Industrial Marketing Management 87 (2020) 309–311

Contents lists available at ScienceDirect

Industrial Marketing Management

journal homepage: www.elsevier.com/locate/indmarman

Invited commentary

From promise to perspective: Reconsidering value propositions from a service-dominant logic orientation

Stephen L. Vargo

Shidler College of Business, University of Hawaii, Mānoa, 2404 Maile Way, Room BusAd C-402 g, Honolulu, HI 96822, USA

1. Introduction

The introduction of the term "value proposition" is usually attributed to Michael Lanning e.g., Lanning & Michaels, 1988) in a McKinsey staff paper, though Lanning (1998) indicated that the seminal ideas dated back to around 1983. Regardless of its precise seminal history, the beginning of its more rigorous *formalization* has been attributable to Lanning's (1998) book *Delivering Customer Value*, ten years later, though there is significant use of the term in between (e.g., Aaker, 1996; Webster, 1992), most often without seminal citations.

2. Value propositions and service-dominant logic

My first introduction to the term "value proposition" was around the late 1900s, through business journalism, where I had noticed that it was frequently being used by executives in cable business-news interviews, seemingly in lieu of the terms "product," "service," or "offering," especially in conjunction with digital technology. I was not aware of Lanning and Michaels (1988) work at that time and assumed it was just a generally accepted term that had been exogenously generated in practice, most likely in Silicon Valley. Clearly, as most commonly used, it connoted something similar to a *promise* (see Payne, Frow, & Eggert, 2017 and Skålén, Gummerus, von Koskull, & Magnusson, 2015 for overviews of this use) or at least a communication of an offering emanating from the firm.

It was at a time that Bob Lusch and I were looking for an encompassing term that described what firms offered potential customers/markets. We needed it because it was increasingly becoming clear, both in academics (see, e.g., Holbrook, 1999; Woodruff, 1997) and practice, that units of output, such as "goods and services," did not adequately capture what economic (and social exchange) was all about; rather, it was becoming evident that it was about *value creation*. In our view, this value was *co-created*, rather than created by one actor and delivered to another and that was accomplished through service-for-service exchange and the integration of resources. It followed that, since value could not be delivered, firms could only propose value – thus we adopted the term *value proposition.* This reasoning originally led to eight foundational premises (FPs), which formed the foundation for "Evolving to a New Dominant Logic for Marketing" (Vargo & Lusch, 2004), and what later became known as *service-dominant (S-D) logic*. Value propositions were addressed in FP7: "The enterprise can only make value propositions." Shortly after its introduction, the FP was clarified to read "The enterprise cannot deliver value, but only offer value propositions" (Vargo & Lusch, 2008).

"Evolving…" (Vargo & Lusch, 2004) was written for the *Journal of Marketing* and, while not firm centric, it was somewhat dyadically (firm-customer) oriented. Thus, "value proposition" was initially treated as a projection, or representation, of value that could be co-created if the customer engaged in service exchange with the firm. It was not considered strictly as a *promise* – actually, the term "promise" was never used – though it was used later in Lusch, Vargo, and O'Brien (2007)– but it was at least regarded as a *representation of potential value*, so perhaps not inconsistent with one. Nonetheless, most uses of the term "value proposition" today (see Payne et al., 2017; Skålén et al., 2015) explicitly or implicitly convey something similar to a promise, or at least to a projection – usually controlled and initiated by the firm. Some of these cite S-D logic, some Lanning & Michaels, 1988), and some both (e.g., Payne, Storbacka, & Frow, 2008). Importantly, many scholars also use the term consistent with these connotations, with no cited authority, as if it were a commonly accepted term with an established meaning.

S-D logic has advanced considerably since Vargo and Lusch (2004), but is still a work in progress. Some conceptualizations have changed and some likely need additional fine-tuning. Among the latter is the conceptualization of value proposition, especially in relation to its meaning and source. S-D logic has moved significantly away from a dyadic, *firm-customer perspective* to a more general, *actor-to-actor* (A2A), *systemic perspective*, with a focus of value co-creation taking place in *service ecosystems*, comprising many actors (Vargo & Lusch, 2011, 2016), rather than just within firm customer-dyads.

It has also taken an *experience* turn. Bob Lusch and I had been aware that experience needed to be made part of the S-D logic narrative, but it required several conceptual hooks to connect it. One was the identification of *resource integration* as the other, besides service exchange, foundational activity that actors engage in to co-create value This pointed to the need of thinking more holistically about value creation, beyond the firm and the firm-customer dyad to a network orientation, which, in turn, makes value creation and determination contextual

E-mail address: svargo@hawaii.edu.

https://doi.org/10.1016/j.indmarman.2019.10.013

Available online 31 October 2019

issues (Chandler & Vargo, 2011). This was followed by the first explicit mentioning of "experience" in the discussion of FP10: "Value is always uniquely and *phenomenologically* determined by the beneficiary" (Vargo & Lusch, 2008, emphasis added) – later designated Axiom 4 (Vargo & Lusch, 2016).

Along with the A2A turn (Vargo & Lusch, 2011, 2016), the perspective shifted from networks to service ecosystems, partially defined in terms of what are probably the most essential concepts in S-D logic for exploring experience: *institutions* (norms, rules, symbols, meanings, etc.) and *institutional arrangements* (interrelated sets of institutions), which serve as coordinating mechanisms for value co-creation, as well as heuristic tools for its evaluation. Value propositions are addressed in (a revised) FP7: "Actors cannot deliver value but can participate in the creation and offering of value propositions" (Vargo & Lusch, 2004, 2016) Institutions tie all of these together, as specified in FP 11/Axiom 5: "Value co-creation is coordinated through actor-generated institutions and institutional arrangements."

3. Moving forward

Given these reorientations, value propositions are best understood in terms of perceived or anticipated, subjective experiences, of a (potential) beneficiary, rather than something that is designed and offered, much less promised, by one actor to another. Like the value, to which they are related, value propositions are co-created (see also Skålén et al., 2015) among a host of actors in the context of existing, at least partially shared, institutional arrangements, as resources are integrated to be brought to bear individual problems or, more-generally, "life projects" (Arnould, 2006). Thus, value must be understood contextually. Hence, like value, value propositions are neither purely externally developed nor solely individually determined. Both are intertwined with the shared institutional arrangements and institutional processes that constitute their contexts and contribute to their determination. Stated otherwise, *value propositions are best understood as multi-actor, intersubjective, institutional co-creations, as phenomenologically interpreted by an actor in a given context*.

Value propositions, thus, are similar to brands. As Merz, He, and Vargo (2009, p. 338) point out brands are "co-created through network relationships and social interactions among the ecosystem of all stakeholders." In fact, brands might be considered as part of the value proposition; a brand is just more concerned with perceptions of the nature of the firm and its specific offering, and somewhat less with overall customer value. Thus a brand is less encompassing than value proposition. Value propositions also share some characteristics with business models (Wieland, Hartmann, & Vargo, 2017).

4. Back to the future

Interestingly, this experiential conceptualization of value propositions is not a conceptualization which is all that different from that one originally proposed by Lanning (1998). Unfortunately, Bob and I likely missed some of that intended conceptualization, perhaps because Lanning's value proposition was couched in a perspective of "value delivery", which we saw as antithetical to the value co-creation perspective we were espousing.

More recently, however, I have taken the opportunity to revisit the early value proposition literature, which has been enlightening. Despite attributions of the "promise" meaning of value propositions to Lanning, the word is used only twice in Lanning and Michaels' (1988) and not at all in Lanning (1998). In the former, in the first instance, it is somewhat unclear as to whether "promise" was used in the sense of *making a promise* or in just *having,* or *being seen as having the capacity* to contribute to value. In the second instance (p. 15), Lanning and Michaels (1988) appear to make a clearer distinction between a *promise* and the *articulation* of a value proposition. The concept of "value proposition" seemed to be more concerned with organizing the firm around the provision of customer-centered value than it was about making promises.

In Lanning (1998) the meaning seems clearer. Here (p. 55), he specifies that a "value proposition is the *entire set of resulting experiences,* including some price, that an organization causes some customer to have" (emphasis in the original). Note that there is no hint here of a promise or even an articulation, though the need for communication is mentioned later. In the glossary (p. 316), he elaborates on this definition, noting that the value proposition represents "*the essence of business*, properly understood, in contrast to the conventional implicit assumption that products and services (or vaguely, customers) are the essence [and] *not* the trivialized and garbled notions that have been wrongly ascribed to this term." (first emphasis added). The underlying intent seemed to be to shift the focus of value propositions away from units of output (e.g., "goods" and "services") towards value creation through customer experience, which is generally in line with S-D logic.

Importantly, Lanning (1998, p. 55) indicates that, good or bad, "every business has a value proposition" – note that this is regardless of whether or not it is articulated. Additionally, he points out what a value proposition *is not*: (1) a positioning, a slogan, or a USP, (2) a mission statement, statement of values, or a strategic intent, (3) a value discipline, or (4) value added. Interestingly, Lanning notes that his value proposition conceptualization was a partial result of his trying to bridge his brand-management work with McKinsey & Company's systems thinking, again, a position that resonates with S-D logic. Thus, Lanning's (1998) conceptualization and what I consider to be a contemporary S-D logic conceptualization of value proposition do not appear to be all that far apart. The difference, still, is primarily related to the notion of the ability of a firm to *deliver* value (c.f., Lanning, this issue).

Nonetheless, the promise-from-firm-to-customer conceptualization persists and is often attributed to Lanning (1998). It seems almost as if there have been two paths to understanding value propositions: one, the firm-directed, promise/articulation conceptualization, might have been incubated in practice, perhaps having roots in Lanning's consulting work, and the other, the experiential conceptualization, in the more formal discussion by Lanning, especially in his 1998 book, and others. Unfortunately, the former seems to be dominant. Perhaps this is not surprising, given the traditional, firm-customer, dyadic orientation of marketing.

5. Conclusion

None of this suggests that firms cannot influence or attempt to articulate value propositions. However, like brands and value, they are not the sole "property" of the firm, something to be delivered to customers. Therefore, it seems to be useful to distinguish between *value proposing* and the *value proposition*. As a number of scholars have pointed out, customers do not use firm offerings in the way firms intend and anticipate but rather adapt them to their own purposes, in their own contexts – see for example, Pinch and Bijker's (1987) "interpretive flexibility." This holds for the associated representations. It follows that value cannot be realistically promised, or even fully articulated by a firm.

At a minimum, it suggests that the firm's role should be understood as one of significant participation in, rather than provider of, its value proposition. This participation therefore needs to take into account the systemic, co-creative nature of value and its phenomenological relationship with the beneficiary. Likewise, articulation of a desired value proposition needs to address a fuller range of ecosystem actors – what (Frow & Payne, 2011) call "stakeholders." In short, value propositions are *perceptual phenomena* and the role of the firm, as with value creation, is more about *participation* than it is about *promising* and *providing,* and both should be approached with this in mind.

References

Aaker, D. A. (1996). Measuring brand equity across products and markets. *California*

Management Review, 38(3), 102–120.
Arnould, E. J. (2006). Service-dominant logic and consumer culture theory: Natural allies in an emerging paradigm. *Marketing Theory, 6*(3), 1–14.
Chandler, J. D., & Vargo, S. L. (2011). Contextualization and value-in-context: How context frames exchange. *Marketing Theory, 11*(1), 35–49. https://doi.org/10.1177/1470593110393713.
Frow, P., & Payne, A. (2011). A stakeholder perspective of the value proposition concept. *European Journal of Marketing, 45*(1/2), 223–240.
Holbrook, M. B. (1999). *Consumer value: A framework for analysis and research.* London: Routledge.
Lanning, M. J. (1998). *Delivering profitable value: Perseus books group Cambridge*.
Lanning, M., & Michaels, E. (1988). A business is a value delivery system. *McKinsey Staff Paper, 41*, 1–16.
Lusch, R. F., Vargo, S. L., & O'Brien, M. (2007). Competing through service: Insights from service-dominant logic. *Journal of Retailing, 83*(1), 5–18. https://doi.org/10.1016/j.jretai.2006.10.002.
Merz, M. A., He, Y., & Vargo, S. L. (2009). The evolving brand logic: A service-dominant logic perspective. *Journal of the Academy of Marketing Science, 37*(3), 328–344. https://doi.org/10.1007/s11747-009-0143-3.
Payne, A., Frow, P., & Eggert, A. (2017). The customer value proposition: Evolution, development, and application in marketing. *Journal of the Academy of Marketing Science, 45*, 467–489.
Payne, A., Storbacka, K., & Frow, P. (2008). Managing the co-creation of value. *Journal of the Academy of Marketing Science, 36*(1), 83–96.
Pinch, T., & Bijker, W. (1987). The social construction of facts and artifacts: Or how thesociology of science and the sociology of technology might benefit each other. In W. Bijker, T. Hughes, & T. Pinch (Eds.). *The social construction of technological systems: New directions in the sociology and history of technology* (pp. 17–50). Cambridge, MA: MIT Press.
Skålén, P., Gummerus, J., von Koskull, C., & Magnusson, P. R. (2015). Exploring value propositions and service innovation: A service-dominant logic study. *Journal of the Academy of Marketing Science, 43*(2), 137–158.
Vargo, S. L., & Lusch, R. F. (2004). Evolving to a new dominant logic in Markting. *Journal of Markeitng, 68*, 1–17.
Vargo, S. L., & Lusch, R. F. (2008). Service-dominant logic: Continuing the evolution. *Journal of the Academy of Marketing Science, 36*(1), 1–10.
Vargo, S. L., & Lusch, R. F. (2011). It's all B2B…and beyond: Toward a systems perspective of the market. *Industrial Marketing Management, 40*(2), 181–187. https://doi.org/10.1016/j.indmarman.2010.06.026.
Vargo, S. L., & Lusch, R. F. (2016). Institutions and axioms: An extension and update of service-dominant logic. *Journal of the Academy of Marketing Science, 44*(1), 5–23.
Webster, F. E. (1992). The changing role of Marketing in the Corporation. *Journal of Marketing, 56*, 1–17.
Wieland, H., Hartmann, N. N., & Vargo, S. L. (2017). Business models as service strategy. *Journal of the Academy of Marketing Science, 45*(6), 925–943.
Woodruff, R. B. (1997). Customer value: The next source for competitive advantage. *Journal of the Academy of Marketing Science, 25*(2), 139.