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Päivi Voima, Kristina Heinonen & Tore Strandvik

Exploring Customer Value Formation:
A Customer Dominant Logic Perspective

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Key words: customer value, value creation, value formation, service dominant logic, customer dominant logic

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Päivi Voima, Kristina Heinonen & Tore Strandvik

Päivi Voima, Kristina Heinonen & Tore Strandvik
Hanken School of Economics
Department of Marketing, Centre for Relationship Marketing and Service Management

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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EXPLORING CUSTOMER VALUE FORMATION – A CUSTOMER DOMINANT LOGIC PERSPECTIVE

Päivi Voima, Kristina Heinonen, Tore Strandvik

CERS Centre for Relationship Marketing and Service Management

Hanken School of Economics Finland

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ABSTRACT

This paper extends current discussions about value creation and proposes a customer dominant value perspective. A customer-dominant marketing logic positions the customer in the center, rather than the service provider/producer or the interaction or the system. The focus is shifted from the company's service processes involving the customer, to the customer's multi-contextual value formation, involving the company. It is argued that value is not always an active process of creation; instead value is embedded and formed in the highly dynamic and multi-contextual reality and life of the customer. This leads to a need to look beyond the current line of visibility where visible customer-company interactions are focused to the invisible and mental life of the customer. From this follows a need to extend the temporal scope, from exchange and use even further to accumulated experiences in the customer's life.

The aim of this paper is to explore value formation from a customer dominant logic perspective. This is done in three steps: first, value formation is contrasted to earlier views on the company's role in value creation by using a broad ontologically driven framework discussing what, how, when, where and who. Next, implications of the proposed characteristics of value formation compared to earlier approaches are put forward. Finally, some tentative suggestions of how this perspective would affect marketing in service companies are presented. As value formation in a CDL perspective has a different focus and scope than earlier views on value it leads to posing questions about the customer that reveals earlier hidden aspects of the role of a service for the customer. This insight might be used in service development and innovation.

Keywords: customer value, value creation, value formation, service dominant logic, customer dominant logic

INTRODUCTION

The role of customers in a service setting has radically changed during the past decade. The power has shifted from companies to customers and the fundamental foundation of marketing is questioned. Customers are taking an increasingly active role in value creation (Grönroos 2008). The classical theory of value reflecting value as cumulated in the production process, has within the extensive service marketing and management literature been challenged by emphasizing the process oriented field of service management (e.g. Grönroos 1982, Gummesson 1987,1991, Parasuraman, Zeithaml and Berry 1985, 1988, Bitner 1992, Axelsson and Easton 1992, Ford 1990, Håkansson and Snehota 1995, Gemunden et al. 1997, Juttner and Schlange 1996, Möller and Wilson 1995).

The customer has been seen as a cognitive, information processing consumer making trade-offs between benefits and sacrifices (e.g. Zeithaml 1988, Heinonen 2004).

The ongoing debates about the service-dominant-logic (e.g. Vargo & Lusch 2008) have angled the value discussion in different terms and it has been argued that value creation needs more systematic consideration (Grönroos 2008). Value has been contrasted from exchange value in terms of being embedded in the usage of resources in order to create value (Vargo and Lusch 2008). Alternative approaches, with roots in the traditional service management research, have been introduced. For example, Grönroos (2008) discusses the essence of a service logic and explores the roles of the company and customer in value creation. Customers are argued to be value creators during value-generating processes (consumption) and in value-supporting interactions whereas companies are value facilitators and co-creators. Recently, a customer dominant logic of service was proposed (Heinonen et al 2009) and it was contrasted to the original service management research and the service-dominant logic, both of which were seen as provider-dominant logics. Value was proposed to extend beyond the co-creation interactions and consumption and value-in-use was considered to involve in addition to physical activity also mental activity.

From a value perspective the discussions in the existing service marketing research is ontologically thin. The core of marketing has evolved from an objectivistic, production oriented perspective to a resource perspective, where value no longer is delivered, instead it is co-created. Value in use has passed over the traditional value in exchange and a focus on production attributes has been overridden with an emphasis of mutual value creation, the so called co-creation. Value is no longer seen as embedded in units of output and exchange but rather realized through the experience when the customer activates and uses the service provider's offering and resources. A resource based perspective has been proposed with an interactional emphasis on mutual value creation (Vargo & Lusch 2008a, Grönroos 2008) but the actual ontological core and nature of value is left unspecified. This paper extends these discussions and proposes a customer dominant value perspective.

The aim of this paper is to explore value formation from a customer dominant logic (CDL) perspective. This is done in three steps: first, value formation is contrasted to earlier views on the company's role in value creation by using a broad ontologically driven framework discussing what, how, when, where and who. Next, implications of the proposed characteristics of value formation compared to earlier approaches are put forward. Finally, some tentative suggestions of how this perspective would affect marketing in service companies are presented. As value formation in a CDL perspective has a different focus and scope than earlier views on value it leads to posing questions about the customer that reveals earlier hidden aspects of the role of a service for the customer. This insight might be used in service development and innovation.

The paper contributes to current theory by contrasting earlier views on how value is created with implications of applying a customer dominant logic perspective. This results in several conclusions. First, value cannot be considered to be always actively and mutually created; instead value is seen as formed in the cumulated reality of the customer. Second, value is not restricted to a cognitive or even a resource perspective, value is also socially interpreted and experienced in an experiential-phenomenological manner. Third, value need to be seen in a longitudinal and multi-contextual perspective encompassing multiple different personal and service related value frames. Fourth, value is not isolated since the reality of the customer is interconnected to the realities of others. Value is therefore always to some degree collective and shared, being multi-personal to its nature. The paper bridges traditional perceived service value research and current value co-creation thoughts with a more customer-focused view on customer value.

CUSTOMER VALUE

When shifting the focus from the supply to the customer, and the goods-dominant-logic to a customer-dominant logic (Heinonen et al 2010) multiple value dimensions get a new meaning. Value research has been clustered around different streams of literature including consumer behavior, total quality management, strategy, pricing, relationship marketing etc. (Chernatony et al 2000). Although multiple streams of literature have influenced the value concept in a customer context, the service marketing and management literature has been recognised as an important contextual point of departure (Teas and Palan 1997, Woodall 2003). The value discussion within the service marketing and management is rooted in the development of service-oriented models and concepts in the 1970's (Schostack (1977, Grönroos 1978, 1982, Grönroos and Gummesson 1985, Gummesson 1979, 1991, Eiglier and Langeard 1976, Langeard and Eiglier 1978). The focus within the service marketing research was shifted from traditional product marketing and an exchange perspective to interactions. Multiple concepts and models were developed (e.g. Grönroos 1982, Normann 1983, Gummesson 1987, 1991, Bitner 1992), where service quality research (e.g. Grönroos 1982, Parasuraman, Zeithaml and Berry 1985; 1988) has been a clear starting point for heterogenic research within related concepts such as satisfaction and value. Although a consensus regarding the nature and connection between the main concepts of perceived quality, satisfaction and value has not been reached, multiple researchers have recognised their importance when contributing to the discussion on value (e.g. Rust and Oliver 1994, Holbrook 1999, Anderson 1995, Bolton and Drew 1991, Liljander and Strandvik 1992, Heinonen 2004, Fornell et al 1996, Oliver 1996, Slater and Narver 2000, Cronin et al 2000).

The semantic heterogeneity of the value concept in a customer context is also highlighted in the multiple overlapping and somewhat contradictory perspectives that have been used for the value construct in the context of the services marketing literature (Jayanti and Ghosh, Woodall 2003, Khalifa 2004). The terms include customer value (Gale 1994, Oh 2000, Anderson and Narus 1998, Woodruff 1997, Hoolbrook 1994, 1996 Khalifa 2004, Korkman 2006), consumer value (1999), consumption value (Sheth, Newman and Gross 1991), perceived value (Liljander and Strandvik 1992, Chang and Wildt 1994, Doods, Monroe and Grewal 1991, Zeithaml 1988, Zeithaml and Bitner 2000, Patterson and Spreng 1997), customer perceived value (Ravald and Grönroos 1996, Grönroos 1997, 2000, Heinonen 2004), subjective expected value (Bolton 1998), value for the customer (Woodall 2003), and service value (Bolton and Drew 1991, Jayanti and Ghosh 1996). Antecedents of value have besides perceived satisfaction and quality also been recognised at least in terms of products and transaction value (Grewal et al 1998), perceived sacrifice (Cronin et al 2000), and perceived price (Dodds et al 1991). Both qualitative (Woodruff and Gardial 1996) and quantitative (e.g. Sweeney and Soutar 2001, Cronin et al 2000, Bolton and Drew 1991, Chang and Wildt 1994, Dodds 1991) methods have been used.

The cognitive perspective has traditionally situated perceived value at the core and have emphasised a tradeoff between "gets" and "gives" (Zeithaml 1988) or customer perceived benefits (positive consequences, benefits) and customer perceived costs (negative consequences, sacrifice) (Day 1990, Woodruff and Gardial 1996). Although Zeithaml (1988) originally proposed perceived monetary and non-monetary price to constitute the sacrifice element, the "give" component had first a quite narrow focus on the monetary price (Bonjanic 1996, Bolton and Drew 1991, Chang and Wildt 1994, Dodds et al 1991, Grewal et al 1998, Jayanti and Ghosh 1996, Murphy and Pritchard 1997). Both benefit and sacrifice have been conceptualised with tangible and intangible elements. The dimensions of value were extended from process and outcome dimensions to include also temporal and spatial dimensions, with both benefit and sacrifice elements (Heinonen 2004, 2006,

Heinonen & Strandvik 2009). Hedonic and experiential value dimensions have also been suggested (e.g. Babin, Darden, & Griffin 1994; Mathwick, Malhotra, & Rigdon 2001).

Due to the multidimensional nature of the value concept, several attempts to create holistic conceptualisations of value have been put forth (e.g. Jayanti and Ghosh 1996, Payne and Holt 2001, Woodall 2003, Khalifa 2004, Korkman 2006). Several researchers have addressed the challenges of value creation from a service dominant logic perspective (e.g. Vargo, Maglio, and Akaka 2008). However, although the service system has been included, the starting point is the company perspective, and value formation and the service system from a customer perspective has not been sufficiently explored. Many studies emphasise service elements and existing research has not sufficiently conceptualised how value emerges in the multi-contextual reality of customers resources from many service companies. As the traditional service marketing and management literature shifted the focus from macro level to the micro level, existing holistic value conceptualisations focus on individual customers (e.g. Holbrook 1994, 1999; Sheth, Newman and Gross 1991). For example, Jayanti and Ghosh (1996) emphasise psychological antecedents of value perceptions emphasising not only utilitarian but also behavioural elements in customer's value perceptions. The behavioural elements are in the service marketing context grounded in means-end modelling (Zeithaml 1988) and rooted in product categorisation processes (Howard 1977, Gutman 1982). The means-end conceptualisation was further developed by Woodruff (1997) emphasising attributes and attribute performance, consequences and end goals and purposes. Walker, Johnson, and Leonard (2006) argue that value emerges beyond customers' experiences in and through the service encounter, and that also intrinsic qualities or attributes of a service are sources of value.

Newer contributions to the value literature have attempted to conceptualise customers' experience of value. For example, Heinonen's value model specifies that value can analytically be divided into four dimensions; technical value, functional value, spatial value and temporal value. It is on a high abstraction level, deeply grounded in extant service quality research and representative of a highly customer-focused view and it gives thus purpose holistic view of value. The model has been used by Heinonen and Strandvik (2009) in a first attempt to bridge traditional perceived value with value-in-use. Heinonen and Strandvik (2009) emphasised the relative nature of value and the role of customer activation in value-in-use.

Based on the literature review we conclude the following. A provider-dominant perspective is evident in previous research on value, especially in the traditional service management literature. But also in the recent service dominant discussions, with the focus on co-created value in interactions, companies' resources are the starting point in customers' value experiences. With the recent emphasis on customers in value creation, an in-depth exploration of the value concept is called for.

CUSTOMER VALUE FORMATION

This article continues the work done by Heinonen et al (2009;2010) by positioning the value concept within the customer dominant logic. The customer dominant logic is an alternative to the goods-dominant and service-dominant logics of marketing, which have been argued to be provider dominant logics (Heinonen et al 2010). The customer dominant logic introduces a new perspective on marketing. The starting point is not the service company and its processes or even the visible service processes within the service encounter or the relationship. The starting point is the customer's reality and life.

As a structuring tool for the analysis of how value is portrayed in earlier research compared to a customer dominant logic view we use Heinonen's (2004) model. The four dimensions of value correspond to the questions *what*, *how*, *where* and *when* respectively. The transition from a service provider focus to a customer focus as discussed above raises the question of *who* the customer is. These five questions will in the further analysis be used to portray implications of a customer dominant logic.

How is value created?

The Service-dominant logic (S-D logic) outlines value as value-in-use, where firms propose value through market offerings and customers continue value-creation process through use (Vargo, Maglio and Akaka 2008). What does this mean in ontological terms? Within the S-D logic value is considered to be created in the co-creation process and the "active" nature of the customer is emphasised. Rooted in the theory of labour the customer activates resources in order to create value. Value creation is an active and conscious process, which however is not defined to be ontologically either subjective or objective. Vargo, Maglio and Akaka (2008) however outline that "Value is uniquely and phenomenologically determined by the beneficiary" which indicates that value is still something "objective" which may be determined differently by different beneficiaries (e.g. customer, firm etc.). It almost metaphorically indicates that value is considered to be like an "elephant" which is "objective" but determined and perceived differently dependent on which angle the elephant is viewed from.

The S-D logic has underlined the concept of co-creation. This terminology is rooted in the multiple approaches to customer engagement flourishing especially in the 1990's (e.g. Zeithaml 1990, Berry and Parasuraman 1991, Peppers and Rogers 1993, Rust, Zahorik and Keiningham 1996, Pine and Gilmour 1999, Heskett, Sasser and Schlesinger 2002). In line with Prahalad (2004) customer engagement has comprised the act of coproduction, involvement in self-service, firm driven "Disney world" type contextual customer experience, codesigning and finally also within the S-D logic the coproduction of service (Vargo and Lusch 2004). Emphasising the evolving role of the customer, coproduction has evolved to co-creation, but the fundamental ontological problem with the always "active" customer is present. The ontological foundation for co-creation has however been challenged when a more practice-theoretical approach to value has been proposed (Korkman 2006, Grönroos 2009). Korkman (2006) proposes that customer value could be seen as something embedded in the practices of the customer. The practice-theoretical approach underline that what customers perceive as their needs or wants is actually constructed in the practice they attend. Value appears in the whole system as a dynamic and an ever-changing constellation of different elements (Korkman 2006). The point of view is fresh but the practice-theoretical approach still puts the action at the core of practices. But is the emergence of value always "active"? Can value be objectified to be something that may be "proposed to the customer" (Vargo and Lusch 2008)?

The customer-dominant (C-D logic) logic recognises value in different ontological terms. The ontological foundation of value is grounded in an interpretative approach. Reality is seen as socially constructed and experienced. Although interpretivists disagree on what is known and what is real (Spivey 1997), they share the common proposition that the world cannot be known directly. In line with Ford (1999:481) "there is no reality that can be known independent of being constructed". Within constructed realities, presented, first order realities are distinguished from represented, second order realities. Presented, first-order realities are accessible, measurable and empirically verifiable but as pointed out by Ford (1999) they are still constructed through language existing in discourse that shares and understands the use of these terms, where the discourse is itself a construction (Spivey 1997). According to Bohm (1996) second order realities are created whenever

we attach, attribute or give meaning, value or significance to a first-order reality. The relevance of the interpretative approach to the C-D logic is connected with the notion that people act on the basis of their interpretations. The C-D logic follows the experiential-phenomenological journey pioneered by Holbrook and Hirschman (1982) and other researchers (Carú and Cova 2003, Schembri 2006, Holbrook 2006). Value is not only considered to be embedded in the practices of the customer (Korkman 2006) instead value is embedded in the accumulated and continuously restructured customer reality. The world is not only truly subjective and experienced (Addis and Holbrook 2001), but it is also a highly relative world comprising dynamic multi-contextual realities in which value is embedded.

To conclude: The C-D logic recognises that value formation is not always an active process, with an active creator (firm, customer etc.). Value formation may also be a passive process, which the customer is not even aware of. Through the cognitive, mental and emotional processes customers consciously or unconsciously interpret interactions and reconstruct an accumulated customer reality where value is embedded in.

Where is value created?

The history of the value concept is reflected in the value conceptualisations in terms of how value is constituted. Grounded in a positivistic ontological foundation value has in the production oriented perspective been seen in terms of "value delivery", reflecting a thought of value being packed in the object (goods, services) as if it were something tangible or easily measurable. The gradual shift from goods to services and transactions to relationships has challenged the constitution of "value delivery" in terms of "value perceptions". The concept of "perception" has in the cognitive perspective to value been used as a gateway to the subjective mind of the customer. The customer is seen as a cognitive information-processing human being who subjectively perceives value which is embedded in goods and services (Duman and Mattila 2005). The service marketing research and industrial network approach and their emphasis on relationships and networks have however shifted the perceptual value assessment from goods and services to the whole relationship and relationship networks.

The S-D logic (e.g. Vargo and Lusch 2004, 2008a, 2008b, Vargo 2008, Vargo, Maglio and Akaka 2008) emphasise a different perspective on value. They present a resource based value perspective, which emphasises an understanding of the processual nature of value creation. Within the S-D logic the firm, network partners and customers co-create value. According to Vargo, Maglio and Akaka (2008) when value creation is seen from a service systems perspective, the producer-consumer distinction disappears and all participants contribute to value creation for themselves and for others. The traditional view of value as cumulated within the production process was extended with the S-D logic to value created within the extended resource frame of the service. Value is also always uniquely and phenomenologically determined by the beneficiary (Vargo, Maglio and Akaka 2008).

The customer experience management research also focuses on customer experience creation in the context of the service (Verhoef et al. 2009). The customer experience research has gradually shifted the focus from interactions between the company and the customer to recognising interactions among customers as influential to the customer experience (Baron, Harris and Davis 1996). A need for a relationship perspective is underlined not only with customers but also between customers (Verhoef et al. 2009) recognising the direct and indirect affect customers may have on each other both in a physical as well as a virtual context (e.g. Albas and Albas 1989, Moschis and Cox 1989, Bitner 1992, Kozinets 1999, Harris and Reynolds 2003, Wu 2007). The C-D logic goes one step further and shifts the core and scope of the customer experience from "living through" to "living"

and the accumulated reality of the customer. Value formation does not only take place in the sphere of the service or relationship, instead value is formed in the context of “living”.

To conclude: According to the C-D logic the scope of value is not limited to the resource frame of the service which is controlled by the company. Instead value is formed in multiple visible and invisible spaces (e.g. biological, physical, mental, social, geographical and virtual), which reflect the customer's often uncontrollable life sphere.

When is value created?

According to the original S-D logic opening Vargo and Lusch (2004:6) stated that “A service-centered dominant logic implies that value is defined by and cocreated with the consumer rather than embedded in output”. Value is therefore perceived and determined by the customer on the basis of value in use (Vargo and Lusch 2004). The process of value emergence has therefore within the value in use conceptualisation been highlighted in contrast to value delivery (e.g. Grönroos 2006, Gummesson 2007). The interaction has been the object of value and according to Grönroos (2008b) it is during this interactive process that the customer is considered to perceive the value that is created or emerges in the service. Although some extension have been made to the time-frame in the recent years (Grönroos 2009) the time-frame is for the most part short-term and echoes the traditional service management terminology with its episode and line of visibility stressing nature.

When the power has shifted from the provider to the customer, the scope of value has also been redefined. Heinonen et al. (2010) argue that within the C-D logic value-in-use is not only linked to the service process, but extends beyond the interactive process. Exemplified with a holiday trip where value emerges before, during and after the trip, Heinonen et al (2010) underline that value emerges mostly beyond the visibility of companies. Value in use is no longer seen as only behavioural activity but it also includes mental activity.

It is therefore suggested that within the C-D logic the time-frame and scope of “use” should be redefined in terms of the dynamic context in which the value formation process takes place. The idea of the “value-in-context” is not new within the service dominant logic context since value-in-context has terminologically been put forth by Vargo (2008) and Vargo, Maglio and Akaka (2008). It is grounded in the critique put forth by Vargo (2008) when stating that the value-in-use concept is an improvement over value-in-exchange but still influenced by the G-D logic. The term “use” they argue reflects the “objectivistic” tradition of a product or service that the customer may use. Grönroos (2009) has again criticised “value-in-context” arguing that context is a static concept, whereas use/usage is a dynamic process.

To conclude: In contrast to the provider-dominant logics, value is not limited to value-in-exchange or even value-in-use. The C-D logic extends the scope of value to a longitudinal value-in-life perspective stressing value as part of the customer's dynamic and multi-framed reality. A reality which recognises value before, during and after customer experiences as part of the customers cumulated life and reality. The C-D logic reframes value in terms of temporal, situational and cumulative aspects.

What is value based on?

The “objectivistic” nature of value has been reflected on the discussion on marketing logics. The C-D logic recognises value in terms of an abstract, philosophical perspective. This is phenomenologically in line with the experiential research tradition which emphasises subjective

customer experiences and recognises value in relation to continuously changing personal, unique and individual needs (McKnight 1994, Holbrook 2001). The ontological division between the subject and object no longer exist; instead the human being is thinking, acting and feeling entity which is embedded in her subjective life and reality. Gordon (2006) deepens the dichotomy between the mind and body which is also underlined by Korkman (2006) when emphasising the experiential approach as an approach of the whole human being and not only the traditional “head” as the cognitivist approach tends to assume.

Although the experiential marketing approach phenomenologically recognises a subjectivistic customer experience, the C-D logic widens the scope by recognising not only extraordinary and special experiences but also mundane, everyday and routine experiences (Korkman 2006, Heinonen et al 2010). According to Holbrook (1996) value is relativistic and comparative in nature. Value is seen in relation to something else that is less, equally or more valuable (product, service, process etc.) (Heinonen & Strandvik 2009). The C-D logic extends the notion of relativity. When stating that value is always personal and relative, value is recognised as being related not only to for example another “service” but to the multi-contextual and dynamic reality and life of the customer. Value is always personal and each customer’s personal contexts and situations influence the formation and emergence of value. The individual customer is part of the value formation process from a highly subjective, personal and relative standpoint. For example, the experience of eating at a hamburger restaurant is according to the C-D logic always personal and in relation to the internal and external context of the customer (Heinonen et al 2009). The experience of a service and the recognition of value in the process is dependent on the past, present and future of the customer. Customers are part of their own evolving reality which has a history, a present time and a future. The whole experience and the potential value of it appear in a personal context which has multiple internal and external layers and time frames. If the customer is eating alone, has a flu and has not eaten for several hours the value potential is different than in situations where eating a hamburger is part of a social experience with old friends and the customer is physically healthy. The internal context of the customer encompasses elements such as biological, physical, mental, emotional and social spaces in the customer’s personal reality and they influence service experience. Customers also have their personal timeframes, rhythm of life and “voice”, reflecting their need to be heard as an individual. The roles (family, work etc.) influence the experiences together with personal dimensions such as health and personal values. The external context is also multidimensional at each point of time. The physical and mental mobility of each customer is different and the socio-economical dimensions vary. Eating the hamburger is therefore from a value perspective embedded in a complex multicontextual, personal and highly relative experience which is always rooted in the past and part of a continuum with expectations and assumptions of the future.

To conclude: The C-D logic highlights value to be relative on multiple different levels. Value formation is always a process which is related to multiple personal and service related value frames. The customer consciously or unconsciously relates an experience to her cumulated reality and life at a specific moment, in a specific situation. The multiple contextual layers increase the dynamism of the value formation process to such a degree that although the customer is aware of what she values, she does not necessarily have the ability to analyse which internal and external elements influence the value formation process. New methods and instruments are therefore needed to study value formation.

Who determines value?

Value is also widely recognised as a dynamic concept that evolves over time (Jaworski and Kohli 1993, Woodall 2003). The degree of subjectivity varies dependent on the stream of research and

ontological foundation of value research. Researchers emphasising the subjectivity in terms of “perceptions” putting the information-processing customer at the core (Ravald and Grönroos 1996, Woodruff 1997, Payne and Holt 2001) emphasises cognition and the “head” as the point of departure (Duman and Mattila 2005). The experiential-phenomenological stream of research again underlines subjectivity at every level and emphasise the customer as being part of a subjective customer experience. The personal nature of value is emphasised recognising the multisubjective nature of value. The customer experience is not isolated. The reality of the customer is interconnected to the reality of family members, friends, acquaintances, co-workers, strangers etc. at multiple different levels.

Although the customer experience management widens the foundation of the S-D logic recognising a longitudinal “total experience”, including search, purchase, consumption, and after-sale phases of the experience (Verhoef et al. 2009) the C-D logic shifts the focus from the service or relationship to the customer and her personal, multi-contextual reality. The line of visibility is shifted from the visible service and its interface, atmosphere and environment, to the often invisible reality of the customer. Although the customer would physically be alone in the customer experience, the experience is always influenced by the customer’s internal and external context. Elements like health conditions, roles, social relationships etc. build up the person behind the customer and these elements are always present when the customer interprets her customer experiences.

The customer experience and the interpretations made before, during and after it are coloured by affective, social, economical, cognitive, physical, psychological, biological etc. dimensions, forming the “potential value landscape”. Customer interpretations are influenced by different value units such as family, friends, work, etc. Customers are never alone in their interpretations and the different roles taken influence customer experience. For example, on vacation with family, customers live their life and vacation also through the eyes of their children and other family members interpreting their value experiences. The reality of family members is part of their own reality and the value formation is embedded in the multi-subjective experience comprising the multiple internal and external contexts of the customer and her family members. For example, a child getting stomach flu often ruins the vacation for the whole family.

The C-D logic extends the temporal nature of “experiences” and suggests in line with Khalifa (2004) a transition from “living through” experiences to a deeper meaning of “living for”. The everydayness of the customer’s reality is emphasised and the view of the customer is shifted from a “customer” to a “person”. Customer needs are shifting from utility needs to deeper, psychological needs visualising the identity of the person behind the customer surface. The attachment of meaning is therefore at the core of value within the C-D logic.

To conclude: The C-D logic shifts the focus from the mind to the body and from the customer to a person. According to the C-D logic, value is not objective or purely subjective; it is through its relative and cumulated nature always personal. Value is not isolated since the reality of the customer is interconnected to the realities of others. Value is therefore embedded in the dynamic, collective and shared customer realities, which even the customer, cannot always orchestrate.

Customer-dominant value formation

The dominating marketing model so far has stressed value creation as an active process with a focal context, the interaction between the customer and the service provider. Value has been perceived subjectively by the working customer but has been embedded in the object (interaction, service), the scope of value being the service or the extended resource frame of the service. Value creation has

been outlined as mutual but the role of the customer has through extension of the terminology been emphasised to include not only co-creation but also “sole creation” (Grönroos 2009). Although the possibility to influence the creation process has shifted to a larger degree to the customer, the service provider has still been seen as the agent in charge and who ultimately controls the process.

The nature of value creation has also traditionally taken place in a definable temporal context. In the goods-dominated logic value was realised in the exchange process (value-in-exchange) whereas the use of the product or service has been emphasised in the service-dominated marketing logic (value-in-use). The relativity of value has been highlighted in the isolated context recognising value in relation to something else that is less, equally or more valuable (product, service, process etc.). The narrow time-frame and interaction as the focal point have also supported a very traditional choice of research instruments (customer surveys, service blueprinting etc) within the marketing context.

Table 1. From a provider-dominant logic to a customer-dominant logic

	Provider-dominant logic	Customer-dominant logic
HOW	<ul style="list-style-type: none"> • Value creation is an active process • Value creation is a cognitive and conscious process 	<ul style="list-style-type: none"> • Value formation may also be a passive process • Value formation is also a mental and emotional process
WHERE	<ul style="list-style-type: none"> • Value creation has a special focal context • The scope of value is the (extended) service • Value creation takes place in the control zone of the company 	<ul style="list-style-type: none"> • Value is formed in multiple visible and invisible spaces • The scope of value is the life of the customer • Value formation takes place in the customer's often uncontrollable life sphere
WHEN	<ul style="list-style-type: none"> • Value creation has a temporal context defined by the company 	<ul style="list-style-type: none"> • Value is longitudinal and has multiple dynamic time frames
WHAT	<ul style="list-style-type: none"> • Value creation is relative in a service context • Value creation may be measured through traditional research instruments 	<ul style="list-style-type: none"> • Value is relative on multiple levels • New methods and instruments are needed to study value formation
WHO	<ul style="list-style-type: none"> • Value is perceived subjectively • Value is embedded in the object (interaction, service) • Value is often individual • Value creation is orchestrated by the service provider • Value is created in the mutual co-creation process 	<ul style="list-style-type: none"> • Value is personal • Value is embedded in the life of the customer • Value is collective and shared • Even the customer cannot always orchestrate value formation • The customer determines what value is

The customer dominant logic argues for a different view. It is argued that value formation is not always an active process, which challenges the term “creation”. It is suggested that value is multi-contextual and multiple dynamic contexts in the life of the customer continuously form how value is longitudinally experienced. A visit to the dentist is not an isolated interaction or service instead it is a highly mental and emotional process which may comprise multiple memories and collective stories that influence and form the value experience. The value formation process is longitudinal since the visit to the dentist has a multifaceted history and an expected future which is fused and related into multiple other collective contexts. A visit with a child to the same dentist a week before may colour the value formation process in a new way dependent on what the value outcome of this experience is. Value formation is therefore a very complex process, with a multi-subjective and collective nature. The emotions, behaviour, attitudes etc. of for example other family members influence the value formation process for the customer. The complexity of the customer reality is reflected on the process which is seen on how the customer relates experiences. A holiday trip may not be evaluated and compared with other vacations instead the comparison may be made on how the same money could be invested in “family time” in the form of for example cleaning services: a clean home without stress and quarrel every Friday for the next two years. Emotions and mental processes are therefore central.

A customer might also know what she values but does not know the answer to the question “why”? Wendy Gordon (2006) challenges the marketing community by stressing that behaviour and attitudes are context dependent and due to the dynamic nature of the human memory; there is no such thing as the absolute truth. This is the relative customer reality the marketing industry is facing today. The internal and external contextual layers of the customer are so dynamic and multidimensional that even the customer cannot explain her thoughts and behaviour and changes in it. During the same day the customer may among others take the role of a parent, legal advisor, co-worker and a mentor. The biological states in life are continuously changing (age, status, family structure etc.) together with the mental state of the customer (education, personal history, roles etc.) which influences how the customer thinks, feels and acts.

In the customer dominated logic it is suggested that the visible and invisible life of the customer is the space where value is formed and which functions as the energy for value formation. If the life of the customer is put in focus totally new value landscapes for value formation arise. Several interesting research questions should therefore be tackled.

DISCUSSION AND CONTRIBUTION

What does this new customer-dominant logic mean for the service provider and why is crucial to view customer’s in their own life context? The customer is rapidly becoming interconnected living in multiple spaces at the same time. The cognitive and conscious dimensions are vanishing and the emotional and unconscious is emphasised, colouring the customer behaviour with often irrational dimensions. The collective mindset of the customer has grown from the individual to a social heard. The notion of physical, mental and virtual customer identity is stressed and the customer is shaped by a growing social and mental nudity. The challenges companies are facing today are therefore grounded in “who” the customer is and what her mindset is today. The predictable linearity in her behaving is vanishing which also demands a new mindset and new thinking from the service providers. Traditional service centred challenges should therefore be questioned and new customer focused challenges should be outlined. Some of these challenges are outlined in Table 2.

The key focus is no longer on how customers consume a service instead what is interesting is how customers live their lives. The customer dominated logic focuses on the routines, activities and practices of the customer which reflects the answer to how the customer typically behaves in her own life context. This typicality also reflects the answers on how the service process could be successfully designed. The customer’s personal activities and hobbies also shed light on what the customer has a natural interest for together with the hopes and dreams that the customer has. These are examples of the elements that give answers to what motivates customers and how they actually might want to be involved in value formation.

The customer’s internal and external living context comprising health conditions, values, living arrangements, rhythm of life etc. influence what the customer prefers and what buying behavior might result from it in different situations. How the customers’ social life is structured influences their decision making process, and how mobile they are both physically and virtually has a strong impact on the choice of service or distribution channel. The focal point is no longer how the customer wants to be served instead the life of the customer might reflect the answers. If customers live a hectic and stressful time of life the requirements for the service process are different than for another customer who has too much time. The customer’s personal time frame and rhythm of life probably influences quite strongly how the customer wants to be served (e.g. self-service, personal service etc.). Instead of focusing on what the customer says or does it is time to shed light on who the customer is and what the emotional foundation of the customer is built on. The interesting

question is not what roles the customer wants to take in the service process instead interesting might be the roles that the customer takes in her everyday life.

Table 2. Customer-dominant challenges

Provider-dominant challenges	Customer-dominant challenges	
How does the customer consume the service? How should the service be designed? How may the service process be developed? How does the customer want to co-create?	How does the customer live her life? What routines does the customer have? What delights/irritates the customer in her everyday life? What does the customer enjoy and have an interest for?	HOW
How/why does the customer make buying decisions? What influences the customers choice of service/distribution channel Why is the customer unsatisfied?	What are the internal and external living contexts of the customer? What is the mobility of the customer? What is the general life situation of the customer?	WHERE
When does the customer want to be served ? How does the customer want to be served?	What is the customer's personal time-frame? How hectic is the life of the customer?	WHEN
What does the customer say? What motivates the customer? How can new services be innovated?	What does the customer feel? What does the customer have a passion for and dream of? What are the challenges in the life of the customer?	WHAT
How does the customer behave? What role does the customer have in the service process? Who influences the customer's decision making process? How may the brand be developed? How may the customer be segmented?	Who is the customer? What roles does the customer have in her everyday life? How is the customer's social life structured? What does the customer believe in? What customer life profiles may be identified?	WHO

The traditional, often asked question is what the service provider could do to develop a better service offering and to innovate new services. What if the answers could be found in the joys, sorrows, delights and irritations that the customer experiences in her everyday life? The challenges in the life of the customer might also route new paths to service innovations that are needed. Those service innovations that the customer most often is not even aware of. New customer segments may not any longer arise from demographics or even behavioral dimensions. The focus could instead be laid on customer life profiles, which may be identified when focusing on who the person behind the customer is and how she lives her life.

Compared to the traditional view the C-D logic gives managers new tools to understand the dynamic life of the customer and its influence on value formation in different biological and mental life stages. C-D logic helps managers to profile and identify the customer base in a longitudinal value-in-life perspective. Managers are provided with tools to segment the customer base and to innovate and design new services that support the customer's value formation process.

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