

## Chapter 3

# Co-Creation Emerging in Markets and with Consumers: Contrasting Service-Dominant Logic and Value Co-Creation.

**Barbara Aquilani**  
*University of Tuscia, Italy*

**Costanza Nosi**  
*LUMSA University, Italy*

**Tindara Abbate**  
*University of Messina, Italy*

### ABSTRACT

*The chapter aims at analyzing the more recent studies on co-creation considering both marketing and management literature, contextualizing them within the new scenario firms have to afford today. In doing this both market and consumer changes are studied. The chapter, after an introduction to the subject matter explaining why it is so important to focus on this unexplored management issue, presents a review on the three streams of literature used to build the framework, namely Consumer Culture Theory, Service-Dominant Logic and Value Co-creation. It then focuses on contrasting the different approaches regarding markets and consumers and studying their differences and common traits. The chapter ends with some limitations and hints to future research, as well as some theoretical and managerial implications presented in the concluding section.*

### INTRODUCTION

The concept of value has been the subject of a lively scientific and philosophical debate for over two thousand years. However, regarding business studies, despite the different disciplinary contributions (management, marketing, economics, finance, etc.) aimed at solving the issue, the full disclosure of the meaning and nature of value, in addition to the *locus* of its creation, is far from being resolved and

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continues to constitute a theoretical challenge (Ng & Smith 2012). This is why attempts to study the topic have been made by scholars in different research fields, adopting different theoretical frameworks, and investigating real phenomena using dissimilar research methodologies. With specific reference to the managerial and marketing literature, disciplinary fields where the present manuscript is positioned, much of the theoretical debate around value creation has been traditionally focused on two different connotations of value, i.e. use value and exchange value (Lepak, Smith & Taylor, 2007). Although conceptually related, use value and exchange value have contributed to the rise of alternative stances of value creation which underline consumer and producer viewpoints respectively (Vargo & Lusch, 2004).

In an attempt to grasp the complexity of the value creation process, also overcoming the unrealistic sharp separation between goods and service providers and customers, which mirrors a merely transactional way of value viewing the exchange relationship, Service-Dominant (S-D) logic has emerged (Vargo & Lusch, 2004). The central factor in S-D logic is a value co-creation framework in which value creation is conceived as a continuous and recurring process that goes well beyond single transactions. Namely, attention moves from being – simplistically – focused on producers or consumers to considering the participation and interaction of multiple resource integrators related by mutual exchange systems and value creation processes that take place in markets, as well as behind their boundaries (Vargo & Lusch, 2012).

A further theoretical approach focused on value co-creation is strategic perspective, which originates from the pioneering work of Prahalad and Ramaswamy (2000). Taking into account both the characteristics of contemporary consumers (informed, connected, empowered, etc.) (Prahalad & Ramaswamy, 2003) and environmental radical changes which have occurred in recent years (globalization, industry convergence, deregulation processes, Internet wide spreading, etc.) (Prahalad & Ramaswamy, 2001; Normann, 2002), this field of research explicitly considers the contexts and circumstances in which companies operate. This means that firms are not solely considered as mere goods and service providers on the market, but they are actors able to influence multiple layers of their comprehensive environment, such as the society, the natural environment, etc. The central assumption of the strategic perspective is that value creation encompasses new wealth and worth able to benefit both the firm and systems in which it operates (Mocciaro Li Destri & Dagnino, 2005).

Finally, another recent field of research, which has been challenging the traditional conceptual foundation for understanding marketplace phenomena devoting attention to value and value creation, is today known as Consumer Culture Theory (CCT) (Arnould & Thompson, 2005). According to the CCT perspective, value co-creation is viewed according to a cultural framework that concentrates on consumer perception, interpretation, understanding and interaction with the market offering (Holt, 2002), enabling the understanding of the complexity and dynamics of present-day market contexts. CCT goods and services, which are obtained by consumers through market exchange, represent the fundamental means for building and shaping individual culture, identity, as well as social life (Moisander & Valtonen 2006; Hämmäläinen & Moisander, 2008).

Where CCT and S-D logic have been recognized as “natural allies” (Arnould, 2007), scientific contributions aimed at revealing the overlays and discrepancies between the two research streams have been sporadic to date. Nonetheless, recent works of authoritative academics have already called for an integration of S-D logic and CCT (e.g. Peñaloza & Mish, 2011; Akaka, Vargo & Lush, 2013). The few exploratory CCT enquiries on value creation (e.g. Schau, Muniz & Arnould 2009; Healy & McDonagh, 2013) claim that the adoption of a cultural perspective could provide valuable means to shedding light on the meaning and nature of value, as well as on the value co-creation process as currently assumed in S-D logic.

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