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**SERVICE-DOMINANT LOGIC AND VALUE PROPOSITIONS:
RE-EXAMINING OUR MENTAL MODELS**

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Fuzzy definitions

- At this point in S-D logic development, fuzzy definitional problems are associated with many of the terms used
- What the S-D logic forces us to do is to recognise the category-bounded nature of common marketing definitions and ideas.
- The term *value proposition* is usually taken to mean the marketing offer or value promise initiated by one party with the intent that it be accepted by another

AGENDA

- The power and constraints of mental models: “marketing” and “exchange” as an extended time logic within S-D logic
- Perspectives on value propositions, including *reciprocal* value propositions
- The ‘six markets’ stakeholder model as a context for crafting reciprocal value propositions
- Examples of reciprocal value propositions

Mental model: Markets

- Markets are seen as places (and spaces) for exchange
- Markets are shared space for sellers, buyers and facilitators who meet as *social actors* to interact with intent to construct economic exchange outcomes
- A market is all of a point of enquiry, a point of sale *and* a point of purchase

Mental model: Exchange

- Interaction is seen as the enactment exchange (Ballantyne and Varey 2006).
- Thus marketing can no longer be ‘transaction fixated’
- Thus the *time logic* of exchange becomes open ended, beyond presale and post sale

Mental model: markets comprise initiators and participants

- Marketing is never just what sellers do
- The seller is not always proactive in the market
- Markets comprise *initiators* and *participants*

Survey of use of value proposition concept

- 265 senior and mid-level managers
- 200 large and medium companies

“Is the term ‘value proposition’ one that is in regular use within your organisation?”

65% Yes

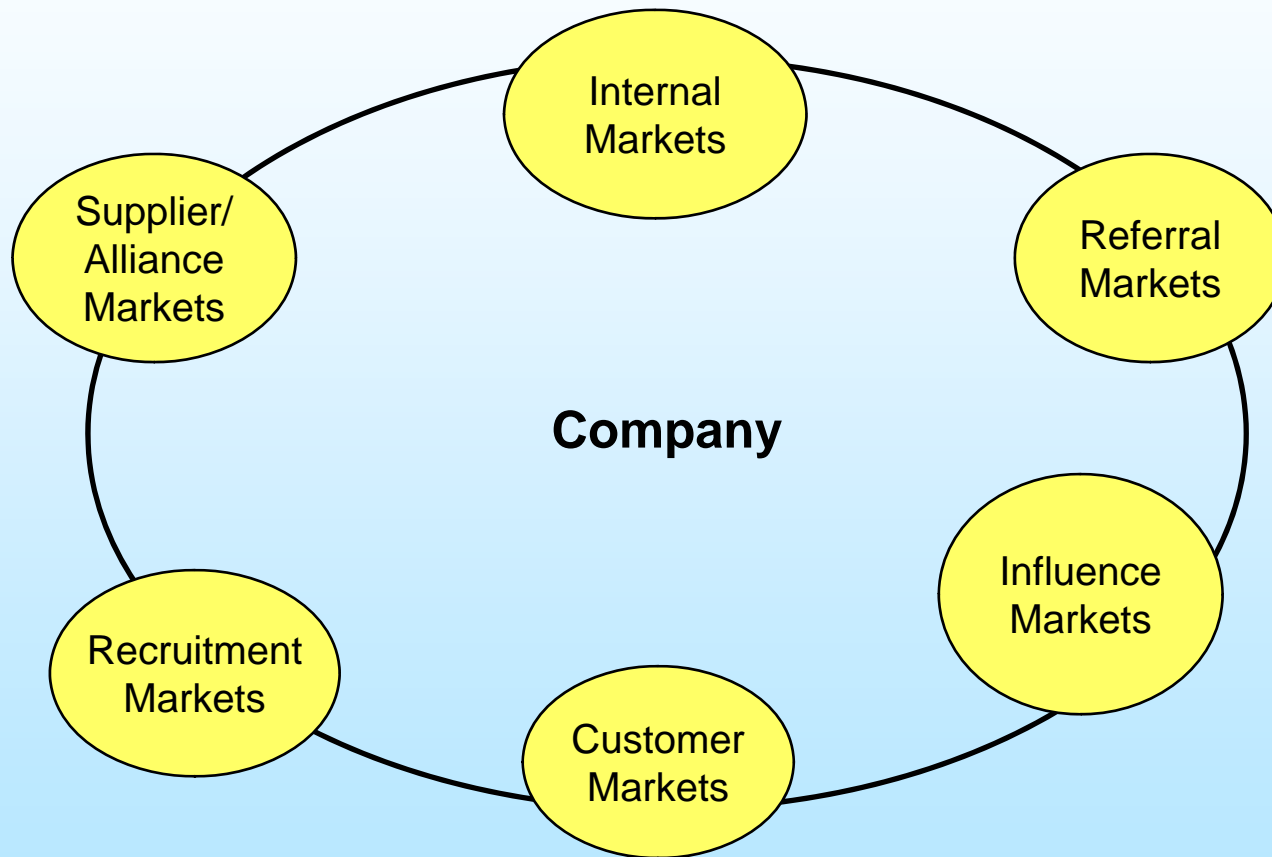
“If yes, is the term used in a general sense or is there a structured process for developing and communicating written customer value propositions?”

8% Yes

Perspectives on the value proposition concept

- **Delivered** value offered to customers, reflecting G-D Logic (Lanning and Phillips 1982)
- How an organisation will **compete** in a chosen market from a **customer** perspective (Bower and Garda 1985; Lanning and Michaels 1988; Lanning and Phillips 1982)
- Heightened interest through discussion of **value disciplines** (Treacy and Wiersema 1995) and generic value propositions of price, performance and relational value (Day 2006)
- Parties in integrated supply chains “**co-produce**” components of value propositions, through a process of dialogue (Flint and Mentzer 2006)
- **Reciprocal value propositions** where the objectives of participants can be negotiated and become reciprocal through knowledge sharing and an understanding of exchange value (Glasser 2006; Ballantyne and Varey 2006)

'Six markets' stakeholder planning model



Source: Adapted from Christopher, Payne and Ballantyne 1991; Payne, et al. 2005

The influence market domain - a classification (1)

Financial & Investor groups

- broker analyst
- institutional analyst
- portfolio managers
- individual investors
- Institutional investors
- credit rating agencies
- the Stock Exchange

Unions

- union groups
- unofficial groups

Business Press & Media

- trade press
- national press
- business press
- consumer media & evaluator

User & Evaluator groups

- customer-initiated user groups
- company - organised user groups
- industry surveys
- testing authorities

Environmental groups

- environmentalists
- consumer groups

The influence market domain - a classification (2)

Industry bodies

- Chamber of Commerce
- Banker's Association
- other trade bodies

Regulatory bodies

- central bank (e.g. Bank of England)
- securities regulators
- environmental agencies
- health and safety agencies
- ombudsman

Political & Government

- central government
- local authorities
- specific government department, e.g. Department of Trade & Industry, Federal Drug Administration
- MPs
- lobbyists

Competitors

- existing competitors
- potential competitors

Planning for reciprocal value propositions in 'Six Markets'

- crafted as a reciprocal exchange of value
- described in terms of perceived benefits or reduced costs
- transparent about to whom that value should flow and how
- perceived as a fair exchange of value
- delivered over a time frame longer than a single transaction
- often co-created through interaction between two or more parties
- congruent with the relationship objectives set for a particular market.

1. *Customer Market*

- If you commit the time to giving us comprehensive briefings on your business problems and opportunities, we will work with you to find cost-effective solutions to your problems and opportunities
- If we set up and organise a customer satisfaction survey, will you take the time to complete it, and be prepared to enter dialogue with us about the findings, so that we might work together to improve areas of weakness?

2. Referral Market

- If you refer clients to us to provide a benefit not offered by yourselves, we will strive to meet your client's expectations, and at all times act in an ethical manner and respect your own relationship with that client.
- If you join our (wine) supporters group, we will offer you information about our new offerings in advance of public notice, provide access to special offers, wine tasting days and the opportunity to meet the wine makers, and a rebate scheme on your three monthly spend with us.

3. Influence Market

- If we join your (trade) organisation, adhere to its voluntary codes of conduct, actively participate in forums and knowledge exchange, will you represent our interests ethically to government agencies?
- If you endorse our product as environmentally safe after testing, we will co-promote your industry standard and work with you to develop further environmental initiatives.

4. Supplier & Alliance Market

- If you work with us to reduce our shared transaction costs, we will provide you with our daily forward supply outlook.
- If we share our forward supply requirements with you on line, will you revise your inventory holding levels downwards and share the cost savings with us?

5. Recruitment Market

- If you locate for us candidates for key jobs, and dedicate one person to oversee this as a talent management task, we will appoint you our sole recruitment provider. Further, if such appointees leave our company within six months, we want you to refund to us your placement fee.
- If you (an educational institution) allow us to explain our employment opportunities to your undergraduate students each semester, we will support your Faculty by organising tours of our works for your students, case study subjects, and research opportunities for your graduate students.

6. Internal Market

- If you stay with us for four years, we will send you to our (overseas office) in the fifth year as part of our executive training program to enhance your knowledge and improve your career prospects with our company.
- If you want to learn about team dynamics and leadership, as well as enhance your career and self-development, we will offer you an opportunity to join our internal marketing activities, specifically our cross-functional problem solving groups who challenge the internal activities that need to be changed for service improvement.

Reflections

- A reciprocal value proposition may be co-created as the consequence of interaction
- Learning together becomes the key to effective strategy co-development
- There is a need for more empirical work on adoption and use of reciprocal value propositions, especially if co-created
- There is a need for more empirical work on what is promised to customers, and how stakeholder interests could be impacted

Thank you!

Any questions or comments?

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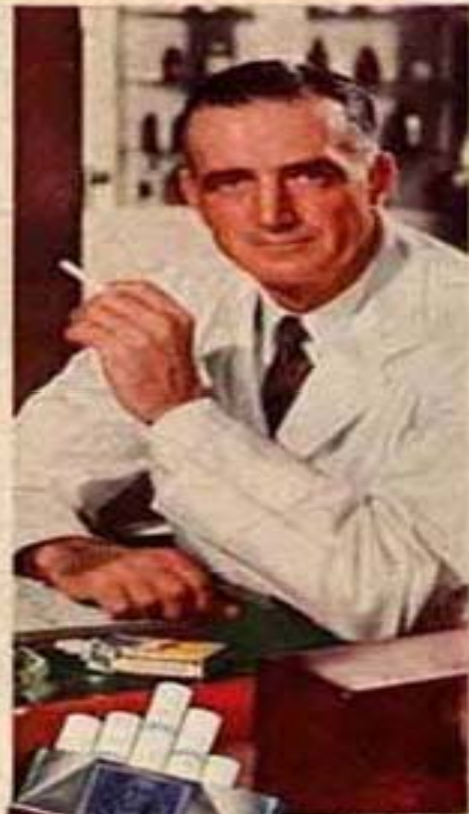
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