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CONCEPTUAL/THEORETICAL PAPER

Extending the service-dominant logic: from customer centricity to balanced centricity

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Abstract This is a contribution to the reorientation of marketing. It aligns the service-dominant logic with other developments in marketing and management. It claims that the marketing concept and customer-centricity are too limited as a foundation for marketing and have not—and cannot—but partially be implemented in practice. It urges marketing scholars and educators to accept the complexity of marketing and develop and teach a network-based stakeholder approach—balanced centricity—epitomized by the concept of many-to-many marketing.

Keywords Service-dominant logic · Customer centricity · Balanced centricity · Many-to-many marketing · Network theory · Lean solution

Introduction

Marketing needs rejuvenation. The half a century old marketing concept advocates that satisfaction of customer needs and wants is the bedrock of business, and that market-orientation is superior to product-orientation. This may have had an impact, but my thesis is that customer-orientation has been applied half-heartedly and that it is supplier ego-centric rather than customer-centric.

The service-dominant (S-D) logic introduced by Vargo and Lusch (2004) invites marketers to reconsider their stance. In doing so, I will link their logic to three areas: value chains, lean solutions, and network theory with its application in many-to-many marketing. Based on Gummesson (2007), these will be discussed below.

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Supplier value chain and customer value chain

The ever-cited *value chain* (Porter 1985) starts with the input of material, proceeds with manufacturing and assembly, and ends with marketing and sales supported by services such as availability of spare parts. The process is maintained by the manufacturer's infrastructure, human resource management, technology development, and procurement.

The chain is supplier-centric. It virtually stops when the customer has bought something. It is based on goods and manufacturing. Value-added is equalized with the cost incurred by the supplier. It could mean that the less a firm exerts cost control, the more it adds value—value thus represent low productivity. It sounds like an oxymoron. The chain represents a sequential process and the operations of the supplier are distinct from consumption.

But a product has usually no value in itself. If unsold, the supplier does not recover its cost; if unused, the customer's money is wasted. Within the SD-logic value is co-created; the supplier contribution is a value proposition that can be of service to customers and the customer contribution is value actualization. If it is a durable product like a car, the customer may use it for several years. But "use it" evokes the wrong vibrations. The customer rather interacts with the car and service is created in that process. This can have an emotional touch: the mere joy of owning a certain brand and admiring its design. It can be strictly rational: to get to places comfortably. There can be negative service: other drivers behave badly, even cause accidents.

Obviously the customer value chain is not the same as the supplier value chain. The manufacturer can use reasonably objective criteria to control technical qualities but each customer will use the car in individual ways and experience its value differently. Furthermore, the supplier value chain is based on mass manufacturing, whereas the customer value chain is individual and changeable.

From lean production to lean consumption

A parallel line of thinking emanates from operations and quality management. *Lean production* has much in common with the supplier value chain. The Japanese had boosted productivity and quality and took the global lead in the 1970s. Lean production essentially derives from technical/statistical measurement, experience and common sense. It abhors waste and follows practical quality guidelines, including continuing improvements, do it right the first time, and management commitment. What makes Toyota continually successful say Womack and Jones is "the brilliant focus on core processes" (2005, p.1).

Lean production pioneers have begun to move into *lean consumption* inquiring about what happens and what should happen at the customer end. One service to customers is respect, recognizing that time is not free for customers. So why should they wait in line or be put on hold by the computer supplier's help desk? Traditional service industries, such as retailing, health care and air transport are successfully testing both lean production and lean consumption, and in line with S-D logic acknowledge the customer as co-creator of service.

This leads me to question the realism of the marketing concept and customer-centricity, both saying that customer satisfaction is the goal of a firm. How can we discard supplier-centricity? Suppliers do create the value propositions without which there will be no value actualization on the customer side. These days shareholder value seems to be the prime driver of companies, and this can be just as one-sided as can complete customer orientation. It may even be that technology is the prime driver. It fascinates and we currently experience how information technology is reshaping society with novel value propositions. New technology reaches a point of no return; once it has gained momentum it cannot be halted, much less be brought back to square one.

By separating suppliers and customers we deprive them of context and interdependency; co-creation of service is a necessity. We therefore have to move away from *one-party centricity*—either supplier-centric or customer-centric—to *two-party centricity* which simultaneously zooms in on both suppliers and customers.

Even this is not good enough. It is time to add a stronger dose of real world complexity.

Network theory and many-to-many marketing

Service is not created just by the supplier and the customer. It is created in a network of activities involving a host of stakeholders. For example, there are contributions from intermediaries, employees, the media, neighbors, and society in general through such infrastructural networks as roads, electricity grids and broadband connections. More advanced stakeholder thinking is required.

It means that marketing as an academic discipline cannot just settle for simplistic consumer surveys and statistics or the teaching of cause and effect models with two or a few variables. Reality *is* complex whether we like it or not. This is where *network theory* comes in. Its basics are simple; a network is made up of nodes (such as people or organizations) and relationships and interaction between those. Network theory is part of "complexity theory," recognizing that numerous variables interact, that the number of unique situation is unlimited, that change is a natural state of affairs, and that processes are iterative rather than linear. We can focus on any of the network parts without loosing sight of the systemic context. Network theory can be applied by anyone, verbally and graphically through sketches, and it can be applied mathematically and design visual patterns with the help of computers.

Case study research is used in marketing to attack complex problems. It's primarily verbal and it's blamed for not being rigorous enough. Network theory need not suffer from that accusation. It is my contention that there is no theoretical and methodological alternative that can match network theory. It is not in common use in marketing although there are applications, notably in business-to-business marketing—but it should be.

Network theory allows us to take a multi-party approach to marketing. My effort to develop general, network-based marketing theory is called *many-to-many marketing,* defined as *the description, analysis and utilization of the network properties of marketing* (Gummesson 2006, p. 349).

A proposed synthesis: balanced centricity

Shah et al. (2006) claim that customer centricity can be improved by shaping up the structure, culture, processes and metrics of an organization. All of these strategies have been addressed for ages and remain a chronic headache. Taking another approach, customer centricity may be non-implementable and not fit to form the foundational credo of marketing. Customer satisfaction can certainly be a strong driver to success, but is this a universal truth or is its influence tied to specific situations? My feeling is that the interests of multiple parties need to be secured. Thus the concept of *balanced centricity*—all stakeholders have the right to satisfaction of needs and wants.

But is balanced centricity a realistic objective or is it yet another professorial whim? I do not have the answer but I am convinced that if we keep fragmenting marketing and other business functions and duck complexity, context and dynamics, we will not move ahead. A change requires that we reconsider marketing basics and abandon mainstream methodological rigidity and move toward a more pragmatic and holistic research agenda. S-D logic, lean solutions and network theory can jointly guide us in this direction.

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