

Customer Integration and Value Creation

Paradigmatic Traps and Perspectives

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This commentary uses the Customer Integration–Facilities, Transformation, Use (CI-FTU) framework of Moeller as a platform for discussing two nested challenges in the development of service-dominant (S-D) logic. The first is the potency of the traditional, goods-dominant (G-D) logic paradigm, including the pitfalls of using its lexicon for describing a transcending logic. The second is the related need to develop a broader perspective for understanding value creation than is apparent in traditional conceptualizations or in the CI-FTU conceptualization. In addition, the challenge of isolating S-D logic in its rapid evolution beyond G-D logic is discussed.

Keywords: *service-dominant logic; customer integration; resource integration; coproduction; cocreation of value; value-in-use; value-in-context*

Since the publication of the first article on what has become known as “service-dominant (S-D) logic” (Vargo and Lusch 2004a), Bob Lusch and I have emphasized that, rather than originating and completing S-D logic, we were (a) trying to capture and extend the convergence of a revised logic of exchange that we saw evolving both within and outside of marketing and (b) inviting others to identify and elaborate the links between this logic and their own research streams. S-D logic is very much a dialogical and collaborative work in progress, one that is both evolving and developing—often at a pace much faster than the publication cycle. Therefore, I was especially pleased when Professor Parasuraman invited this commentary on Moeller’s thoughtful and insightful Customer Integration–Facilities, Transformation, Use (CI-FTU) framework article, both because it represents the type of elaboration of S-D logic that we want to encourage and because it permits me to contribute to the dialog by pointing out potential challenges in the task of elaborating and refining S-D logic.

The central thesis of the CI-FTU framework is that, in instances in which the *firm is the prime integrator* of resources, an understanding of the role of the firm can be enhanced through the development of the concept of “customer integration”—the “*incorporation of resources from customers into processes of a company*” (italics added). Moeller sees this “customer integration” as occupying conceptual space somewhere between what we have designated in S-D logic as “coproduction” and

“cocreation of value,” with, in our view, the former representing the joint activities of the firm and the customer in the creation of firm output and the latter representing collaborative, customer-specific value creation and, therefore, closely aligned with “value-in-use” (see Vargo and Lusch 2004a, 2008b). To the extent that the article elaborates and/or clarifies coproduction and cocreation of value, topics that have central roles in S-D logic (e.g., Lusch and Vargo 2006a, 2006b) and that have also found significant resonance in the marketing literature, it clearly represents a timely contribution. It also appears to relate directly to our (revised) Foundational Premise (FP) 9: “All economic and social actors are resource integrators” (Lusch and Vargo 2006b; Vargo and Lusch 2006, 2008b). Thus, it potentially elaborates a central tenet of S-D logic.

However, in my view of S-D logic, “cocreation of value” is a hypernymic rather than an opposing or continuum-anchoring concept in relation to “coproduction,” as suggested by Moeller. Furthermore, “customer integration,” as presented by Moeller, is a unidirectional process (customer resources integrated *into* firm processes) and firm centered, whereas S-D logic’s concept of “resource integration” is multidirectional (all parties uniquely integrating multiple resources for their own benefit and for the benefit of others) but service-beneficiary centered (i.e., both parties in service-for-service exchange). That is, the CI-FTU perspective is focused on a subset of

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coproduction, rather than the more encompassing cocreation of value, as partially acknowledged by Moeller. Thus, the CI-FTU framework might also illustrate important cautions and challenges for the elaboration of S-D logic.

My understanding of the article points toward the importance of two nested challenges in the development of S-D logic: (a) the potency of the traditional, goods-dominant (G-D) logic paradigm, including the pitfalls of using its lexicon for describing a transcending logic, and (b) the related need to develop a broader perspective for understanding value creation. Peripherally, it might also point toward a third challenge: the difficulty of isolating S-D logic in its rapid evolution beyond its G-D logic counterpart. The purpose of this commentary is to use the context of the CI-FTU framework to explore briefly these issues.

Paradigmatic Traps

As Bob and I have repeatedly asserted (e.g., Lusch and Vargo 2006b), though S-D logic operates at a paradigmatic level, it does not (at least presently) meet at least one critical criterion of a paradigm; it is not a “worldview.” However, what we have called G-D logic, with which S-D logic can be contrasted, is paradigmatic, in every sense of the word.

Paradigms are powerful and paradoxical. They simultaneously provide foundational models and concepts for understanding the world and restrict our ability to see it, at least from a counterparadigmatic perspective. Perhaps no other S-D logic topics have attracted so much attention as coproduction and cocreation of value; perhaps no other issue reveals the paradigmatic potency of G-D logic as well.

When we wrote “Evolving” (Vargo and Lusch 2004a), we used the term *coproduction* to describe the collaborative nature of value creation as conceptualized in S-D logic. However, it is difficult to find a more foundational G-D logic term than *production*, to which, Smith (1776) had attached the very specific denotation of the creation of exportable *tangible units of output* (see Vargo and Morgan 2005)—goods—in his quest to identify a path to national wealth creation in the context of the 18th century. It is largely from this product focus that the foundation of G-D logic developed (see Vargo and Morgan 2005). Yet we unwittingly got trapped in the G-D logic lexicon, even as we were suggesting the need to transcend the associated paradigm by moving beyond the idea of the centrality of goods production to the consideration of

service-for-service exchange and the intangible, collaborative nature of value creation.

We, at least partially, corrected the oversight in Vargo and Lusch (2006) by changing *coproduction* to *cocreation of value*. We later (Lusch and Vargo 2006b, p. 284) reserved the term *coproduction* for participation in the development of the core offering itself, something pretty close to Moeller’s “customer integration,” whereas cocreation of value was intended to capture the collaborative nature of value creation. In Vargo and Lusch (2008b) we further pointed out that, unlike coproduction, cocreation of value is neither normative nor optional; rather, value creation always requires customer involvement—as an aside, we have never said that “the customer is always a coproducer *and* cocreator,” as indicated by Moeller (this issue, p. 199; italics added) in reference to FP6. In short, there are two processes, “(co)production” (creation of firm output), and “value-creation” (customer-determined and cocreated benefit), with the latter superordinate to the former. The point of this is to illustrate the difficulty of describing one logic with the lexicon of a contrary paradigm as well as the evolving nature of S-D logic.

The pull of G-D logic seems similarly evident in Moeller’s underlying model of service provision, comprising “facilities,” “transformation,” and “usage” stages. While acknowledging, though not elaborating, a customer role in realizing value potential, the primary concern is with *facilities*, defined in terms of *firm-controlled* resources and decisions, and *transformation*, “the stage in which either company resources are combined with other company resources (*company-induced transformation*) or *customer resources are incorporated* into service provision (*customer-induced transformation*)” (italics partially added). This is essentially a G-D logic model with “transformation” (of resources) substituted for “production.” Because company-induced transformations are seen as resulting in “a marketable good” (Moeller’s Figure 1), the primary contribution seems to be confined to the identification of and considerations for a special type of coproduction—one in which the customer initiates a transformation (by the firm) on his or her own resources. As such, it occupies a relatively restricted space in relation to the overall resource-integration model implied by the revised FP9, “All economic and social actors are resource integrators” (Lusch and Vargo 2006b; Vargo and Lusch 2008b, p. 8), especially in the context implied by the recently added FP10 (see below).¹ It is difficult to escape the paradigmatic grasp of G-D logic and its notions of *value production* by the firm.

Table 1
Revised Foundational Premises (FPs) of Service-Dominant Logic

	Original FP	Modified or New FP
FP1	The application of specialized skill(s) and knowledge is the fundamental unit of exchange	Service is the fundamental basis of exchange
FP2	Indirect exchange masks the fundamental unit of exchange	Indirect exchange masks the fundamental basis of exchange
FP3	Goods are a distribution mechanism for service provision	Goods are a distribution mechanism for service provision
FP4	Knowledge is the fundamental source of competitive advantage	Operant resources are the fundamental source of competitive advantage
FP5	All economies are services economies	All economies are service economies
FP6	The customer is always a coproducer	The customer is always a cocreator of value
FP7	The enterprise can only make value propositions	The enterprise cannot deliver value, but only offer value propositions
FP8	A service-centered view is customer oriented and relational	A service-centered view is inherently customer oriented and relational
FP9	Organizations exist to integrate and transform microspecialized competences into complex services that are demanded in the marketplace	All social and economic actors are resource integrators
FP10		Value is always uniquely and phenomenologically determined by the beneficiary

Source: Adapted from Vargo and Lusch (2008b).

None of this is intended as a criticism, much less an indictment, of Moeller's customer integration thesis. It is only intended to suggest that the CI-FTU framework seems to continue to reflect a production (and product) perspective and to point out the difficulty of escaping the paradigmatic grasp of G-D logic and its lexicon. It is a difficulty with which I have struggled continually and which is reflected in the need for the recent rewording and extension of the FPs (Vargo and Lusch 2008b; see Table 1 for the original and revised wording).

Broadening the Scope of the Value-Creation Space

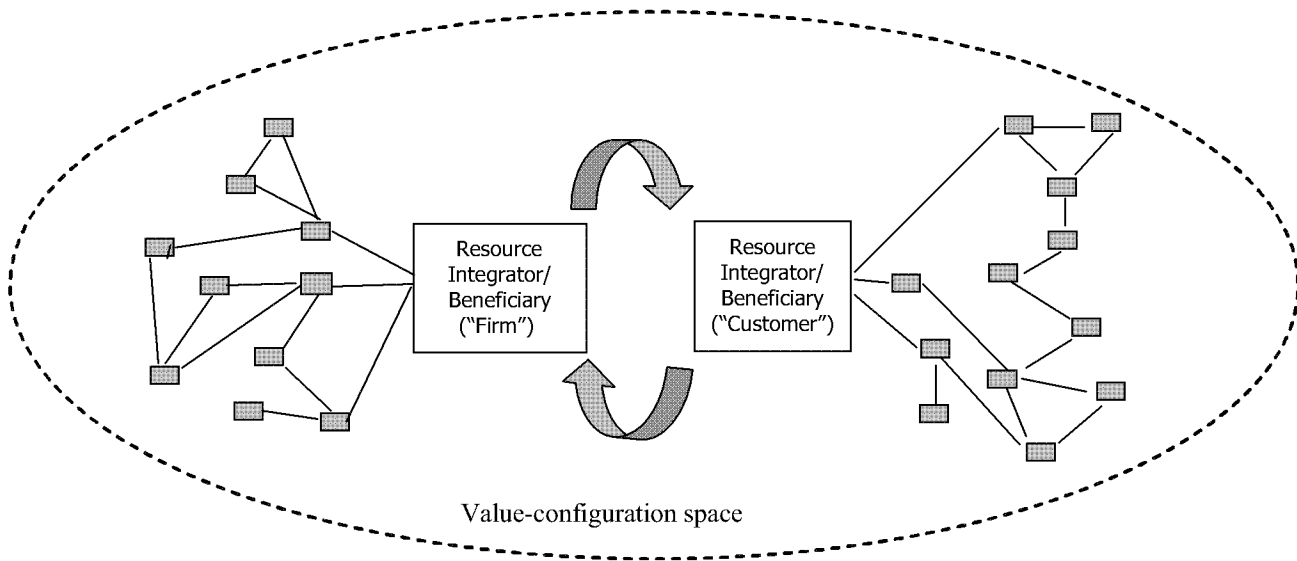
There is an even broader, related issue in understanding the role of resource integration and value creation reflected in the CI-FTU framework, one which is also a reflection of the potency of G-D logic. It has to do with the *scope of value-creation space*; G-D logic compels us to limit the field of view to firm activities. Although, in the past 50 years or so, mainstream academic marketing has broadened its vision somewhat to include "supply chains" and customers, the former has been modeled primarily as a provider of needed operand resources and the later as something like operand resources themselves—targets, to be acted on by the firm. S-D logic broadens the role of all of these actors by viewing them primarily as operand resources, active participants in the value-creation process (Vargo and Lusch 2004a). This is captured

in S-D logic jointly in the contentions that value is always cocreated and the characterization that all actors are resource integrators (FP6 and FP9, respectively, both as revised in Vargo and Lusch 2006, 2008b).

But this implies much more than the customer as a source of integratable resources for the firm's value-creating activities. In fact, as we specify (Vargo and Lusch 2008b) in FP7, the firm cannot unilaterally create value but can only offer value propositions (and potentially cocreate value). That is, as noted, involvement of the customer in coproduction of the offering is an option, but there is no other way to adequately understand value, except through customer participation. This involvement might include, but goes beyond, *using* firm output (products—tangible or otherwise). Thus, the term *value-in-use*, although clearly an improvement over *value-in-exchange*, again represents, though rather subtly, a G-D logic influence. For this reason, Bob and I have more recently suggested the term *value-in-context*.

The contextual nature of value creation is even more directly captured in FP10: "Value creation is always uniquely and phenomenologically determined by the beneficiary" (Vargo and Lusch 2008b, p. 8). Coupled with the resource-integrator characterization, it implies that the customer also has a "supply chain," a network of public, private, and market-facing service providers, in which the focal firm is only one actor. This in turn implies a network-to-network perspective, with value creation being understood in the context of a larger value-configuration space (see Figure 1) in which each actor is *its own*

Figure 1
The Contextual Nature of Network-to-Network Exchange



primary resource integrator, using the application of its uniquely configured resources as the currency for resource enrichment through the exchange (economic and otherwise) of service. This broader, contextual, service-for-service perspective seems missing in the CI-FTU model.

Again, this is not an indictment of the CI-FTU model, just a suggestion that its contribution could be amplified if framed in this broader context of value creation than it is by the current, restricted perspective of firm production-transformation. That is, firm activity is best understood in terms of *input* for the *customer's resource-integrating, value-creation activities* rather than it is in terms of its *own integration of customer resources for the "production"* of valuable output.

The Evolutionary and Developmental Tempo

As noted, S-D logic represents an incomplete evolutionary shift and a perspective that is actively and collaboratively developing. Since the publication of "Evolving" (Vargo and Lusch 2004a), there has been a steady stream of special issues, special sessions at leading conferences, dedicated conferences, an edited book with contributions from 50 top scholars, and independent journal articles dealing with various aspects of S-D logic. The FPs have been tweaked a couple of times

(Lusch and Vargo 2006a, 2006b; Vargo and Lusch 2006) and have had one comprehensive update (Vargo and Lusch 2008b), all based on reactions and input by interested scholars.

Moeller's thoughtful contribution to this development is welcome and noteworthy but perhaps could have been more comprehensively reconciled with other developmental and evolutionary work. Some of Bob and my work that is cited in this commentary was not published when the final version of Moeller's article was submitted (though, as is increasingly the case, much of it was available online as early as 6 months prior). However, other complementary and relevant work was. For example, Gummesson (2006) had emphasized the contextual nature of exchange and value creation through the discussion of "many-to-many" marketing (similar to Figure 1). Similarly, Arnould (2006) had linked S-D logic to consumer culture theory, which captures the critical role of the customer's context and network in value creation and determination. This network-to-network and contextual nature of value, along with the critical distinction between coproduction and cocreation of value, was formalized in Vargo and Lusch (2008a, 2008b) but began appearing in Vargo and Lusch (2006) and Lusch and Vargo (2006b).

The purpose here is not to fault Moeller for failing to fully reconcile the S-D logic associated literature but rather to telegraph a more general suggestion to S-D-logic-interested scholars. S-D logic is unfolding dynamically and has become much bigger than the work of Vargo and Lusch, let

alone Vargo and Lusch (2004a). Coupled with the long publication cycle, this creates a problem of currency. Much of this cannot be avoided, but some can, through looking beyond our original *JM* article to more recent publications, both by us and others. Moeller's contribution is of course one of these. The discipline will benefit from additional, thoughtful contributions such as hers, hopefully assisted in some measure by this brief commentary.

Note

1. It should be noted that the term *customer integration* has been used in the business marketing literature with somewhat different connotations of "solving the customer problem together with the customer" and "integrating the customer's requirements into the suppliers value chain" (Kleinaltenkamp, Ehret, and Fliess 1997, p. 45). Arguably, this meaning is somewhat closer to the concept of "cocreation of value" associated with service-dominant logic than is the more limited "integration of customer's resources" meaning, as used by Moeller.

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