

# Implications of the Revised Definition of Marketing: From Exchange to Value Creation

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## Executive Summary

The distinctive difference between the 1985 and the 2004 American Marketing Association definitions of marketing is the lack of exchange. In the 2004 definition, a focus on creating and delivering value through customer relationships permeates over creating satisfactory exchanges. The authors welcome this change and argue for the positive implications of a shift away from the sacred cow of exchange. They discuss the implications, the limits of the exchange paradigm, the merits of value creation, and the future paradigm for marketing (i.e., value cocreation).

Marketing scholars have perceived exchange as the underlying key phenomenon for desired outcomes. The proponents of the exchange paradigm seem to agree that "exchange is not an end in itself" and "that end is need satisfaction." The general framework for examining exchange has been exchanges > need satisfaction.

The authors contend that this framework is limiting for the conceptualization of marketing. The exchange paradigm has been questioned by marketing scholars on its ability to explain relational engagement of firms. The authors argue that exchange8 paradigm limits the perceived roles and responsibilities of both marketers and consumers, whereas these are broadened for both parties under value creation paradigm.

In contrast, value creation brings in several advantages; for example, it provides explanation for the development and growth of intra- and extra networks. Unabridged gaps in networks form structural holes. Value is created when two individuals/institutions with complementary resources are connected. Marketing functions (e.g., marketing mix activities, selling, marketing research) all inherently strive for value creation. The basis of society is social networks, and marketing streamlines these networks for value.

Coupled with the need to please the Wall Street quarterly, there is ongoing pressure for volume and market share through market exchanges, regardless of whether they create value for customers or not. In that respect, the authors expect that the value creation paradigm will decrease the pressure to sell and encourage a longer-term orientation. Furthermore, value creation depends and thrives on the quality and variety of personal experiences it enables. Thus, the authors expect that the value creation paradigm will accelerate the innovation rate, variety, and experience quality of marketing. The question "why" is often omitted for "how" and "what" in the exchange paradigm, but the same question is key for value creation. The authors expect value creation paradigm to accelerate the study and practice of mutual interest for differential advantage. The transfer of ownership and possession is overemphasized within the exchange paradigm. Notably, possession utility has become less important in an increasingly services-oriented economy in which customers pay for usage and not for ownership. Therefore, the authors expect that the value creation paradigm will accelerate solution offerings that are not bound by or preoccupied with possession utility. They also expect that the value creation paradigm will improve social alignment and engagement among marketing actors (makers, agents, and consumers).

The authors also raise the following question: What if the foundation of marketing is defined as co-creation of value rather than value creation or value exchange? In value creation, value is created in the

firm and then exchanged with the customer, whereas in value cocreation value is co-created by the firm and consumer. The implication is that value cocreation is more than decomposing a process and shifting part of the work to the consumers (e.g., self-checkout or self-check-in counters). With the value cocreation perspective, the transaction that takes place between Dell and a small business can blossom from a single economic exchange to a process in which the consumer and the producer collaborate for best total value through products, features, delivery terms, maintenance, and financing options on an ongoing basis. Value cocreation will inevitably transform marketing and become just as pervasive in business-to-consumer markets as it is for business-to-business marketing. This transformation has already begun in services.

Paradigm shifts that transform and shape a scientific discipline do not occur frequently and are not welcomed unanimously. A paradigm shift in marketing has been called for by several scholars in the nineties. Arguably, marketing is now amidst a paradigm shift from exchange (value in exchange) toward value cocreation (value for all stakeholders), with an intermediate iteration at value creation (value in use and relationship marketing).

Value cocreation can extend to the whole spectrum: coconception (military and defense contracts), codesign (Boeing and United Airlines), coproduction (Ikea), copromotion (word of mouth), copricing (eBay, negotiated pricing), codistribution (magazines), coconsumption (utility), comaintenance (patient–doctor), codisposal (self-serve), and even co-outsourcing (captive business process outsourcing). Networks that marketing interacts with to connect structural gaps include consumer, distributor, supplier, regulatory, and competitor networks.

Success of value cocreation process relies heavily on customers' efforts and involvement. Thus, value cocreation effectively leads to higher interdependence among the main actors (consumers and producers), which in turn build trust and sustain relationships. Wroe Alderson emphasized the importance of double "vicarious" search (by consumers and suppliers) in the marketing process. This was perhaps misleadingly interpreted to mean a search for exchange, whereas it might as well have meant a search for colearning and cocreation. Thus, the authors suggest that the building block for a broadened marketing concept should be cocreation of value. The authors call on marketing scholars to develop a theory of value cocreation.

## **Biography**

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