It's about human experiences... and beyond, to co-creation

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I would like to first acknowledge and congratulate Vargo and Lusch (2010) for attempting in this issue of Industrial Marketing Management to broaden the perspective of the market. My concern is that the authors don’t go far enough. The fundamental reason, I believe, is the authors’ own dominant logic of the nature of value — that value is a function of service, rather than human experiences. Before I proceed with offering this alternate logic, let me provide some context.

During 2000–2004, I co-authored a series of articles on the implications for business and society of the more connected and empowered customer (Prahalad and Ramaswamy, 2000, 2002, 2003, 2004). We detailed the shifting of competencies toward a network of customer communities and global talent outside the firm on one hand, and the emergence of global resource networks of firms on the other. We suggested that customer experience is central to enterprise value creation, innovation, strategy and executive leadership. These broad changes in business and society, we argued, called for co-creation — the practice of developing systems, products, or services through collaboration with customers, managers, employees, and other stakeholders. The book we then wrote, The Future of Competition (Harvard Business School Press, 2004) offered a series of compelling examples showing that value is increasingly being created jointly by the firm and the customer, rather than created entirely inside the firm. We held that customers seek the freedom of choice to interact with firms through a range of experiences. We argued that the concept of the market is no longer about people as a target for the goods and services offered by the firm, but a forum where people outside the firm are integral to the value creation process of firms. As individuals and firms engage in a process of creating value together, their co-creation experiences become the new basis of value. To quote from this 2004 book (p. 96), “Acronyms like B2B and B2C miss the point. If we must use an acronym, then let's use I2N2I which represents the flow from individuals to the nodal firm and its network and back to the individual.”

The primary forces driving this shift to co-creation of value through human experiences, facilitated by the firm’s network (including communities outside the firm) were information and communications technologies that propelled an unprecedented shift in people’s capacity to be informed, networked, and empowered. It commenced an ongoing journey for me, joined in 2005 by my colleague, Francis Gouillart. We discovered that many enterprises were building engagement platforms that allowed ongoing interactions among firms and their customers. By extending their networks in new ways, continuous developments of new experiences were co-created with customers. These engagement platforms revolved around the offering itself (e.g., Nike+), websites (Starbucks and Dell) engaging their customers in generating new ideas, physical stores (e.g., Apple Store and its Genius Bar, Caja Navarra’s bank branches), call centers, private and public community spaces, and even live meetings (e.g., Club Tourism). The fundamental shift here was going beyond the conventional ‘services’ mindset to an experience mindset — defining value based on human experiences rather than service processes, whether downstream or upstream in the value chain. We further observed that success lies in using people’s actual ‘lived’ experiences to generate insights, changing the nature of interactions as a result, everywhere in the system. In our book (Ramaswamy & Gouillart 2010), we discuss this core principle of co-creation: engaging people to create valuable experiences together, while enhancing network economics.

Now that I have provided some context, let me state the premises of an alternate logic of value and its creation:

1. Value is a function of human experiences
2. Experiences come from interactions
3. A firm is any entity that facilitates this creation of experience-based value through interactions. Engagement platforms are the means to creating value together
4. Co-creation is the process by which mutual value is expanded together, where value to participating individuals is a function of their experiences, both their engagement experiences on the platform, and productive and meaningful human experiences that result.

Co-creation goes well beyond the conventional goods and services view of the past hundred years, where ‘demand’ was conceived to be just “supply looking in the mirror.” Notions of value in use, user experience, and even exchange, fundamentally reflect a view of value arising from activities and goods. Co-creation goes beyond the exchange process, with multi-sided interactions, through continuous dialogue and transparency, access, and visualization of experiences that can enable better risk-reward assessments. It is important to note that goods and services, activities, and processes do not go away. Rather, they must be designed around co-creation of human experiences.
experiences through these ‘multi-sided interactions’ (Ramaswamy 2009).

I agree with Vargo and Lusch (2010) that: “what is needed is a theory of the market, one that perhaps better emulates the dynamics of ‘real-world’ events and processes”. The authors go on to quote Plato (360 BC). But the dynamics of the real-world in 2010, and beyond, stem from a shift in the nature and types of interactions, and an evolution of humans in becoming more aware of themselves and their environments (the hidden power of the democratization and decentralization of value creation that has occurred around the globe). Think of this as the Greek agora on steroids. The questions to debate are: What would Plato say if he were alive today. Would he still talk about exchange or a new capacity to interact? Would he talk about “one gives and the other receives”, or people as “co-creators”? In sum, unless we debate such fundamental questions, the field will be playing catch-up with the dynamics of a structural real-world shift taking place in front of our eyes, one that is fundamentally altering the very nature of relationships among individuals and institutions.

We need to escape the past. It’s not about thinking out of the box, but transforming the box. We need a fresh frame of reference of value (human experience) and its creation (co-creation), one that is based on collaborative, dynamic, contextual, and generative human interactions at the core—supported by engagement platforms that facilitate such interactions in multi-sided fashion—to generate mutual value through productive and meaningful experiences. This, I believe, is at the crux of the evolving next practices of value creation that scholarly theories should address. We can’t get there by extrapolating the past, but by folding the future in (as it is becoming).

Needless to say, this is not the place to dive into more detail. Indeed, I have refrained from citing several intersecting strands of thoughts and ideas from the collective wisdom on this planet, and the work of many others whose views have a bearing on my concern raised here. What I believe is needed are Web-based engagement platforms among scholars and practitioners, that widen the debate globally to harness our collective minds, and to expand our understanding of how human experiences are undergoing transformation in the system that we are attempting to theorize about. Otherwise, the field of marketing runs the risk of being an isolated node in a networked world.

References

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