

Brand Community as Co-Creation Value in the Service-Dominant Logic of Marketing

Siwarit Pongsakornrungrungsilp¹

Alan Bradshaw²

Jonathan Schroeder³

University of Exeter, UK

Paper presented at

CUSTOMER RESEARCH ACADEMY WORKSHOP (CRAWS)

6th CRAWS Conference: 2nd – 4th April 2008

“Emerging Issues in Customer Behaviour in Multi-Cultural Societies”

University of Manchester

INTRODUCTION

The focus in marketing has moved from an exchange of the tangible value to one that increasingly includes the intangible value. Vargo and Lusch propose a new dominant logic of marketing – “Service-Dominant Logic of Marketing” or “S-D Logic”, first published in the *Journal of Marketing* (2004a) and entitled “Evolving to a New Dominant Logic for Marketing”. This article led to marketing debates which began in “*Invited Commentaries on “Evolving to a New Dominant Logic for Marketing”*” (Day et al. 2004) and led to other commentaries from scholars in the field. In the same year Vargo and Lusch (2004b) published a series of articles on the service-dominant logic of marketing that have had a wide influence in marketing scholarship. In the service dominant logic of marketing, Vargo and Lusch (2004a) emphasize the importance of consumer-centricity in the firm’s value creation process. In a consumer-oriented view of the value creation process, Arnould, Price, and Malshe (2006) reinforce this idea within the paradigm of Consumer Culture Theory (CCT) to suggest the significance of the co-creation value between firms and consumers (see Arnould and Thompson 2005).

The service dominant logic of marketing (S-D logic) is a marketing paradigm evolution which shifts from the old paradigm, the firm-centric or good-centred view, to a new paradigm, the consumer-centric or service-centred view (Vargo and Lusch 2004a). The idea is presented by resource-based theory to explain firms’ *operant* and *operand* resources. Operant resources are resources used for activating operand resources or other operant resources, such as invisible and intangible variables – firm core competencies (skills and knowledge), to create results. Operand resources are resources used for producing effects, and include factors of production such as raw materials or goods. In the good-centred view, firms primarily focus on operand resources and are concerned with make-and-sell or productions and distributions. In the service-centred view, firms focus on operant resources and are concerned with sense-and-response in order to create competitive advantage over competitors. The co-creation value is

¹ Ph.D. student in Marketing, School of Business and Economics, University of Exeter, UK, e-mail: sp282@exeter.ac.uk

² Lecturer in Marketing, School of Business and Economics, University of Exeter, UK, e-mail: A.Bradshaw@exeter.ac.uk

³ Professor of Marketing, School of Business and Economics, University of Exeter, UK, e-mail: J.E.Schroeder@exeter.ac.uk

Address: School of Business and Economics, University of Exeter, Streatham Court, Rennes Drive, Exeter EX4 4PU. UK.

Tel.: +(44) 1392 263449, Fax: +(44) 1392 263242

We thank Nicola Kleyn, Gordon Institute of Business Science, The University of Pretoria, for the comment on the early draft.

investigated by asking how consumers engage in the value-creation process. This approach emphasises customization over standardization and the consumer participation in consumption. However, Vargo and Lusch (2004a) view this co-creation process from manufacturers' perspective which does not fully portray the value co-creation process. Arnould et al. (2006) offer a parallel view to Vargo and Lusch (2004a) by looking through a consumer lens to explain how firms engage consumer cultural schemas to create value for consumers as co-creative value.

This paper aims to integrate theories of firms' resources (Vargo and Lusch 2004a) and consumers' resources (Arnould et al. 2006) by adding the social dynamics within a group of consumers to understand the value co-creation process. To illustrate the co-creative value among consumers, we present this paper in three parts. Firstly, we overview and define firm and consumer resources; we then integrate both concepts and show the idea of consumer empowerment in the model by adding consumers' experience. Finally, we present the idea of brand community and the core concept of the value co-creating process among consumers.

Integration of Service-Dominant Logic of Marketing and Consumer Culture Theory

Vargo and Lusch (2004a) synthesise ideas from many disciplines including relationship marketing, service marketing, market orientation, quality management, supply and value chain management, resource management and networks to create the service-dominant logic of marketing (S-D logic). This work creates a comprehensive framework and makes a contribution to the field of marketing. However, the S-D logic could be thought as a service strategy which pressures firms to emphasise in the service marketing. This would be a missing point in the core concept of S-D logic. Instead of arguing about a service business or industry, Vargo and Lusch (2004a) view the service dominance as a whole business process which emphasises the intangible value to create core competencies, skills and knowledge, and the co-creation of value.

Figure 1 shows Vargo and Lusch (2004a)'s the service-centred view which highlights a firm's operant resources. In a goods-centred view, firms focus on operand resources to produce goods and services, and distribute to customers. In the S-D logic, by shifting focus to operant resources, firms focus on understanding how consumers engage in value creation process by viewing consumers as the operant resource. Firms have to employ their core competencies to co-create value with consumers, interaction between firms and consumers, in order to create a value proposition. This paradigm is a shift from make-and-sell to sense-and-respond and from the material to the intangible value. As sense-and-respond paradigm, firms need to engage with consumers as the co-creators of value, and deploy the consumer involvement in business processes. This process is depicted in Figure 1.

[Insert figure 1 here]

Arnould et al. (2006) advance Vargo and Lusch (2004a)'s the idea by proposing the consumers' operant and operand resources (see Figure 7.1 in Arnould et al. 2006, p. 92). This ties the concept of consumer culture theory (CCT), and its emphasis on the value co-creation, to the S-D logic in order to understand how firms engage consumer cultural schemas to create the value as co-creation process between consumers and firms. In the consumer culture theory, scholars views the co-creation value in terms of a cultural framework that focuses on how consumers perceive, interpret, understand, and interaction with the market offering (Holt 2002). As with their own resources, firms should focus on consumers' operant resources, namely the set of life projects: social, cultural, and physical contexts, which authorise consumers to allocate their operand resources, economic value, to carry out behaviour performances (Arnould et al. 2006). Therefore, instead of firms concerning themselves with the purchasing power as the first priority where customers' needs and wants to constitute the core focus of the marketing concept (Kotler 2003), firms should understand how consumers value their set of life projects or how they enact their life narratives (Arnould and Price 2000).

This will better enable firms to “anticipate customers’ desired values and help them create the value in use” (Arnould et al. 2006, p.93).

Although both Vargo and Lusch (2004a) and Arnould et al. (2006) state that relevant insights in the marketing process which intent to enlighten understanding of the value creation process are important, they do obviously not unfold the whole process. Furthermore, Arnould et al. (2006) do however emphasise that social operant resources, one type of consumers’ operant resources, are deployed in their value creation and behaviour as co-consuming groups or consumption communities. In figure 2, we integrate the value creation process from firm and consumer resources by considering the impact of consumers who form a group as a community. This co-consuming group is able to create both opportunities and threats to firms through enhanced consumer empowerment (Denegri-Knott, Zwick, and Schroeder 2006; Kozinets and Handelman 2004; Wright, Newman, and Dennis 2006). As a form of the consumer agency (Arnould et al. 2006), consumers in the communities do not only create holistic values to the process, but they also co-create the value consistently to each other. Therefore, consumers’ experiences play an important role in the value co-creating process between themselves over time. This relationship is depicted in Figure 2.

[Insert figure 2 here]

The value creation process shown in Figure 2 illustrates how firms have to employ their core competencies, skills and knowledge, to create the value proposition in order to activate consumers’ operant resources, a set of life projects. After consumers’ operant resources are activated, consumers deploy their operand resources, money or economic value, to achieve their social life projects. To accomplish this process, firms have to focus on their consumers’ a set of life projects and explore how consumers engage themselves with their social connections to co-create value amongst them. This perspective adds the co-consuming groups as a value co-creator to the whole value creation process. As a social unit of analysis, more experienced consumers can co-create better experiences than their less experienced counterparts, and the former may assist the latter by facilitating the value creation process.

From Individuals to the Value Creation in Brand Community

Communities have primarily consists of individuals who share intentions, interactions and activities at the specific place or geography (Kaufman 1959). In this context, communities are characterised by geographical borders. To incorporate as the community, they require the three important elements or community markers: consciousness of kind, share rituals and traditions, and a sense of moral responsibility (Muniz and O’Guinn 2001). However, these markers have been diluted since the emergence of modernity (Cova 1997; Muniz and O’Guinn 2001) which has destroyed the traditional forms of community (family, village, religion); this is termed as “the loss of community” (Muniz and O’Guinn 2001, p.413). During this process, individuals are severed from the community and become increasingly concerned for “the self” (Cova 1997, p.298).

Although modernity has removed individuals from their communities, the consumption of the postmodern consumers is one of the significant factors which affect the re-emergence of communities (Boorstin 1973; Cova and Cova, 2001). Fortunately, the advance of mass communications, especially WWW or Internet, frees consumers from their geographic restrictions (Muniz and O’Guinn 2001). Consumers can engage in joint activities and shared interests, information, and experiences through the internet without travelling or requiring face-to-face encounters. Community member can participate in community even they live apart from community. Individuals can share emotions, values, norms, and experiences through consumption practices (Cova 1997) around specific products or brands. This type of community is termed a “Brand Community” (Muniz and O’Guinn 2001).

Definition of Brand Community

From the concept of community, individuals share intentions, interactions, and activities at the specific place (Kaufman 1959) and they engage the consumption within their communities through the celebration, ritual, or tradition (Muniz and O'Guinn 2001) in order to create the identity and relationship among members of communities (McAlexander et al. 2002). After the re-emergence of community (Boorstin 1973) and the transcendence of geographic restrictions (Muniz and O'Guinn 2001), community is not limited to specific places but it can be occupied by members' imagination as an imagined community (Anderson, 1990; Chavez, 1994; Kanno and Norton, 2003).

One form of communities which transcend the traditional community limitation is "brand community" as defined by Muniz and O'Guinn (2001, p. 412):

"Brand community is a specialized, non-geographically bound community, based on a structured set of social relationships among admirers of a brand."

This concept of brand community rests on a triadic consumer-brand-consumer relationship where the brand is a centre of community (Muniz and O'Guinn 2001). McAlexander et al. (2002) emphasise the relevance of the brand community as a way to understand customers' relationships and loyalty and the associated co-creation between consumers and firms. This consumer-centric relationship means that communities emerge and construct meaning around consumption experiences. McAlexander et al. (2002)'s perspective shows how brands are used to tie relationships among customers in order to create consumption experiences and communities. Amine and Sitz (2004) also address membership feelings between and within individuals and groups, and define the brand community as

"a self-selected, hierarchical and non-geographically bound group of consumers that share values, norms and social representations and recognize a strong feeling of membership with each other members and with the group as a whole on the basis of a common attachment to a particular brand."

Even if the brand community perspectives above give different definitions, the main concept of brand community emphasises of the non-geographic boundaries, free choice, relationship, sharing emotions, norms and values, and the construction of communities around branded goods or services. Furthermore, Muniz and O'Guinn (2001) suggest that brand communities are similar to traditional communities in that they are also characterised by the community markers discussed above.

Value Creation of Brand Community

Brand community is a social phenomenon which is constructed from the dyad relationship between consumers and brands (Fournier 1998), and evolve from interaction among consumers to create a group or real community around a specific brand. The consumer-brand-consumer triadic relationship is highlighted within this concept. However, the concept of consumer empowerment that results from brand communities, coupled with consumers' roles in the value creation process inherent in these communities is of relevance to marketers. Moreover, the advance of technology on the internet creates new types of communities in the virtual world. Therefore, this section attempts to clarify a typology of brand communities and to understand the objective and value inside each community shown in Figure 3.

[Insert figure 3 here]

Figure 3, depicts three types of brand communities. In each, consumers co-create values through the experience, interaction, and relationships amongst each other. Moreover, values in the co-creation process also emerge from sharing among consumers in the brand

communities. The experience, interaction, and relationships can emerge in different ways depending on the type and participants in communities.

A consumer brand community is a consumer-created brand community where consumers initiate the formation of the community based on their passion for a brand; accordingly they create value through face-to-face interactions (Muniz and O'Guinn 2001). These brand communities are limited by geography; most members in community are live in close proximity to each other, although guests from other places can join communities through communities' website, web forums and guest books. Conventionally, in this type of brand community, members intend to interact and create relationship rather than create brand experiences among them.

Like the consumer community, virtual brand community is consumer-created and non-supported brand communities but differs in the location of community. With the advance of technology, community is created on the cyberspace as online community and members can interact without the encounter and time consuming. Examples of virtual brand communities include "The Apple Newton Community" (Muniz and Schau 2005), "The Nikonians brand community" (Amine and Sitz 2004), "Basketball Shoes Community" (Füller, Jawecki, and Mühlbacher 2005). Members in online community are alike to the consumer brand community by intending to interact and create the relationship rather than create the brand experiences.

Brandfest communities emerge around customer experiences (McAlexander et al. 2002) which tie relationship with customers, brands, firm, and product. Unlike the community description above, brandfest communities are the co-creation of customers and marketers, as communities supported by firms. Brandfest community members intend to create experiences rather than relationship and interaction in order to create the strong brand loyalty.

The typology of brand community is presented in triangular shape (figure 3) because although these brand communities appear to be differentiated from each other, they have some common attributes such as value co-creation process, sharing among members etc. Consumer brand communities differ from virtual brand communities in their origin of membership; while virtual brand communities can recruit members from everywhere around the world, consumer brand communities cannot. For example, Midwest Saab Club is Saab's brand community in Fairland, a small neighbourhood in Midwestern, USA, where the most members are locally based and live in surrounding neighbourhood (Muniz and O'Guinn 2001). In contrast, online communities are open communities for every person who can access Internet. Both group memberships are similar in objective and value in that members join communities to interact and share possessions and dreams.

Implications

This conceptual paper has several implications for the service-dominant logic of marketing and consumer culture theory (CCT). First, it moves the level of consumer behaviour and consumption analysis from individuals to social dynamics. Second, because consumers in brand communities are an integral part of the co-creation value (Pralahad 2004), the importance of consumer power to co-create value during their consumption has relevance to firms, as their control over the brand may be diminished. It advances the S-D logic in the value co-creation process between consumers and firms to emphasise co-creation among consumers who can jointly pressure firms to apply their core competencies to capture this value and process in order to create and deliver an effective value proposition. Finally, brand communities create value between consumers and consumers, and between consumers and marketers or brands in different forms and activities. Many researchers have been interested in the value from brand community which emerge from consumer interaction with brands or specific products such as "Nutella community for consumer goods" (Cova and Pace 2006), "Nikonians and Powershot community for digital camera" (Amine and Sitz 2004), "Harley-Davidson and Jeep community for automobile" (McAlexander et al. 2002), but very few

researchers have concerned themselves with the co-creation value of consumers. Consequently, the question of “How do members of brand community co-create value”, and “How do firms engage themselves with consumers’ co-creation process” are asked. The response to this question provides a new perspective to the concept of brand community through linking the S-D logic of marketing, and CCT which suggests the idea of consumer co-creating values by the field.

Conclusion

Vargo and Lusch (2004a) suggested the service-dominant logic of marketing (S-D logic) as being one where resources shift from focusing on operant resources to operand resources. They explain this new paradigm with firms’ operant and operand resources through a manufacturer lens. To complement the value creation process, Arnould et al. (2006) advance this idea with consumers’ resources and consumer culture theory (CCT) which concerns itself with consumer cultural schemas in the process. In addition to co-creating value between firms and consumers, social connections create a co-consuming group of consumers which influence the value creation process by creating co-creation value among consumers. Brand communities transcend the geographic restrictions and consist of the three important elements or community markers: consciousness of kind, share rituals and traditions, and a sense of moral responsibility. Brand communities effect to the consumer empowerment concept which pressure firms have to engage in the consumers’ value co-creation process in order to create the appropriate value proposition.

References

- Anderson, B. (1990), *Imagined Communities*, London: Verso.
- Amine, Abdelmajid and Sitz, Lionel (2004), “How Does a Virtual Brand Community Emerge? Some Implications for Marketing Research,” *Research Paper, University Paris*. On WWW at <http://userinnovation.mit.edu/papers/How%20a%20Brand%20Community%20Emerge.%20WP.pdf>. Accessed on 01.07.07.
- Arnould, Eric J., and Linda L. Price (2000), “Authenticating Acts and Authoritative Performances: Questing for Self and Community,” in *The Why of Consumption*, S. Ratneshwar, David Glen Mick, and Cynthia Huffman, eds. New York: Routledge, 140 – 63.
- Arnould, Eric J., Linda L. Price, and Avinash Malshe (2006), “Toward a Cultural Resource-Based Theory of the Customer,” in *The Service-Dominant Logic of Marketing: Dialog, Debate, and Directions*, Robert F. Lusch and Stephen L. Vargo, eds. New York: M.E. Sharpe, 91 – 104.
- Arnould, Eric J., and Craig Thompson (2005), “Consumer Culture Theory (CCT): Twenty Years of Research,” *Journal of Consumer Research*, 31(March 2005), 868 – 82.
- Bagozzi, Richard P. and Utpal M. Dholokia (2006), “Antecedents and Purchase Consequences of Customer Participation in Small Group Brand Community,” *International Journal of Research in Marketing*, 23(2006), 45 – 61.
- Boorstin, Daniel (1973), *The Americans, V.3 The Democratic Experience*, Random House, New York.
- Chavez, Leo R. (1994), “The Power of the Imagined Community: The Settlement of Undocumented Mexicans and Central Americans in the United States,” *American Anthropologist*, 96(1), 52 – 73.

- Cova, Bernard (1997), "Community and Consumption: Towards a Definition of the "Linking Value" of Product or Service," *European Journal of Marketing*, 31(3), 297 – 316.
- Cova, Bernard and Véronique Cova (2001), "Tribal Aspects of Postmodern Consumption Research: The Case of French In-Line Roller Skaters," *Journal of Consumer Behaviour*, 1(1), 67 – 76.
- Cova, Bernard, and Stefano Pace (2006), "Brand Community of Convenience Products: New Forms of Customer Empowerment? The Case? My Nutella The Community?," *European Journal of Marketing*, 40(9), 1087-1105.
- Day, George S., John Deighton, Das Narayandas, Evert Gummesson, Shelby D. Hunt, C.K. Prahalad, Roland T. Rust, Steven M. Shugan (2004), "Evolving to a New Dominant Logic for Marketing," *Journal of Marketing*, 68(1), 18 – 27.
- Denegri-Knott, Janice, Detlev Zwick, and Jonathan Schroeder (2006), "Mapping Consumer Power: Integrative Framework for Marketing and Consumer Research," *European Journal of Marketing*, 40(9), 950 – 71.
- Fournier, Susan (1998), "Consumers and Their Brands: Developing Relationship Theory in Consumer Research," *Journal of Consumer Research*, 24(March), 343 – 73.
- Füller, Johann, Gregor Jawecki, and Hans Mühlbacher (2005), "Innovation Creation by Online Basketball Communities," *Journal of Business Research*, 60(1), 60 – 71.
- Holt, Douglas B. (2002), "Why Do Brands Cause Trouble? A Dialectical Theory of Consumer Culture and Branding," *Journal of Consumer Research*, 29(June 2002), 70 – 90.
- Kaufman, Harold F. (1959), "Toward an Interactional Conception of Community," *Social Forces*, 38(1), 8 – 17.
- Kanno, Yasuko, and Bonny Norton (2003), "Imagined Communities and Educational Possibilities: Introduction," *Journal of Language, Identity, and Education*, 2(4), 241– 49.
- Kotler, Philip (2003), *Marketing Management*, ed. 13, New Jersey: Prentice Hall, Inc.
- Kozinets, Robert V., and Jay M. Handelman (2004), "Adversaries of Consumption: Consumer Movements, Activism, and Ideology," *Journal of Consumer Research*, 31(December 2004), 691 – 704.
- McAlexander, James H., JohnW. Schouten, and Harold F. Koenig (2002), "Building Brand Community," *Journal of Marketing*, 66 (January), 38–54.
- Muniz, Albert M., Jr., and Thomas C. O'Guinn (2001), "Brand Community," *Journal of Consumer Research*, 27 (March), 412–32.
- Muniz, Albert M., Jr., and Hope Jensen Schau (2005), "Religiosity in the Abandoned Apple Newton Brand Community," *Journal of Consumer Research*, 31 (March), 737–47.
- Peñaloza, Lisa, and Alladi Venkatesh (2006), "Further Evolving the New Dominant Logic of Marketing: From Services to the Social Construction of Marketing," *Marketing Theory*, 6(3), 299 – 316.
- Prahalad, C.K. (2004), "The Cocreation of Value," in "Evolving to a New Dominant Logic for Marketing," Day, George S., John Deighton, Das Narayandas, Evert Gummesson,

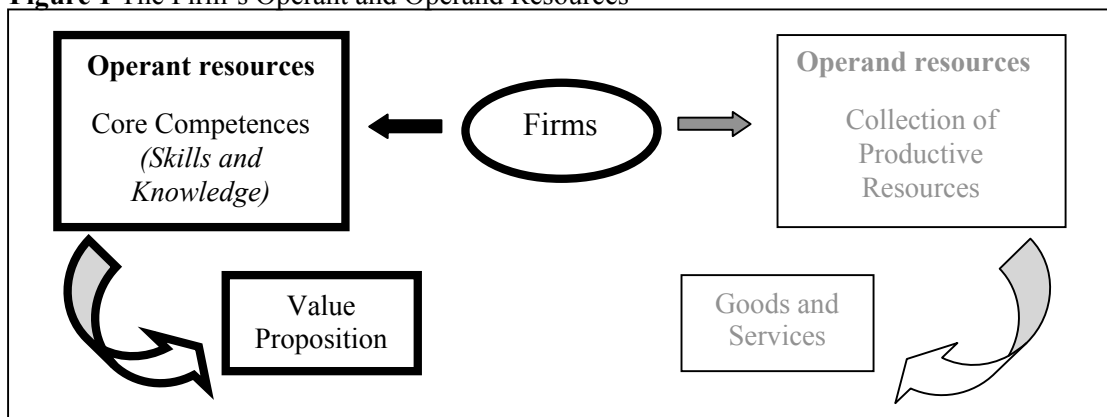
Shelby D. Hunt, C.K. Prahalad, Roland T. Rust, Steven M. Shugan, *Journal of Marketing*, 68(1), 18 – 27.

Vargo, Stephen L., and Robert F. Lusch (2004a), “Evolving to a New Dominant Logic for Marketing,” *Journal of Marketing*, 68(January), 1 – 17.

Vargo, Stephen L., and Robert F. Lusch (2004b), “The Four Service Marketing Myths: Remnants of a Goods-Based, Manufacturing Model,” *Journal of Service Research*, 6(4), 324 - 35.

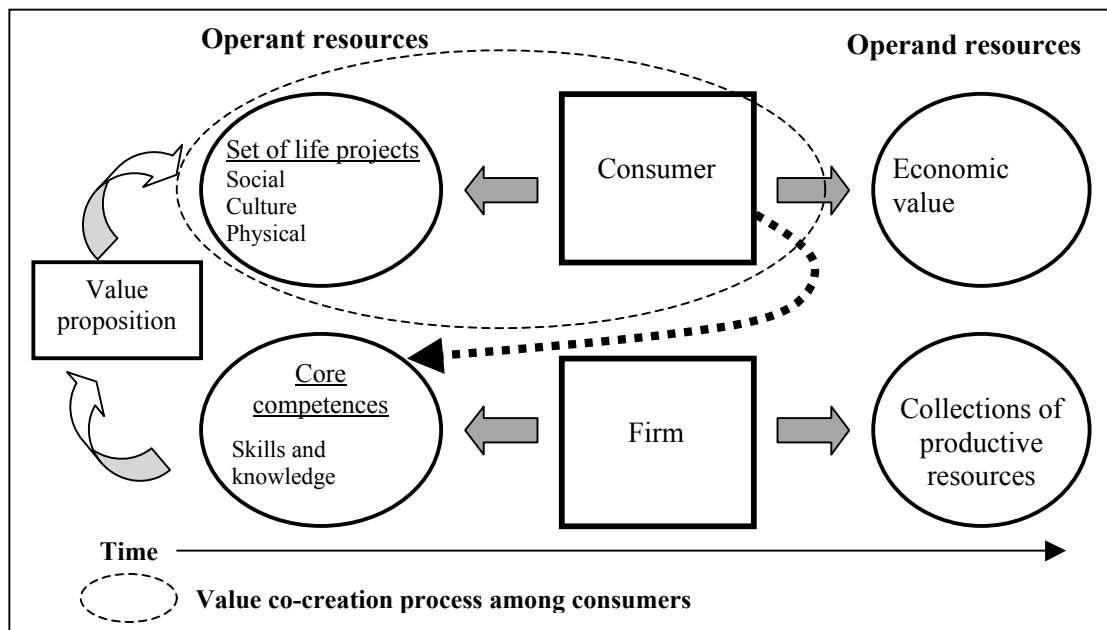
Wright, Len Tiu, Andrew Newman, and Charles Dennis (2006), “Enhancing Consumer Empowerment,” *European Journal of Marketing*, 40(9), 925 – 35.

Figure 1 The Firm’s Operant and Operand Resources



Source: Developed from Vargo and Lusch (2004a)

Figure 2 Conceptual framework of value co-creation among consumers



Source: Adapt from Arnould et al. (2006)

Figure 3 The typology of brand community

