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The paradigmatic pitfalls of customer-centric marketing

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Abstract
This article will argue that, despite customer-centric intent, marketing theory remains trapped in a firm-centric paradigm. How this apparent contradiction has endured is discussed critically with reference to what we see as four influential marketing perspectives. These perspectives are the 4Ps marketing mix, market-based assets, relationship marketing, and customer equity. Apart from the 4Ps mix, these marketing perspectives are seldom recognized as problematic. We argue that the firm-centric approach to value creation embedded in these four influential frameworks overwhelms marketing’s customer-centric intent. We also address the question, ‘can (or indeed should) marketing management be customer-centric?’ Our conclusion is that new directions of inquiry are needed, and we offer suggestions that might allow marketing the means to break free from its enduring, firm-centric paradigmatic trap

Keywords
customer-centric, dominant logic, firm-centric, value creation

Introduction
Marketing has long claimed that the customer has a central role in determining the business success of any firm. This belief is enshrined as the marketing concept, which states in essence that superior firm performance is the consequence of satisfying customers more efficiently and effectively than do competitors (compare for example Alderson and Cox, 1948; Kotler, 1967; McCarthy, 1960). Despite definitional variations, there is almost universal scholarly consensus on the underlying customer-centric logic of the marketing concept. That being the case, it is surprising that well
known scholars find it necessary to continue to call for marketing to become more
customer-centric (for example Payne and Frow, 2005; Prahalad and Ramaswamy, 2004; Prahalad
et al., 2000; Shah et al., 2006; Sheth et al., 2000; Woodruff, 1997).

This article argues that marketing theory is caught in a paradigmatic trap. By that
we mean a firm-centric logic is embedded in the major marketing frameworks that currently
dominate the literature. This firm-centric logic is at odds with marketing’s customer-centric
aims.

We have chosen for critical analysis what we see as marketing’s currently most influential
theoretical frameworks, the 4Ps marketing mix, market based assets, relationship marketing, and
customer equity. In the next section we explain why these four marketing frameworks were
selected and why others were not. This is followed by an analysis of the value creation logic of
each of the frameworks, revealing their firm-centric core. We raise and address the question:
‘Can (or indeed should) marketing management be customer-centric?’ Finally, we offer sugges-
tions for alternative value creation perspectives that, if adopted, may allow marketing theory to
escape its enduring paradigmatic trap.

Dominant marketing frameworks

For the purpose of our analysis, the marketing frameworks chosen all profess the interests of the
customer as a guiding purpose. This might be expressed as customer-centric, customer oriented, or
simply as meeting customer needs.

These four frameworks are selected based on their pervasive link to contemporary marketing
practice and theoretical discourse.¹

Without doubt the most enduring perspective is the 4Ps marketing mix. The 4Ps framework is a
depthly embedded mindset, yet it is roundly criticized by leading scholars as nothing more than a
simple classification of marketing functions. It has routinely been criticized as theoretically
deficient (Dixon and Wilkinson, 1989; Grönroos, 1989; Gummesson, 2002; Rafiq and Ahmed,
1995; Waterschoot and van den Bulte, 1992). Yet the 4Ps framework remains omnipresent in
undergraduate curriculum (Lafleur et al., 2009); also in international texts (Grewal and Levy,
2009; Lamb et al., 2008); and in contemporary marketing management practice (Brodie et al.,
2008; Coviello et al., 2002; Zineldin and Philipson, 2007).

Next, the market based assets framework contains elements that have given rise to the resource-
advantage (RA) theory of Hunt (1997, 2000), one of the few recent attempts to provide a general
theory of marketing. The market based assets framework has intuitive appeal for some marketers,
as it has its antecedents in the economic resource-based theories of the firm (Barney, 1991; Penrose

Next, relationship marketing gained popularity in the 1990s with a challenging agenda
emphasizing reciprocal processes that attempted to position marketing as a cross-functional,
collaborative business activity. It emphasizes gaining customers through word of mouth, not just
through advertising and promotion, and retaining them through quality and service based offerings
(see for example, Christopher et al., 1991; Grönroos, 1994a). However, in more recent database
dominant frameworks, such as customer relationship management (CRM), the relationships most
evident are between data points.

Finally, the customer equity framework has had a less extensive marketing exposure to date, but
its inclusion in this analysis is based on claims that it ‘will ultimately be the dominant paradigm
guiding marketing management’ (Bell et al., 2002: 78). Also, Jain and Singh (2002: 35) claim that
this framework is the most appropriate for building a customer-centric organization. Two of the three prestigious awards for marketing scholarship awarded by the Journal of Marketing in 2009 (Kohli, 2010) went to customer equity based papers.

There are of course other marketing frameworks that challenge these dominant value creation logics, such as services marketing and business-to-business (B2B) marketing, and the ongoing research and theory development of the IMP (Industrial Marketing and Purchasing) Group (Håkansson, 1982). These are excluded from our analysis because of their disciplinary specific and industry specific agendas. Also there are reformist agendas that have yet to achieve the mainstream marketing impact of the four frameworks we have selected for critical analysis. These include for example consumer culture theory (Arnould and Thompson, 2005); critical marketing (Tadjewski and Brownlie, 2008); and the service-dominant (S-D) logic of marketing (Vargo and Lusch, 2004, 2008, 2011). Of these, S-D logic, in a very short time, has managed to generate much discussion and debate on an international scale at conferences and in special journal issues. We comment further on the S-D logic challenge later in this article.

Customer value creation

Wikström (1996) and Ramaswamy (2006) have suggested that traditionally marketing has treated customers as passive recipients of the value that organizations produce, communicate and deliver. Extending this criticism, Ramirez (1999) has observed that customers (as consumers) have been seen as ‘destroyers’ of the value that producers create for them. From either of these perspectives, a customer-centric understanding of value is difficult to sustain. It follows that a customer-centric paradigm should begin by recognizing the customer as an active and central participant in the value creation process (Shah et al., 2006).

This section therefore discusses the value creation logic of each of the four customer-centric frameworks selected for analysis. Following Holbrook (1994), value is a preferential judgment that beneficiaries make. But there are two diametrically opposing ways to view customer value. The first concerns how customers perceive value that they gain from products and services. The other notion of customer value concerns the value the firm gains from customers. Reciprocal value operates when both these value determinants are fulfilled. However the key point here is that customer-centric firms recognize that customer value is a preferential judgment that only customers can make. Clearly marketers are also interested in their own value gains but customer-centric value creation is the guiding principle to be understood before value can be ‘extracted’ from customers reciprocally (see also Flint, 2006).

Each of our four dominant, mainstream frameworks will now be examined to reveal their customer value creation logic:

4Ps marketing mix

In their recent critical appraisal, Håkansson and Waluszewski (2005: 111) note that the 4Ps framework and its associated marketing mix model remains influential in contemporary marketing thought. While alternative paradigms have been proposed (for example relationship marketing) the 4Ps continue to influence new generations of marketing theorists and practitioners. Although typically associated with Kotler and the 1967 publication of his first edition Marketing
Management text, earlier key contributors to its evolutionary development include Borden (1964), McCarthy (1960) and McKitterick (1957).

Håkansson and Waluszewski (2005: 111) identify the marketing mix as fundamentally a resource allocation model that grew out of classical economic theory, and note that it shares two key assumptions with its ‘parent’ discipline: the homogeneity of resources, and the linear dependence between resources and outcomes. These assumptions (if taken for granted) allow the marketing mix model to guide the determination of optimal business solutions and allow trade-offs to be established between competing attributes. Furthermore, no ‘P’ is assumed to be more expensive (or efficient) for the firm to obtain than any other, in keeping with economic logic of perfectly mobile resources. Håkansson and Waluszewski (2005) suggest the fact that these assumptions were shared with the ‘science’ of economics contributed to the 4Ps’ acceptance. Ironically, these assumptions also limit the marketing mix perspective to a static rather than dynamic view of markets, and fail to recognize the uncertainties and interdependencies that characterize most markets.

During the period the 4Ps framework was being formulated, manufacturing and its associated assembly line were dominant and delivered significant gains for organizations. Consequently, the associated processes, such as specialization and scientific management, captured the imagination of management theorists (Ramirez, 1999). This production perspective gives a linear, value-added approach to its value creation logic, which Porter (1985) encapsulates in the value chain model. Given that the industrial value-production approach logic influenced taxation and accounting systems (Ramirez, 1999) it is not surprising that it has also shaped the development of marketing thought.

As widely understood today, the resulting 4Ps model considers customer value creation as the output of the efficient allocation of resources (by the firm). By manipulating the identified parameters (the 4Ps), optimal value is produced. If the customer value ‘created’ by the firm is perceived to be superior to other offerings, the customer will select the firm’s offering and be satisfied, contingent upon later experience matching the value expected. Customer value is treated as a trade-off between (perceived) positive consequences (benefit) versus assessed negative consequences (sacrifice or cost) (Monroe, 1990; Raval and Grönnroos, 1996; Woodruff and Gardial, 1996). This view of value implicitly assumes that target market segments will have a similar (if not homogenous) view of benefits and costs. However, recent advances in the marketing discipline’s understanding of the subjective nature of customers’ perceptions challenge this view. For example, Zaltman, (2003) claims that marketers rely on fallacies about customers’ thought processes, and points out that rational linear decision making is the exception rather than the rule, and that customers are not able to readily (or accurately) explain their behaviour.

Although the understanding of customer value within the 4Ps framework captures the intangible nature of both cost and benefit elements, it does not recognize the contribution to value creation that individual customers may make. The firm (or its offering) is seen as the source of both cost and benefit, and the resultant consumer surplus (value) is exchanged for the market price. As long as the price received from the customer exceeds the costs to the firm of production, promotion and delivery of the product, value is said to be created.

This analysis makes clear that the 4Ps perspective is focused on the firm and its resource allocation efficiencies. It remains firm-centric and the role for the customer within this perspective is constrained to information provision, allowing the firm to control (and therefore manage) a value delivery process. This results in the customer being considered a passive recipient of value, and the firm continuing to hold its privileged position as value creator.
Market based assets

The market based assets perspective proposed by Srivastava et al. (2001) is an extension of the resource-based view (RBV) of the firm, which has an extensive history of analysis in the strategic management domain (see for example Barney et al., 2001; Conner, 1991; Peteraf and Barney, 2003; Priem and Butler, 2001a, 2001b). The RBV approach has been accepted by many marketing theorists, as it offers a sophisticated explanation of the role that customers play in the creation of value for the firm. Hunt (2000) acknowledges its contribution to his general theory of competition, referring to it as the RA theory (Hunt, 1997; Hunt and Morgan, 1995).

While the RBV claims an economic pedigree based on Penrose (1959 [1995]), it differs from the 4Ps marketing mix perspective because it treats resources as heterogeneous rather than homogeneous. It is the heterogeneity, immobility and rarity of the resources that define the RBV view. Superior performance of some firms, in the RBV view, is related to the ownership of (or access to) superior resources that ‘enable the firm to produce more economically and/or better satisfy customer wants’ (Peteraf and Barney, 2003: 311).

Srivastava et al.’s (1998) application of RBV to marketing management identified a particular type of resource, the market based asset. This allowed customers and their relationships with the firm to be treated as critical resources. Further, Srivastava et al. (1998: 6) demonstrated that such market based assets fitted the RBV criteria of value: rarity, inimitability and non-substitutability. This, they argued, contributes to competitive advantage for the firm. It also suggests that customers and their relationships with the firm should be developed, augmented, leveraged and valued in a similar way to the firm’s traditional resources. This view of customers as market based assets is limited, as it establishes the value of customers to the firm but it does not provide any explanation of how value for customers is created. In the market based assets paradigm the customer’s contribution to value creation is little different from that of other productive resources, such as capital or labour.

With its base in RBV, the market based assets perspective remains primarily concerned with understanding how the firm captures value from its resource bundle (Foss, 1997: 9), and consequently it has limitations in any application to customer-centric marketing. The RBV views organizations as concerned with the firm’s ability to generate rents (in the economic sense) from access to customers, rather than reciprocally with the customers from the value creation process. While the market based assets view may elevate the importance of customers in the process of creating value for the firm, they remain passive receivers of predetermined value.

As noted by Fahey and Smithee (1999: 5), the RBV focuses attention on economic rather than social exchange. This focus on economic worth enables marketers to objectively measure value created for the firm by dismissing the relevance of social exchange. Thus interactions between firm and customer that may build trust are outside the boundaries of the market based asset perspective of value creation. Value is simply a calculation of the economic surplus that accrues to the firm above and beyond the cost that the firm incurs in ‘producing’ its market offerings. Some marketing scholars of course have acknowledged the importance of recognizing a range of interactions as sources of both social and economic value for the customer (see for example Holbrook, 1994; Payne and Holt, 2001; Ravald and Grönroos, 1996). However, in our view, the market based assets perspective on value creation as a customer-centric approach has major marketing limitations.

Peteraf and Barney (2003: 314) reveal the RBV’s firm-centric nature of value assessment by arguing that competitive advantage results from the creation of ‘more’ economic value, for the firm. This is defined as the difference between perceived benefits gained by the purchasing
organization, and the requisite economic cost incurred by the firm. In other words, the market-based assets approach considers how much it costs to obtain the customer (the resource) and how much revenue the firm can then generate from that resource. Also, Srivastava et al. (2001: 780) confirm the firm centricity of the market based assets perspective when they argue that resources, including customers, are the source of value for the firm, and conclude that firms must do something to these resources to create outputs that are valued by customers. Once again, despite customers being integrated into the market based assets model, they remain passive participants in a resource input–output cycle.

Thus viewing customers (and their relationships with the firm) as market based assets legitimizes their inclusion in an economic calculus of firm value. In this, the role of the customer is restricted to providing input to the firm’s own value creation process. This perpetuates the industrial view of value creation criticized by Christopher et al. (1991, 2002), Ramirez (1999) and Wikström (1996). Customers are not seen as active participants in the value creation process. Their role and subsequent value (to the firm) is contingent on whether other resources such as machines and money add comparatively more value.

**Relationship marketing**

The term relationship marketing was contributed by Berry (1983), but it was not until the 1990s that relationship marketing achieved popularity as a field of marketing inquiry (see for example Christopher et al., 1991; Grönroos, 1994a, 1994b; Gummesson, 1997; Sheth and Parvatiyar, 1995). Some insights were absorbed from services marketing, especially the European Nordic School, marketing channels perspectives from the USA, total quality management, direct marketing, and the business networks perspectives introduced from the largely European-based Industrial Marketing and Purchasing (IMP) group (for example Axelsson and Easton, 1992; Ford, 1997; Håkansson and Snehota, 1995).

The underlying contested issue was what was actually meant by a ‘relationship’, especially in a network context. For example, Wilkinson and Young (2002) argued that there was no single basis for understanding the degree of cooperativeness or competitiveness between B2B customers and suppliers. And while a close business relationship might appear beneficial and desirable, such connections can create interdependencies that reduce market responsiveness (Ford, 1997: xii–xv). Consumer marketers on the other hand tended to take for granted that all customer relationships were worthy and attainable. Under an expanding spread of ideas and assumptions, at least 26 definitions of relationship marketing in the academic literature were catalogued by Harker (1999). And O’Malley and Tynan (2000) felt the need to ask: ‘Is relationship marketing rhetoric or reality?’

As a way into sorting out the diversity of ideas and frameworks, two IMP researchers, Möller and Halinen (2000), analysed the historical source inputs of the relationship marketing domain. They saw four such inputs: business marketing, services marketing, marketing channels, and database marketing/direct marketing, but each had their own agendas and relationship perspectives. In other words, the unity of the relationship marketing agenda was contested from within, which is not unusual in the evolution of ideas. Especially insightful was the contribution of Egan (2003). He argued that relationship marketing was divided not so much by historical antecedents but between those proponents who held a holistic view of markets and marketing, and those who saw relationship marketing as focused one-to-one management of customer relationships (see for example Peppers and Rogers, 1993).
In a technology enabled form, the one-to-one management perspective became CRM. As a case study in the evolution of marketing ideas, CRM has in many cases failed to understand the reciprocal value and two-way communication potential inherent in call centres and loyalty programmes (Varey and Ballantyne, 2005). CRM was the fastest-growing management tool of the 1990s, but in a well publicized study it achieved the third lowest satisfaction score among senior executives (Rigby, 2001). In our view, this outcome was not due to technological limitations. It was a consequence of an ongoing firm-centric managerial orientation and an underlying assumption that customer relationships can be managed and controlled by supplier firms, as if they were their exclusive marketing assets, their value ‘cash cows’.

At the same time, some scholars stressed that marketing relationships begin with interaction and an exchange of promises (see for example Grönroos, 2000). This represents a shift in ideas about how customer value is created. Others have emphasized that marketing interaction occurs in multiple ways, within networks of relationships (Axelsson and Easton, 1992; Gummesson, 1999, 2002; Håkansson and Snehota, 1995). This clearly is a return to a systemic way of thinking (see for example Alderson and Cox, 1948) that has been present in the marketing background but not as a dominant logic. See for example the marketing ‘crisis’ discussions (Dixon and Wilkinson, 1989), also more recent calls for systemic change by some IMP scholars (Easton et al., 1997; Ritter et al., 2004).

The crucial point is that if marketing is viewed as interactions within networks of relationships, and these are systemically connected (Gummesson, 1999), then the managerial logic of absolute firm-level control is no longer sustainable (Håkansson and Ford, 2002). Every business interaction leads to more than one possible response, with unpredictable network level consequences, and the effects amplify over time. The evolution of the internet is one of the most obvious examples of network effects. The global financial crisis of 2009 is another. And despite recognition by Håkansson and Ford (2002) of natural limits to managerial action in business networks, much relationship marketing activity today implicitly uses a supplier-centric control perspective, with each focal firm attempting to manage its network of relationships in order to create and deliver value to itself.

**Customer equity**

In a seminal *Harvard Business Review* article, Blattberg and Deighton (1996) identified the strategic intent of calculating customer equity (CE). They said it was to *equitably* balance what is spent on customer acquisition against what is spent on customer retention. To do this, they proposed a three step process (1996: 137–8), as follows:

1. Calculate each customer’s expected revenue contribution over the life of that customer.
2. Discount the contribution to a net present value using the firm’s target rate of return for its marketing investments.
3. Add together the discounted expected contributions of all current customers.

Given this description of customer equity, it appears that Blattberg and Deighton substituted the term ‘equity’ for customer lifetime value without accounting for retention costs. Jain and Singh (2002: 37) support this contention, noting ‘CLV (customer lifetime value) appears under other names such as customer equity’. Blattberg and Deighton’s (1996) substitution of equity for lifetime value to describe the worth of the customer to the firm appears to have created a semantic tangle. Notwithstanding, as Jain and Singh (2002: 39) acknowledge, Blattberg and Deighton’s
conceptualization does in fact extend existing models of CLV. An extensive literature has grown up citing their definition, so it is necessary to analyse their value creation logic further.

The basic CE premise has been enhanced by Rust et al. (2000, 2004), Reinartz and Kumar (2000) and Bolton et al. (2004). Because it offers a financial accountability measure for marketing strategies, it is claimed that CE will ultimately ‘be the dominant paradigm guiding marketing management’ (Bell et al., 2002: 78). Jain and Singh (2002: 35) go further and contend that CE is the most appropriate perspective to use when building a customer-centric organization.

Clearly, the calculation of CE recognizes the worth of customers and customer relationships as assets of the firm. Viewing customers and their relationships as assets is only a step away from considering them as resources of the firm. This would align the CE perspective with the previously discussed market-based asset perspective. However, the CE perspective differentiates between resource types according to their ability to create sustainable advantage (Hogan et al., 2002: 6). In fact, the CE perspective views customer assets as superior to all other resources and assets. The value of these other resources and assets is determined by the firm’s ability to deploy them in ways that positively affect customer equity. Thus a firm’s relationships with current and potential customers are viewed as ‘supersassets’ (Hogan et al., 2002: 7), whose ultimate value is determined by the choices the firm makes to combine and apply its other resources in the market. In other words, this model views the firm as an aggregator of fiscal super-assets, which are then deployed to fulfil its own needs.

Can elevating customers and their relationship with the firm to super-assets support a claim of customer centricity? Influential scholars such as Rust et al. (2004: 110), Hogan et al. (2002: 4), Bell et al. (2002: 78) and Jain and Singh (2002: 35) argue that CE shifts the firm’s main focus away from the value of products and brands, and as such, this is sufficient to qualify their approach as customer-centric. Yet although customers and their relationships with the firm replace products as the centre of marketing focus, value creation is still something the organization controls. Value is examined through the eyes of the firm and the assessment of value is calculated by the worth of customers to the firm. Customer equity is not related to (nor does it require) a customer assessment of value generally or the value of a market offering specifically. Blattberg and Deighton (1996: 138) comment that ‘appraising customer equity is conceptually similar to appraising the value of a portfolio of income producing real estate’.

However the CE perspective still considers customers as passive participants at the end of the firm’s value creation process. Firms remain responsible for ensuring that costs are less than revenues and that a margin is left as a return on investment for the firm in the ‘portfolio’ of customer relationships. The role of the marketing manager is simplified to one of managing portfolio investments, in which the customer equity trade-off is between retention and acquisition spending and expected customer life-time revenues.

Despite the CE claim of customer centricity, the value created for the customer is exogenous to the CE models. Rather than provide insight into how customers may be attracted (e.g. a market offering providing superior value for the customer), the CE perspective attempts to optimize acquisition and retention spending based on projected revenues (Blattberg and Deighton, 1996: 139). This focus on the efficiency of the firm’s activities is a clear indication that the CE perspective retains a firm-centric view of value rather than a forward looking customer-centric position. A reason for this may be that the intention of the CE approach was not to convert the firm to customer centric behaviour, but rather to change the performance measure to a customer focused one. Recent attempts to respond to limitations of the CE approach (Rust et al., 2004: 110) have resulted in the addition of probabilistic functions to improve the accuracy of prediction of revenue streams (Rust et al., 2004: 114).
On the positive side, the CE perspective encourages managers to consider relationship maintenance as an investment rather than a cost (Rust et al., 2004: 112). However, the CE approach provides no insight into how value for the customer is created. Put simply, in the CE perspective, increasing customer numbers enhances the amount of value produced only when combined with efficient management of retention and attraction costs (Rust et al., 2004: 112). This reasoning illustrates the difficulty of reducing the process of value creation to a predictive mathematical model. More critically, it loses sight of the complexity inherent in interactions between customers and firms, and results in a one-sided view of the value creation processes. While Grönroos and Helle (2010) are able to demonstrate how this calculation can be made, applying service logic, the complex nature of assessing mutual value creation remains.

A final point should be made regarding the nomenclature of language of customer equity. Given the normal use of the equity term is as a ‘claim to or a share of something’, it is clearly a misnomer. For example shareholder equity refers to any residual external claim on a business after all other debt claimants have been satisfied, and it appears on the liability side of the firm’s accounts. It would follow that customer equity should have a similar claim derivation and give customers a claim on the firm’s assets. Instead, the claim works in reverse: The business has calculated that it has a claim on the future spending of customers.

Discussion

This analysis of four influential mainstream theoretical perspectives of marketing management suggests a remarkably consistent and firm (provider) view of value. As such, we must conclude that these perspectives are inconsistent with marketing’s espoused customer-centric goal. Table 1 summarizes the four perspectives and their reliance on a production oriented, and thus firm-centric, value creation logic is evident. Each perspective regards value as something that is created by the firm and for the firm, with the customer as a secondary beneficiary and the firm as active manager and primary beneficiary.

The embedded logic of value that marketing management inherited from the strategy literature reflects its foundation in economic logic, back to Adam Smith’s Wealth of Nations. While Smith explicitly recognized value as having two meanings (Smith, 1776 [1986]: 131), he chose to investigate exchange value rather than value in use, in line with his desire to develop a theory that explained the principles of the exchangeable value of commodities (Smith, 1776 [1986]: 132). The consequence of focusing on exchange value, both within Smith’s text, and in classical economics in general, was that price and value became interchangeable. This served Smith’s purpose, which was to identify elements of price (value), wherein value became a function of the per-unit costs of labour, capital and land, as inputs into production (O’Brien, 2003: 115–16). While the firm as we know it today was not in control of these production factors during Smith’s time, positing these elements as the source of value underpins the logic of production oriented perspectives that persist today. For the purposes of our analysis we have termed these firm-centric. Despite the intervening centuries and considerable interdisciplinary research, this notion of value creation (through the combination of inputs) remains influential in economics and accounting, and by extension also in marketing. For example Porter’s (1985) value chain can be understood as an extension of this approach, since it suggests firms create unique value and competitive advantage by being relatively more efficient in the management of their value creating inputs.

Although the marketing frameworks examined above explicitly claim to incorporate a customer role, this is aimed at the provision by customers of information and preferences that are
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incorporated into the firm’s own value creation process. These are production dominant views masquerading as customer orientation. Furthermore, each of these value creation perspectives implicitly regards the role of the firm as a value creator, and customers as value-takers in any point-of-sale exchange. This firm-centric blind spot fails to recognize that customers make value judgments too, and that value accrues in service interactions with any supplier firm, often over an extended period of time. Nor do these perspectives consider whether value may be determined by the customer through use of goods purchased; thus they overlook value-in-use (Vargo and Lusch, 2004).

Moreover, even when the customer contribution to value creation is recognized, within these marketing perspectives it is measured as an input into the firm’s own value creating process. Its role in increasing the overall value of the market offering is seldom measured or considered. It might be argued that customers make judgments of value and that this is recognized in every customer satisfaction study, yet marketing research of this kind is firm-centric, an input into the firm’s own value creation process. Thus the marketing system is one-sided, production based and firm-centric.

The dominant logic(s) of these perspectives, whether explicit or implicit, shows how marketing is currently trapped in a firm-centric (value) production paradigm. This is despite claims that the customer is central to business aims and a critical participant. The theoretical framing of these perspectives is other than this, and the consequences are operational ambiguity. Sheth et al. (2000: 57) have suggested a pragmatic ‘effective efficiency’ model of customer centricity, where the focus remains on the management of customers and their relationship with the firm. Again, the resultant metric remains a firm-centric assessment of the value of the customer to the firm. It is easy to appreciate how customers have become additional input into the firm’s value creation process. But the consequences are that the customer becomes a resource cost in the firm’s value equation, and subject to managerial control. The danger is that this input/resource cost logic becomes the focus of theory building. Again, this operational process falls short of customer-centric marketing aims.

Conclusions

This article has made two substantial claims. First is that firm-centric, ‘value extracting’ logic is embedded in contemporary mainstream marketing frameworks. While revealing defects in the logic of the 4Ps marketing mix is no surprise, to have found in our analysis that similar defects exist in three other mainstream frameworks was a surprise.

Many management scholars, especially Argyris and Schön (1974), have reported that allowing contradictions to exist between an espoused theory and theory in use leads to dysfunctional consequences. Similarly, we have argued that marketing’s persistent firm-centric theory in use negates its customer-centric espoused aims. This raises for discussion a question that must seem unthinkable. Can (or indeed should) marketing management be customer-centric? On the one hand, there is a growing understanding that the economic conditions that have supported the global excesses of short-term firm-centric role play have become untenable. On the other hand, managerial bounded rationality encourages behaviour determined by short-term logic, in turn based on incomplete information and automatic responses to situations guided by old habits.

Our second claim is even more substantial than the first. The challenge for marketing is to discover ways to achieve an alignment of customer value creating logics and firm-based value creating logics. Given our own analysis, and Gummesson’s (2008: 328) concern that pursuing a one-party value perspective has led marketers ‘on a wild goose chase’, we conclude that reciprocal
value seeking processes are needed. These should be loosely coupled to coordinate both customer-centric aims and firm-centric aims, extending beyond the dyad to a broader range of potential stakeholders. This of course may involve re-examining existing value notions, or adopting alternative perspectives of value.

What follows are directions for inquiry rather more than prescriptive solutions. These make clear that marketing cannot achieve reciprocal value creating reforms alone; and that bold theories are seldom internalized within firms unless innovators with courage and persistence act to move them along.

**Internal Marketing**

It is common for departmental preferences or habits to unintentionally compete for prominence and disrupt external customer-centric aims. One way of addressing the contradictions between any espoused theory of marketing and theory in use (by employees) is internal marketing. Internal marketing was first advocated by Berry (1981), and in spite of many attempts to raise interest among marketers it remains largely untried. In some of its manifestations it is a customer-centric strategy that aims to improve inter-functional coordination within the firm. Its realization impacts directly on employee attitudes and the skills needed to meet the needs of customers (Ballantyne, 2003; Grönroos, 1981; Varey and Lewis, 2000). Internal marketing needs senior marketing leaders to act as catalysts in bringing marketing and non-marketing employees together, at all levels of the firm, in customer-centric approaches to management and operational knowledge renewal. Internal marketing in our view is not a marketing function but a customer-centric strategy involving marketing, operations and human resources management (HRM) specialists working together. The social and economic macro-climate supporting such a collaborative agenda may be better now than at any other time in the last 20 years, as a consequence of the firm-centric excesses evident in the global financial meltdown of 2008.

Coordinating activities and knowledge resources within firms (and between firms) are issues we see as critical to all customer-centric marketing approaches. Put another way, the everyday know-how of employees is a firm’s knowledge capital. This embodied knowledge is difficult for competitors to copy (Wikström and Normann, 1994) and yet it guides the attitudes and behaviour of employees in their everyday work activities.

**Service-dominant logic**

Clearly, customers can choose to create value for themselves, or choose to gain resources from a seller for input into their own value creating processes. Or they may co-create this value, which is currently a topic of scholarly debate in the rapidly evolving S-D logic (see for example Grönroos, 2006, Ramaswamy, 2006; Vargo and Lusch, 2004, 2008, 2011).

S-D logic involves reframing the logic of what is meant by service. Vargo and Lusch claim that all business is service, and that service is directly or indirectly exchanged for service. This service logic is set out in the form of 10 fundamental premises (FPs) that challenge traditional marketing assumptions (Vargo and Lusch, 2008). One of their most challenging claims is that goods are service appliances, so that in using goods, or interacting with goods, goods serve us. Beneficiaries derive value-in-use from service interaction, so to serve is to be of use to others, through the integration of resources offered to others. Much of S-D logic is arguably not new but what is new is the pattern of ideas, drawn from many scholars and from many disciplinary sources, and still evolving.
S-D logic explicitly recognizes a customer-centric view of value creation (Vargo and Lusch, 2004, 2008). Value is co-created but judged differently by each particular customer, supplier or stakeholder beneficiary. A challenging step beyond this would be a beneficiary-centric perspective, as that would allow recognition of various unitary, dyadic or network contexts in which co-created value emerges.

**Collaborating to achieve customer solutions**

Levitt’s (1960) insight that customers buy solutions rather than products has gained renewed attention in recent literature. Tuli et al. (2007) have suggested a collaborative, step-wise relational process for assisting customers to achieve solutions, where the firm engages with customers at every step in a solution development processes. This approach starts with an agreed definition of requirements, and moves to customization and resource integration, then follows the deployment of the solution, and finally, post-deployment support. This approach is customer centric, through the application of reciprocal processes.

**An initiator–participant marketing perspective**

Today, market encounters take place on many new platforms, for example, within integrated networks of suppliers, or when customers collaborate to co-create value with suppliers. To assume that suppliers direct all value creation efforts is unnecessarily role limiting. As a corrective to marketing discourse, two descriptors from Information Science capture these shifting roles, namely initiators and participants. That is, rather than customers and suppliers, there are initiators and participants in any market encounter. Recognizing that customer–supplier roles are interchangeable among business actors is a small, innovative step in breaking free from firm-centric thinking.

**Strategy-as-practice**

Strategy-as-practice is a promising new managerial perspective that appears to have the potential to recognize the collaboration required between customers and suppliers to achieve customer solutions. It recalls Mintzberg’s (1994) notion of emergent strategies, where whatever strategic directions are set in advance might be overwhelmed by strategic outcomes not predictable in advance. Strategy-as-practice is a departure from micro-economic theory and a return to examining the messy realities of business practice. In other words, it is based on how managers actually ‘do strategy’ (Whittington 2006). Also, strategy-as-practice recognizes that between firms, and within firms at different hierarchical levels, many business actors interact to achieve satisfactory collective solutions. For example in many IT industries it is difficult to follow firm-centric value logic when the final content of strategy emerges through multiple interactions over time and spread across firm boundaries.

**Breaking free from firm-centric logic**

Despite or perhaps because of the paradigmatic pitfalls of ‘customer-centricity’ revealed in our analysis, the opportunity remains for marketing management to break free from its firm-centric and production oriented logic. For example the S-D logic (Lusch and Vargo, 2006; Vargo and Lusch, 2004, 2008) encourages reassessment of the role of the customer in the creation of value. Further, there are lessons to be learnt from the Nordic School services and IMP literatures which have long recognized the importance of the relationships between market actors, where each actor is a participant in and possibly also an initiator of the value creation process.
We have argued that any marketing theory that predetermines or privileges value claims in advance of actual participant interaction falls into a firm-centric paradigm trap. An alternative explanation of value creation is possible, where value is seen as emergent in the interaction(s) in various ways between supplier, firm, customer and market offering. This is a systemic view, and since Alderson it has challenged but never changed the way value has been conceptualized in marketing. In our view, value viewed as an emergent (systemic) property would put the marketing focus more broadly on interactions within networks of relationships (Gummesson, 2008). Expressed as an alternative logic, value becomes phenomenologically determined (Vargo and Lusch, 2008).

Currently, marketing’s customer-centric intent is overwhelmed by firm-centric value creation theory. This puts constraints on innovative practices and limits broader socio-economic contributions more appropriate in a recognizably networked world. It might seem that the paradigm trap we have discussed could be ‘merely semantics’ but this would be a retreat from a problem. Contradictory intentions and practices eventually risk contradictory results and reputations. If marketing wants to put the customer at the centre of its activities then that is what it should aim for, in theory as well as practice.

Note
1. An indication of the pervasiveness of our four chosen marketing perspectives can be derived from Harding’s General Citation Analysis [http://www.harzing.com, accessed 4 January 2011]. The aggregate numbers of business and social sciences citations for authors of publications containing the key phrase that describes each perspective are: 4Ps 17,806; market based assets 20,181; customer equity 41,766; relationship marketing 107,990.

References


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