Conceptualizing and communicating value in business markets: From value in exchange to value in use

Andreas Eggert, Wolfgang Ulaga, Pennie Frow, Adrian Payne

1. Introduction

Customer value has become a fundamental building block of business-to-business marketing over the last two decades. Since it became a watchword in the 1990s, both managers and scholars have been paying increasing attention to understanding and communicating customer value. A Google Scholar search for “customer value” shows its fast growing popularity that took off in the mid-1990s and has been sustained to this very day (see Fig. 1).

While many buzzwords in the marketing domain turned out as short-lived fads, the focus on customer value is here to stay. In a recent review article, Kumar and Reinartz (2016, p. 36) emphasize that “[c]learly, business is about creating value” and as early as 1994, Holbrook concluded that customer value is “the fundamental basis for all marketing activity” (Holbrook, 1994, p. 22).

The scholarly focus on customer value resonates well with the managerial view on today’s market-places. Being faced with increasing competition on a global scale, supplier firms are constantly searching for means to gain and maintain competitive advantage through differentiating themselves and their market offerings from competitors. This quest for differentiation has directed managerial attention to both, a broader and a deeper understanding of how firms create value for their customers. Take the example of SKF, a leading global technology provider to industrial customers (SKF, 2017). Historically, it perceived itself as a premier manufacturer of industrial products such as bearings, seals, and lubrication systems. Cut-throat competition led to a commoditization of its products and a deteriorating competitive position. In response, SKF developed a marketing strategy based on better understanding of customer value in exchange and value in use. Building on this important distinction, we argue that the value literature has evolved from a focus on resource exchange and value in exchange to an emphasis on resource integration and value in use. Seen through this lens, we identify distinct stages of conceptualizing customer value and articulating customer value propositions and argue that a deep understanding of how value is created in a customer’s idiosyncratic use situation is gaining importance in today’s competitive market places.

Creating and communicating customer value is the basis of business-to-business marketing. In recent years, our understanding of the value construct and the communication of customer value propositions has undergone a fundamental change in perspective. This conceptual review article traces back the roots of the value concept to the early economic literature that distinguishes between two complementary perspectives on customer value: value in exchange and value in use. Building on this important distinction, we argue that the value literature has evolved from a focus on resource exchange and value in exchange to an emphasis on resource integration and value in use. Seen through this lens, we identify distinct stages of conceptualizing customer value and articulating customer value propositions and argue that a deep understanding of how value is created in a customer’s idiosyncratic use situation is gaining importance in today’s competitive market places.
Lindgreen & Wynstra, 2005), summarizing the state-of-the-art and de-
propose value to customers (Payne, Frow, & Eggert, 2018).
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decades, we argue that our understanding of the value construct and the
perspectives resonate with two alternative views on the scienti-
philosophers' curiosity since ancient times.

This article builds on and further extends this tradition. Reflecting
on the development of the customer value literature over the last two
decades, we argue that our understanding of the value construct and the
subsequent communication of customer value propositions has under-
gone a fundamental change in perspective. The value literature has
evolved from a focus on resource exchange and value in exchange to an
emphasis on resource integration and value in use. This changing per-
pective triggered a fresh view on the customer value proposition, un-
derstood as a strategic tool for communicating how a company aims to
propose value to customers (Payne, Frow, & Eggert, 2018).

We organize our conceptual review article as follows: First, we trace
back the roots of the value concept to the early economic literature, distinguishing between two complementary perspectives on customer
value: value in exchange and value in use. We explain how these pers-
pectives resonate with two alternative views on the scientific discipline
of marketing, emphasizing either voluntary resource exchange or re-
source integration. Second, we review the evolution of the value con-
struct in the marketing literature and identify three stages: A primary stage that conceptualized customer value as the trade-off between
quality and price, a secondary stage devoted to broadening our un-
derstanding of value perceptions in business relationships, and a ter-
ary stage leading to a deepening of our understanding of how value is
created in customers' use situations. Third, we discuss the customer
value proposition as a strategic tool for communicating how a company
aims to propose value to customers and show how the value proposition concept developed from a value in exchange emphasis on superior
quality and price to a contemporary view on the customer value pro-
position as an invitation to co-create value in use through resource integration. We sum up our manuscript with a discussion of implications
and future research opportunities.

2. Conceptualizing value in business markets

2.1. Two complementary perspectives on value: value in exchange and value in use

Value is a pivotal construct for the marketing discipline in general
(Holbrook, 1994) and business-to-business marketing in particular
(Anderson, Narus, & Narayandas, 2009). While the value construct
enjoyed limited attention in the marketing literature before it became a
focal construct in the 1990s (Eggert & Ulaga, 2002), it has attracted
philosophers’ curiosity since ancient times.

Aristotle (384–322 BCE) initiated the study of value and raised the
famous value paradox by distinguishing between two ways in which a
product can be used: a product, such as a shoe, can be used for wearing
and for exchange. Drawing on this distinction, Adam Smith
(1723–1790) introduced the terms value in use and value in exchange in
his seminal work on the ‘Wealth of Nations’. He explained both
complementary perspectives on value in the following paragraph:

“The word VALUE, it is to be observed, has two different meanings,
and sometimes expresses the utility of some particular object, and
sometimes the power of purchasing other goods which the possession of
that object conveys. The one may be called ‘value in use;’ the other,
‘value in exchange.’ 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. Nothing is more useful than water: but it will pur-
chase scarce any thing; scarce any thing can be had in exchange for it. A
diamond, on the contrary, has scarce any value in use; but a very great
quantity of other goods may frequently be had in exchange for it”
(Smith, 1776, p. 42).

Distinguishing between both value perspectives was a milestone in
the history of economic thought as it provided a conceptual answer to
the long-standing value paradox. However, the causal mechanism that
is connecting value in use and value in exchange was not yet under-
stood at Smith’s time. From an economic perspective, Smith was solely
interested in value in exchange. As an inherently subjective concept,
value in use earned little attention in his economic theory: “His
[Smith’s] conception of value, then, is entirely objective. He keeps value
in use and value in exchange unrelated and apart” (Haney, 1920, p.
202).

It took another century and required major developments in psy-
chology and mathematics until the link between both conceptualiza-
tions of value was revealed. Following Hermann Gossen’s (1810–1858)
formulation of the law of decreasing marginal utility, it became clear
that value in exchange is determined by the marginal utility of the last
available unit, thereby connecting both perspectives of value, resolving
the value paradox, and explaining why the abundance of water reduces
its value in exchange despite its general usefulness (Fig. 2).

Adam Smith’s objective conceptualization of value was highly in-
fluential for the emerging discipline of economics where it was later
absorbed in pricing theory. Compared to economics, the marketing
discipline paid more attention to understanding subjective value in use
as the ultimate driver of voluntary exchange processes, as reflected in
early textbook examples of firms selling agricultural productivity rather
than fertilizer and transportation rather than train tickets (Kotler,
1972). As an offspring of economics, however, marketing inherited its
dominant paradigm, the exchange view of marketing, from its parent
discipline and the management of voluntary market exchange was
identified as the fundamental explanandum of marketing science
(Alderson, 1957; Bagozzi, 1975). Within the exchange view of mar-
tering, suppliers manufacture and distribute goods and services that are
embedded with value. From this perspective (1) the supplier creates
and determines value, (2) value can be exchanged, and (3) it is mar-
tering’s job to understand, communicate and deliver value to the cus-
tomer (Anderson & Narus, 1998). Within the exchange view of mar-
tering, the creation of value in use occurs after the exchange process
and takes place within the customer’s sphere (Grönroos & Voima, 2013)
by integrating customer’s own resources with the resources acquired
through exchange. As the resource integration process takes place
within the customer’s sphere, the customer firm captures the value that
is created in its use situation (see Fig. 3, Panel A).

More recently, the traditional view of marketing with its focus on
creating and delivering value has been challenged by the service-
dominant (S-D) logic of marketing (Vargo & Lusch, 2004, 2008a,
2008b, 2016). It holds that value cannot be delivered to the customer.
Rather, value is “determined by the customer on the basis of value in
use” (Vargo & Lusch, 2004, p. 7). At its core, S-D logic is a value

![Fig. 1. Google Scholar search for ‘customer value’](image-url)

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