer’s role, position and interaction within a social structure, which subsequently forms the basis for both the co-creation of service and value-in-use assessment. According to social construction theory, however, the value assessment is part of the social reality and becomes more than individual and subjective: value must also be understood as part of a collective and intersubjective context. The collective social forces often play a dominant role, but individual needs, preferences, habits and values play an important role in both service co-creation and value assessment, both from the customer’s and the provider’s perspective. In a customer-dominant logic, value-in-context is inherently included and is dynamic because experiences are continuously accumulated. From a customer’s perspective, earlier experiences are always present as an (to the company) invisible context and are continuously updated through new experiences. Value in context is thus inherently integrated in the value-in-use evaluation.

Challenge 3. Should the focus move beyond the interactions visible to the service company to those (to the company) often invisible and mental activities and experiences that lead to value emergence?

3.3 Customer experience
In the last few years the interest in the customer experience concept has increased considerably. One example is the latest amendment to the fundamental premises of service-dominant logic (Vargo and Lusch 2008a), in which value is seen as “idiosyncratic, experiential, contextual, and meaning laden”, i.e. a highly subjective experience. Several special issues of journals have focused on customer experience. Different terms with different focus areas have been proposed, e.g. service experience, customer experience, consumer experience, and consumption experience, (e.g. Caru & Cova 2003, Patterson, Hodgson, Shi 2008, Baron & Harris 2008, Puccinelli et al 2009, Harris, Harris & Baron 2003). Adopting a narrow view, customer experience is seen as constructed, staged, and created by the service company. This reflects the research on service experience that emerges within a certain service encounter. Here, customers are seen as a blank page and it is assumed that they will experience the service according to how it is designed by the company: “Customer experience is the
internal and subjective response customers have to any direct or indirect contact with the company.” (Meyer and Schwager 2007:118) For example, customer experience may refer to a detailed description of the perceptions of a store (Patterson, Hodgson and Shi 2008) or the elements of a buying process (Puccinelli et al 2009). Frequently it is assumed that the service company can more or less control the customer’s experience, which thus represents both the planned process and intended outcome designed by the company. For example, brand experience has been defined as “subjective, internal consumer responses (sensations, feelings, and cognitions) and behavioral responses evoked by brand-related stimuli that are part of a brand’s design and identity, packaging, communications, and environments.” (Brakus, Schmitt and Zaranonello 2009:53)

Adopting a wider scope, the customer’s experience may include the relationship perspective. Here the customer is assumed to evaluate the service provider’s performance in the relationship over time: customer experience arises through the combination of all contact points between the customer and the company (e.g. Grewal, Levy and Kumar 2009). This view is adopted within the domain of integrated relationship communication and a wide array of popular management books (Shaw 2007). The approach does not, however, include factors contextually or temporally outside the service provider’s input or activities. Also, the focus is on the company’s perspective and the company is assumed to manage customer experience.

A third perspective includes the customer’s viewpoint. In the experiential-phenomenological stream of consumer research (e.g. Carú and Cova 2003, Schembri 2006, Holbrook 2006) consumer experience is seen as internal and emotional. Thus experiences do not consist only of cognition, calculation and overt behavior, but are by nature also subjective and inseparable from feelings. Caru and Cova (2003) distinguish between consumption experiences and consumer experiences. Although consumption experience is clearly managerially more relevant than consumer experience, we argue that a broader perspective is needed. Therefore, the focus should not only be on one company, because the customer may be linked to several companies.

Traditionally, service has been defined according to the service provider’s interest and way of seeing service. From a customer-dominant logic point of view, we argue that experiences are something that customers orchestrate themselves, and that arise within their own activities. The argument for this is twofold: First, several researchers have suggested that the customer should be seen as an active participant in the market system (Normann, 2001; Stewart and Pavlou, 2002; Vargo and Lusch, 2008; Beckett and Nayak, 2008). On a general level this means that customers orientate themselves within a realm of possible purchases, practices and activities. Thus, the customer is actively creating his own experience landscape by picking and choosing which type of experiences to seek out. Second, research indicates that the customer’s mood, understanding and frame of interpretation will influence the experienced outcome of a service encounter (Forgas and Bower 1987, White 2006, Sandström et al. 2008, Raval 2008). Third, building on the theories on deliberate and emergent strategies (Mintzberg 1998), companies’ intended experience may not always be equivalent
to the realized experience of the customer. This means that the ultimate shape of the service experience is only partly under the provider’s control.

We suggest that customer experiences should be understood not just as direct interactions between customer and company, but as something that goes beyond direct interactions. From the customer’s point of view, service episodes and encounters are only parts of an ongoing flow of experiences and sense-making (Verhoef et al 2009). Customer’s discussions about a shared experience may serve to re-frame it completely, meaning that the understanding of the value of a focal event may be re-negotiated outside it. For example, the understanding of value in fashion is more or less socially constructed (DeBerry-Spence 2008). Thus, customer experience should not be understood in terms of an episode, but rather as a part of the customers’ life. This is in line with Arnould and Price (1993), who describe how experiences before and after the central service encounter contribute to the overall experience. However, it can be argued that their analytical focus is the service episode. Verhoef et al (2009) propose that customer experience is based on the total experience which extends beyond the purchase activity. All components in the customer’s experience can be seen as continuous processes, all of which have an outcome that is incorporated in the customer’s experiences of value. There may also be some routine patterns in processes whereas others are unique. For example, the value of travelling is not exclusively restricted to the trip itself; rather, it also emerges from activities before and after the trip, such as planning and remembering and talking about the trip many years after. As represented by perceived service quality literature, service quality has traditionally been evaluated at the end of a service encounter, where the timing is based on the company’s perspective. However, when extending the focus from service encounters to activities beyond the interaction, as we suggest, the time frame inevitably changes.

Challenge 4. If customer experience is not restricted to traditional service episodes or relationships, how should the company support customer experience that is continuously emerging in the customer’s business or life structured by the customer’s timing and time frames?

In addition we propose that the service experience is more than a process of perception: it is a process of long-term and context-bound relating. Even though both experience and perception refer to a person’s subjective understanding of some external object or event, ‘experience’ contains an element of activity and reflection that is not innate in ‘perception’. Thus, ‘perception’ can be seen as the act of subjectively registering information and forming initial impressions about it, while ‘experience’ is the process of realizing how these impressions relate to oneself and how one understands and feels about them. In the customer’s mind, a service is always put into a context of some kind, be that of function or time. With different emotions, thoughts and activities, the customer experiences a different process, outcome, and context. Consequently, we argue that companies need to understand how customers integrate service into their own activity systems. We want to emphasize the importance of
understanding how customers create their own experiences and the problems and opportunities they are facing. At present there are no managerial concepts for understanding the role of service in the consumption experience. Based on customer-dominant logic we propose that instead of emphasizing only one type of activity, i.e. customer-company interactions, the focus should be on customers’ activities and different consumption contexts. In line with Carú and Cova (2003), who suggest that experiences can be both ordinary and extraordinary, we claim that customer experience includes all types of activities, also routine, mundane, everyday activities.

Challenge 5. How can companies support customer experiences related to all types of activities, some of them extraordinary, but most of them routine everyday activities embedded in the customer’s context?

4. DISCUSSION AND CONTRIBUTION

In this paper we have discussed the shift from a goods-dominant logic to a service-dominant logic that has changed marketing’s focus from the company’s internal processes to the points of interaction between company and customer. We have argued that, if we only focus on interaction, we will fail to take into account what the role of the company is in the customer’s life. Consequently we propose that marketing should start considering a customer-dominant logic as the next step towards an in-depth understanding of customer experience. This means that the ultimate outcome of marketing should not be the service but the customer experience and the resulting value-in-use. Thus, the central question is how companies can support the customer’s ongoing activity and experience structures. The paper contributes to the understanding of how the customer’s logic underpins the customer-dominant business logic. The customer-dominant logic was contrasted with the provider-dominant logic (including service-dominant logic and service management), and subsequently five challenges to management were derived and discussed: company involvement, company control in co-creation, visibility of value creation, locus of customer experience, and character of customer experience.

In Table 1 we summarize the main differences between the provider-dominant logic and the customer-dominant logic. Three core issues are employed to elaborate on how service can be seen as embedded in customers’ contexts, activities, practices and experiences: Co-creation, Value-in-use, and Customer experience:
Table 1: Escaping the provider-dominant logic of service

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<th>Provider-dominant logic</th>
<th>Customer-dominant logic</th>
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<tr>
<td>Co-creation</td>
<td>• Involvement</td>
<td>• Customer involved in co-creation</td>
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<td>• Control</td>
<td>• Company controls co-creation</td>
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<td>• Company involved in customer activities</td>
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<td>Value-in-use</td>
<td>• Visibility</td>
<td>• Focus on visible interactions</td>
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<tr>
<td>Customer experience</td>
<td>• Locus</td>
<td>• Formed within the service special</td>
</tr>
<tr>
<td></td>
<td>• Character</td>
<td>• Extraordinary and special</td>
</tr>
</tbody>
</table>

The paper contributes to the current discussion on marketing logics. The proposed customer-dominant logic is seen as a business logic based on the customer’s logic.

When questioning the basics of business logics the definitions of marketing concepts and terminology need to be revised. A customer-dominant understanding of service highlights many topics for further research. Within all three of the core issues presented in this paper there are questions that should be explored further.

Whereas the service-dominant logic seems to adopt a normative perspective (e.g. Vargo & Lusch 2008) by describing the ideal scenario where the customer is always seen as a co-creator of value, the customer-dominant logic takes a more open-ended stance: Is the customer always a co-creator of value? So far research has not explicitly focused on the mechanisms of co-creation from both the customer’s and the provider’s perspective. In this article it is argued that a more critical view of the role of co-creation in service is needed, a view where the roles and input of both the customers and the company are evaluated. Consequently, a number of questions should be dealt with in future research concerning co-creation activities. First, when and on what basis is co-creation judged as harmonious? When and why can there be a struggle between the parties involved in co-creation? What roles do norms, values, habits and social forces play? Secondly, what is the proportion of customer and provider participation and influence in different stages of the co-creation process realizing a service process? What activities and interactions are carried out simultaneously and/or sequentially? Thirdly, when and why is the customer in control of the co-creation process and when is the provider in control? For example, does the seller take the major part and control the process and the customer is invited to participate, or is it the buyer who does the major part and controls the process, and the seller is invited to participate? Fourth, how many actors are involved? For example,
there may be a large number of actors involved in co-creation, some of them providing complementing services.

In addition, value-in-use needs to be explored in future research. We argue that service value-in-use should be seen as everything that the company does that the customer can use in order to improve his life or business. Value is a relative preference evaluation (Holbrook) that an individual can perform at any time when needed concerning a particular part of their activities or life. Value-in-use refers to the fact that value emerges only when the customer uses a service. Use tends to be defined rather narrowly, but a service might be used before purchase, during interaction, or after purchase. It might not be related to exchange or integration of resources as such, but can be a mere mental activity concerning a coming or past service interaction. What kind of activities are customers engaged in and why? In what types of activities does value emerge for the customer? Which are the boundaries of such an activity? What factors in different contexts are critical for favourable and unfavourable value-in-use? How, when and where can value-in-use be measured? How can value-in-use be explicitly expressed?

Some further future research questions regarding customer experience are important. Experiences create value and are not related only to interactions between the service provider and the customer. Thus, all experiences are not co-created with the service provider. From the service provider’s point of view this means that customers create value beyond their participation, but such value might represent a business opportunity for them, and consequently represent an interesting innovation opportunity. What are the dimensions and drivers of an experience? What are the time frame and the time units of an experience? Where and how does an experience start and end? How can routine experiences be supported?

A managerial implication resulting from this paper is that service providers need to change their mindset and to consider customers in the customers’ own context. Compared to the traditional view this means that, besides visible and controlled interactions, service providers should expand their perspectives in order to get to know their customers on a deeper level than before. Companies thus need to revise their tools and approaches for understanding customers. Another managerial implication is the need to design a service based on the new in-depth knowledge of customers. Customer-dominant logic entails supporting customers’ activities, and this has not been given sufficient attention in current service thinking and business practice.
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