

Perspectives on value-in-use in service research

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Abstract

This paper reviews and synthesizes contributions on value-in-use from service marketing literature. An extensive literature review generated three different perspectives on value-in-use, namely the utility approach, the consumption outcome approach, and the experience approach. Our analysis reveals similarities and differences among the three perspectives on value-in-use, and also shows how the characterizations of the concept have developed over the years, leading to different implications for both service research and practice. Finally, we suggest that future research should especially focus on exploring collective and societal aspects of value-in-use.

1. Introduction

Value has attracted great interest among scholars in marketing research as well as in business practice (Gallarza et al., 2011; Karababa; Kjeldgaard, 2014; Boysen Anker et al., 2015). Creation of customer value has acquired an increasing importance as it is expected to result in competitive advantage (Parasuraman, 1997; Steenkamp; Geyskens, 2006), superior financial performance (McDougall; Levesque, 2000), and organizational success (Wang et al., 2004). Additionally, Slater (1997) considers value creation as crucial in enabling both firms' existence and success. Several topics are linked to created value, like customers' repurchase intentions (Petrick; Backman, 2002; Gounaris et al., 2007), satisfaction (Eggert; Ulaga, 2002; Flint et al., 2011), and loyalty (Khalifa, 2004; Pura, 2005). Even before scholars had started to pay serious attention to value and value creation, Rust and Oliver (1994) had stated: "Ultimately it is perceived value that attracts a customer or lures away a customer from a competitor" (p. 7).

At the beginning of the millennium, value for the customer was further highlighted in marketing research thanks to the advance of a service perspective on marketing theory (Vargo; Lusch, 2004, 2008; Grönroos, 2008; 2011). Nevertheless, several definitions of value exist within the marketing literature (Gallarza et al., 2011; Gummerus, 2013). In the recent service perspective on marketing theory, value is defined as value-in-use (Vargo; Lusch, 2004, Grönroos, 2008, Grönroos; Gummerus, 2014). One of the fundamental assumptions of the notion of value-in-use is that value is always individually and contextually perceived and determined by the customer on the basis of his/her use experience (Grönroos; Voima, 2013; Vargo; Lusch, 2016). In other words, value-in-use implies that value arises from the deployment of customers' activities, and consequently, no value is created until the customer uses the products or services of a firm (Vargo; Akaka, 2009).

However, recent contributions in marketing research on value-in-use highlight some elements calling for further research; for example, definitions and characterizations sometimes differ in terms of the scope and nature of the concept. Similarly, perspectives adopted by scholars on how value-in-use is created, who creates, and who co-creates it (Grönroos, 2008; Vargo; Lusch, 2016) are diverging. Finally, the theoretical backgrounds supporting the conceptualizations on value-in-use within marketing theory are still unclear. As this paper proposes, value-in-use has been conceptualized both within and outside marketing literature for a long time. Thanks to the recent service perspective on marketing theory, value-in-use regained a pivotal role in service marketing research. However, in order to let service-based marketing logic express all of its potential, we need to advance the understanding of value-in-use and pay more attention to the different ways it has been depicted.

The aim of our paper is therefore to perform a review of the different approaches to value-in-use proposed by service marketing scholars. To generate implications for further advances in service research and practice, we will synthesize the different characterizations of value-in-use and compare and contrast their different highlighted features.

The conceptual analysis carried out in this paper resulted in the identification and portrayal of three different perspectives on value-in-use: the utility approach, the consumption outcome approach, and the experience approach. These three perspectives are based on different theoretical backgrounds and consequently come with different implications for service marketing theory and practice. Hence, the paper contributes to service marketing literature by discussing and clarifying critical issues regarding value-in-use and its implications for contemporary service marketing research.

The remainder of the paper is organized as follows: first, the methodology section describes how the literature review was carried out; then, we discuss the three identified perspectives on value-in-use, by providing a description of the most relevant conceptualizations and main features highlighted by different scholars. Lastly, we summarize and compare these perspectives in order to attain an overall view on value-in-use and its main elements and propose implications for service marketing research and practice.

2. Methodology

In order to review and synthesize the different approaches to value-in-use in service marketing literature, we performed an extensive literature review on the topic of value-in-use. We followed general guidelines for conducting literature reviews in business research (Hart, 1998; Denyer; Tranfield, 2009). More specifically, we used the descriptor “value-in-use” and searched the following databases: ABI/Proquest, Business Source/EBSCO, Emerald, ScienceDirect/Elsevier, JSTOR, SAGE, Springer Link, and Wiley Online. We selected papers regardless of context or methodology used in their research process, since our focus is on how value-in-use has been characterized and depicted, not on how the concept has been empirically applied.

After having identified and collected relevant articles that explicitly characterize value-in-use as a concept we set up a first dataset; then, we also used the reference lists of the articles shaping our dataset to further identify relevant book chapters that did not

show up in the databases. We finally got a list composed of 48 papers and 8 book chapters published over a time span ranging from 1965 to 2015.

We performed the review as stand-alone researchers, and then discussed and compared our insights in order to reach a common view and gain a better understanding of the content proposed by each of the articles. The discussion among us led to the development of three different categories and each of them is useful to highlight a different approach to value-in-use. Thanks to the usage of categories, the main features of each theoretical contribution were highlighted, leading to an easier way to discuss them and then compare the conceptualizations and their key features with one another.

3. Three perspectives on value-in-use

This section discusses the concept of value-in-use and reviews the literature from a service marketing perspective. Value-in-use has been a key concept within service marketing discussion since the publication of the “Evolving to a New Dominant Logic for Marketing” article by Vargo and Lusch (2004). Hence, value-in-use is the definition of value adopted by the recent service perspective on marketing theory (Vargo; Lusch, 2008; Vargo; Akaka, 2009; Grönroos, 2008, 2011; Heinonen et al., 2010, 2013). As a result of our literature review and conceptual analysis, three different perspectives on value-in-use will be presented: the utility approach, the consumption outcome approach, and the experience approach. Each of these perspectives on value-in-use has different theoretical backgrounds and implications for service marketing theory and practice.

3.1 The utility approach

Value-in-use as a concept can be traced back to classical economic philosophy and the utility concept (Wooliscroft, 2008). Already Aristotle discussed how value-in-use is a subjective and individual perception of the utility of a particular good or service (Gordon, 1964). According to Aristotle, value-in-use can vary over time for an individual as well as between individuals, and even arise from the mere possession of a good. He further explains how market demand, expressed through value-in-exchange (price), is a function of the value-in-use (utility) of a good or service. Much later, Adam Smith (1723-1790) recognized the difference between value-in-exchange and value-in-use and observed how “the things which have the greatest value in use have frequently little or no value in exchange; and on the contrary, those which have the greatest value in exchange have frequently little or no value in use” (Smith, 1776, 28). Similarly, Karl Marx (1859) acknowledges every commodity to have a two-fold aspect – use-value and exchange-value – and describes how value-in-use is realized only by use or in the process of consumption.

Even though the view of most early economists was that “The Value of all Wares arises from their Use” (Barbon, 1690, 21), value-in-exchange became the main focus of later economic philosophy. As marketing as a discipline emerged from the field of neoclassical economics in the early 20th century, also marketing has traditionally focused on distribution and exchange of manufactured goods (Sheth et al., 1988; Vargo; Lusch, 2004). With exchange as a fundamental framework for marketing theory (Bagozzi, 1974), value-in-use received limited attention in marketing theory until Vargo and Lusch (2004) placed the concept at the center of their service-

dominant logic (SDL). As Dixon (1990) reports, throughout the 20th century marketing scholars largely ignored the classical value-in-use literature from economic philosophy.

In their seminal article “Evolving to a New Dominant Logic for Marketing”, Vargo and Lusch (2004) adopted the utility-based view of value-in-use from classical economics and contrasted it to the (value-in-)exchange perspective of mainstream marketing. Hence, in early SDL publications, the nature of value-in-use is described as the utility of goods or services (Vargo; Lusch, 2004, 2006; Gummesson, 2007). For example, Lusch et al. (2008) explain how “value-in-exchange might represent expected utility but it is not the actual utility; utility (value-in-use) can only be realized by and in the context of the life of the customer” (p. 12). This utility (or value-in-use) has been realized when the “the customer’s (service system’s) well-being has somehow been improved” (Vargo et al., 2008, 150). Similarly, Vargo and Lusch (2004) explain how value-in-use is “defined by and cocreated with the consumer rather than embedded in output” (p. 6).

As previously discussed, Vargo and Lusch (2004) derived their definition of value-in-use from classical economics, but they also added the notion of “co-creation” as a way to explain how value-in-use (or utility) arises. Inspired by service marketing and service management (for example, Normann; Ramirez, 1993; Gummesson, 1997; Grönroos, 2000), Vargo and Lusch (2004) explain how “the customer is continuing the marketing, consumption, and value-creation and delivery processes” when using a product or service (p. 11). The firm and its customers are thereby always co-creating value-in-use (or utility) together during the production and consumption process. Vargo and Lusch (2004) thus connected value-in-use to the overall marketing process in an attempt to answer Alderson’s (1957) call for “a marketing interpretation of the whole process of creating utility” (p. 69).

3.2 The consumption outcome approach

The consumption outcome approach to value-in-use has its origin in the rise of the awareness of the consumer in marketing theory in the postwar years of the 1950s. Societal changes and increased competition forced businesses to start paying attention to the needs and wants of consumers, and the outcomes or objectives of consumption therefore became more and more important in marketing (Vargo; Morgan, 2005). Alderson (1965) was the first marketing scholar to connect value-in-use to the satisfaction of customers’ needs and wants and thus characterize the concept as a consumption outcome. Thereafter, the value-in-use concept went rather unnoticed in the marketing literature until the mid-1990s when Woodruff and Gardial (1996) provided the first clear definition of value-in-use: “a functional outcome, purpose, or objective that is served directly through product consumption” (p. 55). Woodruff and Gardial (1996) explain how “value is created when a product and a user come together within a particular use situation” (p. 59) and also emphasize the dynamic nature of value-in-use by describing how it changes over time and across use situations.

Many marketing researchers have adopted Woodruff and Gardial’s (1996) outcome-based view of value-in-use. Payne and Holt (2001), for example, define value-in-use as “a functional outcome, a goal purpose or objective that is served directly through product consumption” (p. 162). Another value-in-use definition inspired by Woodruff

and Gardial (1996) is provided by Flint et al. (1997): “Value-in-use reflects the use of the product or service in a situation to achieve a certain goal or sets of goals” (p. 170). The characterization of value-in-use as a positive outcome, objective, or goal of consumption is the common denominator in all definitions based on Woodruff and Gardial (1996). In other words, products and services are seen as means to ends (customers’ goals), and achieving that desired end-state is equated to value-in-use.

The influence of this value-in-use definition stretches all the way into present-day service marketing debate. For example, Lemke et al. (2011) and Macdonald et al. (2011) are positioned within SDL, but follow Woodruff and Gardial’s (1996) definition of value-in-use as a customer’s functional and/or hedonic outcome that is achieved through use of products or services. In line with Woodruff and Gardial (1996), these authors emphasize the dynamic and fluctuating nature of value-in-use. Based on means-end theory (Gutman, 1982), the authors explain how value-in-use changes depending on customers’ overall consumption goals and this can take many forms and change with situation and time. Hence, value-in-use is seen as a highly contextual phenomenon.

Unlike the utility approach to value-in-use, marketing scholars with a consumption outcome view do not contrast value-in-use to value-in-exchange. In fact, they do not even discuss value-in-exchange. Different theoretical focus and starting points can probably explain this. While the utility-based stream of value-in-use literature is focused on the dual meaning of value as a phenomenon (utility vs. monetary worth) and their relative importance, the consumption outcome approach mainly focuses on how the needs and wants of customers are satisfied and the role of value-in-use as the outcome of a means-end chain. Alderson (1957), however, makes a connection between value-in-use and exchange, but rather portrays exchange as a creative function that “creates value in the sense that there is greater value in use for all of the products involved after the exchange than before the exchange” (p. 195). In other words, Alderson (1957) views exchange as a facilitator or creator of value-in-use in itself, rather than just a money/goods-transferring process.

3.3 The experience approach

The experience approach to value-in-use is the most recent perspective on value-in-use and came about as a reaction against the utility definition of value-in-use in the early SDL discussion (Vargo; Lusch, 2004, 2006). Schembri (2006) criticizes this “utility transmitter” view of goods or services as a remnant of a goods-centered logic and argues that “products, whether they are predominantly goods or services, are essentially experiences” (p.385). In an attempt to fully move away from a goods-centered logic, the experiential-phenomenological perspective therefore gained popularity in SDL discussion (Vargo; Lusch, 2008). Also Holbrook’s (1994, 2006) definition of value as “an interactive relativistic preference experience” (p. 27, 715) thus started to influence service marketing researchers (e.g., Ballantyne; Varey, 2006; Kowalkowski, 2011). Vargo and Lusch (2008) took the final step away from the classical utility characterization of value-in-use when they defined value-in-use as “idiosyncratic, experiential, contextual, and meaning laden” and “always uniquely and phenomenologically determined by the beneficiary” (p. 7). Consequently, SDL has moved from a utility definition of value-in-use in early publications to characterizing value-in-use as a phenomenological experience.

The statement “phenomenologically determined by the beneficiary” by Vargo and Lusch (2008, 7) indicates that value-in-use originates from use experiences rather than products or services. Hence, a main characteristic of the experience approach is its focus on the customer’s use experience as the source of value-in-use (Flint, 2006; Sandström et al., 2008; Plé; Cáceres, 2010). In other words, value-in-use emerges through experiences, not products or services per se (Schembri, 2006; Helkkula et al., 2012). As a result of the characterization of value-in-use as arising through use experiences, the scope of value-in-use is significantly wider in this approach than in the utility and consumption outcome approaches. The experience approach essentially gives value-in-use the same holistic and multifaceted features as experiences. From this perspective, value-in-use can therefore involve everything from use experiences during physical consumption (Grönroos 2006; Lusch et al., 2007; Vargo; Lusch, 2008) to memories, possession, and future imaginary consumption experiences (Heinonen et al., 2010; Helkkula; Kelleher, 2010; Grönroos; Ravald, 2011).

From the experience perspective, value-in-use is longitudinal and develops over time, just like experiences (Grönroos; Voima, 2013; Heinonen et al., 2013). Although value-in-use was recognized as dynamic and changing also in the consumption outcome approach (Woodruff; Gardial, 1996), it still viewed value-in-use as an outcome of value-creating processes, not a processual experience in itself. The dynamic and processual nature of value-in-use was therefore not fully elaborated upon until the experience approach. Hence, the experience approach is unique in its explicit characterization of value-in-use as longitudinal and constantly evolving through use experiences. The dynamic and processual nature of value-in-use is emphasized by Grönroos and Voima (2013) who state that value-in-use “accumulates over time through experiences during usage” (p. 136).

The experience approach also emphasizes the possibility for value-in-use to evolve negatively. This is illustrated in Grönroos and Voima’s (2013) definition of value-in-use as “the extent to which a customer feels better off (positive value) or worse off (negative value) through experiences somehow related to consumption” (p.136). The existence of negative value-in-use is a logical consequence of the characterization of value-in-use as emerging through experiences of using products or services (Gummerus; Philström, 2011). In the same way as an experience can be positive or negative, value-in-use should then also have the capacity to be positive as well as negative. The experience-based characterization of value-in-use thus brought forth a discussion of negative value-in-use within contemporary service marketing. This differs from the previously discussed two perspectives of value-in-use. When value-in-use is characterized as the utility from products or services (Vargo; Lusch, 2004), or as the objective served through consumption (Woodruff; Gardial, 1996), it is either created or not, being either positive or zero (e.g., utility did or did not arise, or the objective was or was not met). Consequently, the utility and consumption outcome approaches never considered the negative side of value-in-use.

Table 1 illustrates some examples of how different marketing scholars have characterized the concept of value-in-use.

Author(s), year	Article type	Characterization of value-in-use	Approach
Grönroos and Voima (2013)	Conceptual	“The nature of value-in-use ... is the extent to which a customer feels better off (positive value) or worse off (negative value) through experiences somehow related to consumption” (p. 136)	Experience
Heinonen et al. (2013)	Conceptual	“The customer-dominant logic extends the scope of value-in-use to a longitudinal experience perspective stressing value as part of the customer’s dynamic and multi-framed reality, i.e., value-in-experience” (p. 110)	Experience
Lemke et al. (2011)	Empirical	“Customers appraise their experience with respect to its perceived contribution to value-in-use — the customer’s functional and/or hedonic outcome, purpose or objective that is directly served through product/service usage” (p. 847)	Consumption outcome
Macdonald et al. (2011)	Empirical	“We define value-in-use as <i>a customer’s outcome, purpose or objective that is achieved through service</i> ” (p. 671)	Consumption outcome
Lusch et al. (2008)	Conceptual	“Value-in-exchange might represent expected utility but it is not the actual utility; utility (value-in-use) can only be realized by and in the context of the life of the customer” (p. 12)	Utility
Vargo and Lusch (2008)	Conceptual	“Value [-in-use] is idiosyncratic, experiential, contextual, and meaning laden” (p. 7)	Experience
Woodruff and Gardial (1996)	Book chapter	“Value-in-use, as the name suggests, is a functional outcome, purpose, or objective that is served directly through product consumption” (p. 55)	Consumption outcome
Wilson and Jantrania (1994)	Conceptual	“Use value or value in use ... is the properties of a product or a service that accomplish or contribute towards accomplishing a task or work. It is the utility of some particular object” (p. 60)	Utility
Alderson (1965)	Book chapter	“Use value is the realized potency expressed as the product of the incidence of use and the conditional value if used, that value depending on the intensity of satisfaction with the product when used” (p. 50)	Consumption outcome

Table 1: Examples of characterizations of value-in-use in marketing literature

4. Discussion

The aim of this paper was to present the different approaches to value-in-use found in contemporary service marketing literature and compare and contrast their different characteristics. As a result of our conceptual analysis, three different perspectives on value-in-use were outlined: the utility approach, the consumption outcome approach, and the experience approach. These three perspectives on value-in-use differ in their characteristics and have different theoretical backgrounds, reflected in their subsequent characterizations of value-in-use. The differences in characterizations of value-in-use have implications for future research and use of the concept. But few, if any, discussions of these implications exist in contemporary service marketing literature. Instead, value-in-use is generally treated as a uniform concept, with its characteristics taken for granted rather than explicitly outlined. This study contributes to service marketing literature by discussing and clarifying critical issues regarding value-in-use and its implications for service marketing theory and practice.

The three presented perspectives on value-in-use have similarities as well as differences. One of the similarities is the fundamental assumption that value-in-use is seen as a dynamic concept dependent on time, place, and the individual. The differences mainly relate to the scope and nature of value-in-use. The experience approach widened the scope of value-in-use to also include mental use, such as possessions, memories, and imaginary use (Helkkula et al., 2012; Grönroos; Voima, 2013). This development was a logical continuation of the experiential-phenomenological trend in value-in-use theorizing (Vargo; Lusch, 2008; Helkkula et al., 2012). Similarly, it was within the experience approach that arguments were raised for the existence of negative value-in-use (e.g. Grönroos, 2011; Grönroos; Voima, 2013). The logic is that if value-in-use arises through the experiences of using products or services, and these experiences can be perceived as positive or negative, customers must also be able to perceive value-in-use as positive or negative.

Our review clearly shows how the value-in-use concept has developed throughout the three approaches presented in this paper. It is also clear that the conceptualization of value-in-use still continues to develop within the experience approach. Recently, service marketing scholars have started to direct their attention towards collective aspects of the creation of value-in-use. Edvardsson et al. (2011), for example, draw from social construction theories and remind us that value is always created and determined in a specific social context, thus arguing for the term value-in-social-context. Not only is value-in-use rarely created in isolation by a single individual, but a customer's assessment and determination of value-in-use is also dependent on societal and cultural factors within the specific context he/she operates (Akaka et al., 2013). In a similar way, Heinonen et al. (2013) describe how value-in-use "is not isolated since the reality of the customer is interconnected to the realities of others" (p. 9)".

It is not only important to understand the characteristics of the different perspectives on value-in-use in for service marketing researchers, but also for service practitioners. Depending on which approach to value-in-use that is adopted when firms want to use the concept, there is difference in how activities and processes will be implemented and evaluated. The utility approach to value-in-use fits best for service firms with very basic offerings, such as cleaning, laundry, electricity, or water.

The consumption outcome approach to value-in-use is more suitable to adopt for service providers with more ambitions for brand building and supporting higher-end services, such as retail banks, airlines, telephone and internet-providers, and more advanced health care services, since it allows the inspection of different types of desirable outcomes and how a product helps the consumer to achieve these. Lastly, the experience approach to value-in-use is the best choice for service firms that wish to create excellent experiences for their customers, typical examples include entertainment companies such as TV, radio, movie and tourism, but also coffee shops such as coffee house chains, cinemas, and amusement parks. Managers must also acknowledge that customers seek different types of value-in-use in different products and services, and adapt their marketing strategies thereafter when developing new offerings.

Regarding avenues for future research, we believe collective and societal aspects of the value-in-use concept need further exploration. For example, there are many gaps in our understanding of the role of societal and cultural factors in the creation and determination of value-in-use. Another interesting research avenue may be customer perceptions of future value, i.e. disposal value, and whether these influence value-in-use. Moreover, the scope and nature of value-in-use in the larger context of entire service ecosystems of actors and institutions (Vargo and Lusch, 2016) have not yet been explored. Hence, we encourage future research on these areas. In addition, we definitely think there is an opportunity to retrace the evolutionary paths of the theoretical propositions on value-in-use, in order to understand how the conceptualizations have changed over time. Similarly, we encourage service researchers to pay attention to the ways in which different fields (and sub-fields) of science got inspired by the conceptualizations highlighted in the three presented perspectives on value-in-use, and which are the methodologies that favor investigations based on each of the different views on value-in-use.

Finally, we also suggest these approaches to value-in-use can be useful to cluster customers and analyze their behavior in order to understand whether their decision-making process is oriented towards the utility, the consumption outcome, or the experience of the product or service. Since value-in-use is idiosyncratic and contextual, it would also be necessary to take in consideration eventual individual and contextual conditions that lead the customer to adopt a utility-based, consumption outcome-based, or an experience-based decision-making process. In addition to this, managerial thinking can be further researched and questioned in order to capture some more meaning about the way in which a specific value proposition is set up, leading to a focus on one of the three value-in-use approaches or a combination of them. Also, managers' own views on value-in-use with regards to their products and services need to be researched, and hence, compared with the perspectives of existing and potential customers.

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