

# **Contextualizing value (co-)creation: beyond the service-dominant logic**

## **Abstract**

Dissatisfaction with the service-dominant logic (SDL) as an approach to explain processes regarding value involving consumers inspired our attempt to build a framework that could better meet this need. We did this by sharing with SDL the idea that value is always related to the services that consumers benefit from either directly by interacting with a service provider, or indirectly by using goods as mechanisms for service provision. The second key idea is the need to contextualize value processes to understand them. The paper analyzes different contexts highlighting some dualities that together define an original approach to value creation in consumption contexts: potential value versus actual value, value creation versus value determination, demand-side beneficiary versus supply-side beneficiary, service production/value creation versus service co-production/value co-creation, use value versus symbolic value. This approach to value consists of a set of invariant constructs necessary to analyze consumption contexts, while at the same time conceptualizes the variety of such contexts, that is, the different ways in which consumers produce or co-produce services, create or co-create value.

**Keywords:** consumption context, service-dominant-logic, potential value, actual value, value creation, value determination, use value, symbolic value, consumer community

## **1. Introduction**

Despite criticisms of the service-dominant logic (SDL), this theoretical approach has become the dominant reference for those in the field of marketing studies and beyond who use the term “value”, becoming a kind of “academic brand” on the topic of value (Bocconcelli et al., 2020; Grandinetti et al., 2022).

SDL relies on the twofold assumption that value is inextricably linked to service, and that – as service – it is always co-created (Vargo and Lusch, 2004, 2008, 2018). This represents the hard core of SDL and remains, throughout the (almost exclusively theoretical) research within this perspective, invariant to the variety of contexts that can be associated with value.

However, this invariance creates perplexity about the possibility of using SDL as a useful approach in analyzing the link between value and context. Focusing on consumption contexts, let us consider the simplest of them, that of a consumer who alone uses goods, for example, a razor and other shaving items purchased in a store. Stating that the consumer who shaves is co-creating value leads one to ask who he is co-creating it with. Since the partners can only be the retailer from whom the consumer made the purchases and, behind that, the manufacturers of the goods-in-use, this answer opens up another question regarding the kind of value that is of interest to the consumer, the retailer, and the manufacturers, respectively: evidently, that value cannot be the same for everyone, as the assumption that value is always co-created leads one to think.

Starting from a dissatisfaction with the SDL, this paper aims to build a conceptual framework that can guide theoretical and empirical research on value processes in consumption contexts. In the second section, different types of consumption contexts and their value processes are analyzed; this analysis leads to the construction of an original framework of consumption-related value creation processes (third session); the last section highlights the theoretical contribution of the paper and outlines a couple of avenues for future research.

## **2. Value creation in consumption contexts**

### *2.1 Consumers creating actual value*

We start with an elementary context, where a consumer uses goods by him/herself. Consumers use goods to achieve their goals, and they can do so because goods incorporate knowledge. To this knowledge, they must add their knowledge and skills, behaving as actors capable of combining resources (Grönroos, 2008).

If goods are mechanisms for service provision thanks to the knowledge they embed (Vargo and Lusch, 2004), the context we are focused on qualifies as a service context where the service provider who activates the context is the consumer who uses the good. Precisely, by using the good-resource, consumer self-produces the service. Through this self-service, consumers create value for themselves (Grönroos, 2008).

Following Grönroos (2008), goods have potential value in relation to the services that consumers can produce through their use. Consumers, at least in the consumption context we are dealing with, are not involved in the creation of this value, which takes place in the context of production of the good, spatially and temporally separated from the context in which its use takes place. In this different context, the consumer who self-produces the service creates value that is matched with the good-in-service, or better with the benefits generated by it. This value can be defined as actual to distinguish it from potential value. It corresponds to use value, which has two distinct components (Corrigan, 1997): use value in the strict sense, related to the functional attributes of goods, and symbolic value due to the social and cultural meanings associated with them. We refer, in considering the simple consumer-goods context and the others discussed in this section, to use value in the narrow sense only.

The creation of actual value ends with its recognition by the creator-beneficiary (consumer), what Vargo and Lusch (2008) call value determination. Value determination is something purely subjective (Priem, 2007; Vargo and Lusch, 2008). In terms of value, our first elementary context is thus characterized because in it the creation of actual value involves the consumer alone. In this context, there can be no co-creation of value, which we can now qualify more precisely as actual value.

Continuing to refer to our elementary context and avoiding for further simplicity the introduction of commercial intermediation, there are two entirely different types of beneficiaries (producer of the good and self-producer of the service that can be provided by the good) and each determines a different type of actual value, although both of these values are linked to the good's potential value. In the case of producer, this linkage is rather straightforward: the price originally set for the sale of the good is a measure of the potential value for the producer ( $p_1$ ); this value is converted into actual value for the producer through the price  $p_2$  paid by the consumer, which is lower than  $p_1$  when a discount is offered/obtained by the producer/consumer; however, the anchoring of this conversion to the two prices makes it an objective process. In the case of consumer, the potential value of the good derives from the service it contains in nuce, and thus incorporates the consumer's prospective use of the good. The linkage is less straightforward here than in the case of producer, since, between the potential value of the good and the actual value of the service as determined by consumers, there is a process of (actual) value creation involved that results in its subjective determination. Therefore, the linkage can take on different forms<sup>1</sup>.

## *2.2 Co-creation of actual value in consumer communities*

Moving from a single consumer to more involved in service production, the context takes on a community dimension, from the micro-community represented by each household dyad to the community of practice or experience among consumers (Armstrong and Hagel, 1996). For all these consumption contexts (real or virtual), we can speak of service co-production, although the prefix co- has been used in literature to indicate situations involving actors on both the demand and supply sides (Galvagno and Dalli, 2014).

If there is service co-production, there is also value co-creation (Lusch and Vargo, 2006). Compared to the elementary context, this community variant is characterized by the fact that there is co-creation of actual value, which we can qualify as horizontal co-creation, since only consumers participate. Clearly, at the level of value determination there are as many distinct processes as there are consumers involved, and – given the subjective nature of these processes – results can diverge. On the other hand, in consumer communities large or small, information circulates among interacting members, and this sharing results in a gradual convergence of individual processes of actual value determination. In addition, a member with leadership can exert his/her influence on others in their determining actual value, leading to an alignment of individual values around his/her own.

In a community context, one or more consumers may take on the role of service employees. Members of a household or other communities, such as brand or non-brand communities of practice (Ardley et al., 2020; Guercini and Cova, 2021), may specialize in providing different services, and be engaged in different contexts in relation to their specialization. Looking at each of these contexts, the distinction between value co-creation and individual determination still applies, but now the co-creation of actual value between consumers does not unfold horizontally but vertically.

## *2.3 Consumers (co-)creating potential value*

A further variation concerns do-it-yourself, i.e., the consumer who uses goods to produce a new good or who modifies them before benefiting from them, such as when preparing a plate of spaghetti. This context is among those that inspired the presumption theory (Shah et al., 2020).

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<sup>1</sup> Although relevant, this aspect cannot be analyzed in this short paper.

From a value perspective, in do-it-yourself contexts there is always creation of new potential value, a process in which consumers bring their knowledge and skills into play. On the new potential value, the same reasoning as for the simpler context discussed in 2.1: the new or modified good is a mechanism for service provision; the service it provides through the consumer's use of it has an actual value determined by the consumer him/herself; in the creation of actual value, the consumer's knowledge/skills again come into play. This type of context is thus characterized by the fact that the consumer, in addition to creating actual value, also creates the underlying potential value.

Note that, from our perspective, assembling an Ikea piece of furniture is no different from preparing a plate of spaghetti. In fact, even in the former case, the consumer is a producer. Then there will be the determination of actual value. One might think that the case of Ikea and other similar offerings could be called value co-creation. However, this attribution does not consider that consumers buy the Ikea good in the same way that they buy the ingredients for their spaghetti, in both cases adding (not co-creating) potential value in a different context from the one in which the former or latter was produced.

Finally, creation of potential value often takes place not in the form of do-it-yourself but in the community form of do-it-with-others, that is, as horizontal co-creation of potential value. This phenomenon covers a wide variety of goods, from relatively simple ones such as in the case of preparing a dinner to very complex ones such as in the case of self-building a house.

#### *2.4 Co-creation of actual value in service encounters*

Turning to the contexts that take shape with a service encounter, consider the simple case in which a consumer interacts with a service employee who uses – alone or together with the consumer – certain goods in the production of the service. The association between service encounter and service co-production was proposed within conceptual frameworks of service marketing or service management developed in the 1970s and 1980s (Grönroos, 2012).

Reading the encounter between a consumer and a service employee with the categories of our contextual perspective, the case in question can be described as a consumption context in which actors combine resources (their knowledge and skills, knowledge embedded in goods) to co-produce the service and co-create actual value. So, in this context there is co-creation of actual value, which unfolds in the vertical direction as in a supply chain. As in the consumer-alone context, upstream of actual value there is potential value, as communicated and promised (also) by the price set by the producer of the good or the service provider. Again, in both contexts the creation of actual value ends with its determination by two actors (beneficiaries) on the supply side and the demand side (of the good or service), respectively. Only, in the case of service encounters, the two actors interact in co-creating actual value, which makes the determination made by each actor-beneficiary subject to the influence of the other.

Changing the structure of our context by increasing the number of consumers and/or contact employees, the shift from a dyad to a network makes the processes of service co-production, co-creation of actual value, and its determination more complex. For example, consumer-only relationships may come into play, in the presence of which the individual consumer's determination of actual value may be different than it would be in their absence. However, the reading of value processes does not change from what has been said with reference to the dyadic context.

In contrast, the situation is simplified when consumers encounter not a service employee but an automated device such as an ATM or one of the apps they have downloaded to their smartphones. These and similar cases are referred to as self-service technologies (Meuter et al., 2000), the impressive growth of which has changed the consumption landscape in the digital age (Lee and Lee, 2020).

### **3. A framework for value (co-)creation in consumption contexts**

Summing up what emerged from the analysis of the different consumption contexts considered, we can identify some points that together make up an original framework of consumption-related value creation processes.

Still remaining in the domain of use value in the narrow sense, the first point to note is the distinction between potential value and actual value. Potential value refers to goods as resources for creating actual value (Grönroos, 2008) or services when they are still at the stage of promises of actual value, while actual value is always and only associated with services. Potential value and actual value are different entities that are linked in consumption contexts enacted by consumers and possibly other actors. The distinction between potential and actual value allows us to dispel the fog shrouding the discussion about value creation and co-creation by remembering that, first, it is necessary to state what kind of value we are talking about.

Second, processes concerning value are of two general types: value creation and value determination. The first concerns both potential and actual value: potential value creation usually comes before the activation of a given consumption context, but sometimes it also takes place in some consumption context, involving actors operating in it; actual value creation is always and only context-specific. When discussing value determination, one must distinguish between beneficiaries who, given a specific consumption context, are on the supply and demand sides, respectively. Contextualizing value forces one to acknowledge the latent tension that exists between these two types of actors who pursue different goals and evaluate their achievement when determining “their” actual value.

Third, if consumer determination of actual value is a process of subjective perception, the creation of this value is either an individual process in contexts where consumers alone self-produce the service, or involves two or more actors co-producing the service and co-creating actual value. In the second case, co-creation may involve only consumers in more or less extended communities (horizontal co-creation), may occur in service encounters (vertical co-creation), or takes a hybrid form in those communities where there is division of labor among consumers. Contextualizing value by considering the number and type of actors animating the context leads to realize that value co-creation is a subspecies of value creation.

Last, the variety of consumption contexts regarding their value processes can be framed as a function of three main variables (Figure 1): the number of actors activating the context – one (necessarily a consumer) or more; the type of actors involved – only consumer(s) or also service employee(s); and the type of value created – only actual or also potential value. The variety of contexts can be experienced by consumers in distinct consumption experiences, or a single consumption experience is composed of distinct consumption contexts.

We can now add realism to our framework considering the symbolic value that goods or even services (in service encounters) may have.

As for potential symbolic value, its creation is a process of co-creation that always involves consumers (Arnould and Thompson, 2005). Precisely, this value is the result of contributions with positive or negative impact that have occurred over time coming from: producers of the branded goods or services with their communication (Nandan, 2005); individual consumers, such as bloggers, capable of playing the role of influencers (Vrontis et al, 2021); groups of consumers such as brand communities (Schau et al., 2018); as well as a range of events that have a generative or disruptive effect on potential symbolic value.

Considering that actual value includes a *stricto sensu* use-related component and a symbolic one, it is congruent with what has been called experiential or consumer value (Holbrook, 1999). While the creation of potential symbolic value is not immersed in consumption contexts, the creation of actual symbolic value is always contextual. If we look at the variety of contexts, the inclusion of symbolic value as a component of actual value does not change our framework: one can create this value, in real or virtual contexts, individually, or co-create it with the concurrence of other actors, and in that case co-creation

can take place in a horizontal or vertical direction; the determination of symbolic actual value is a process distinct from its creation, takes on entirely different forms depending on the type of beneficiary, and is purely subjective in the case of consumers; finally, in consumer communities, alignment can be created between the actual values determined by individual members, a phenomenon that – in the case of the symbolic component of value – depends on the degree of epistemic commonality among them (Thompson, 2005).

#### **4. Conclusion**

Dissatisfaction with SDL as an approach to explain processes regarding value involving consumers inspired our attempt to build a framework that could better meet this need. We did this by sharing with SDL the idea that value is always related to the services that consumers benefit from either directly by interacting with a service provider, or indirectly by using goods as mechanisms for service provision.

The second key idea is the need to contextualize value processes to understand them. We have analyzed different contexts highlighting some dualities that together define an original approach to value creation in consumption contexts: potential value versus actual value, value creation versus value determination, demand-side beneficiary versus supply-side beneficiary, service production/value creation versus service co-production/value co-creation, use value versus symbolic value.

Our approach to value consists of a set of invariant constructs necessary to analyze consumption contexts, while at the same time conceptualizes the variety of such contexts, that is, the different ways in which consumers produce or co-produce services, create or co-create value. Consumption contexts in their variety matter, but of this there is not yet full awareness in studies as in marketing practices. Even scholars who have recognized the relevance of contexts, such as those who have moved in the SDL perspective (Akaka and Parry, 2019; Chandler and Vargo, 2011; Helkkula et al., 2018), have taken on a grainy view of contexts. By focusing on the contexts in which consumers (co-)create value, we have developed a higher-definition lens to understand their variety.

Within the variety of contexts, special emphasis should be given to those involving consumers only. Community consumption in its various forms appears to be growing, and new forms of horizontal service co-production have also emerged as in the case of online consumer communities for the re-use (in particular, upcycling) of products at the end of their lifecycle (Coppola et al., 2021), or in the case of community-based health care services (Lakomaa and Sanandaji, 2021). The recognition of consumer autonomy, and the new contexts in which it is expressed open up a wide avenue for empirical research. This phenomenon should also be of interest to practitioners and marketing scholars, whether they look at the phenomenon as a competitive threat to the established businesses, or see it as an opportunity for novel forms of collaboration.

A further avenue for future research that a context-based perspective of consumption urges is the changes that consumption contexts undergo in relation to digital transition (Grandinetti et al., 2022). For instance, the service robots that consumers are beginning to encounter in stores (Guha et al., 2021) or in other places of service provision (Wirtz et al., 2018), and that will animate their homes (Argandoña et al., 2021), are able to learn interacting with consumers or other sources of information, such that they become hybrid entities between artifacts and actors. This is a powerful factor in the evolution of consumption contexts, still largely to be explored.

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**Figure 1.**  
Determining the variety of consumption contexts

