It might be disquieting to some CEO’s and marketing executives, but the customer and other stakeholders are becoming increasingly involved in their businesses. This emerging involvement extends well beyond the word-of-mouth advertising that existed in pre-industrial city markets in Rome and Istanbul and the industrial cities of London, Paris, New York, and Tokyo. A more proactive involvement of the customer which is well beyond the traditional word-of-mouth or customer-to-customer (C to C) practices is emerging. This proactive customer is involved in inbound marketing or customer-to-business (C to B) activities, but also may be talking, negotiating, and planning with your suppliers with the intent of bypassing your firm. Even more disheartening to many executives is the growth of customer-to-public (C to P) practices where customers or would be customers are attempting to influence public opinion and policy about your business.

With the rise of a network economy, enabled by global telecommunications and ubiquitous computing, customers are part of an extended enterprise and co-producers of the firm’s marketing. This trend is projected to rise over the next decade and thus enterprises need to learn not to fear it but embrace it as a healthy part of a highly networked market economy. Inbound marketing is made more effective, efficient and whole when your customers are viewed as a partner to be “marketing with” or “co-creators of value”, which is the essence of service-dominant logic.
are inviting customers to help design their advertising programs. Lego has created a digital design factory where customers can design new products both for their use and for potential larger scale marketing by Lego. The KJG-Catholic Church in Germany is connecting people via the Internet and asking them why they no longer go to church and what it will take to regain their church membership and attendance. Those with ideas and suggestions are invited to develop and lead a workshop to resolve issues that prevent people from being regular churchgoers. Frankenburger, an Austrian producer of beverages, is asking customers to come up with new flavors for Trinkhanf which is its all natural hemp milk drink. Procter & Gamble is opening up its innovation process to customers, suppliers, and experts around the world. Threadless.com, an innovative entrepreneurial venture based in Chicago, holds weekly t-shirt design contests and then customers vote on the entries and the firm then produces what the customers have designed and vote to have produced. Innovative web based enterprises such as Zwaggle.com and Clothingswaps.com allow customers with clothing they no longer need to trade or give to others who need these items. In these latter cases the historical difference between a customer and the firm disappears.

The Long and Small View

History is an excellent teacher and can help inform one of the past and provide a proper perspective or lens to look into the future. Over a dozen years ago we began an effort to identify a new logic for marketing (Vargo and Lusch 2004a,b) which rapidly became known as service-dominant logic. This logic was both historically informed, because it took a long view by reflecting back thousands of years, and action or practice informed because it examined the micro actions and activities of how individuals used their mental and physical competencies to create value propositions directed at facilitating economic exchange (Vargo and Morgan 2005; Lusch 2006). This long and small view provided a perspective for an understanding of the basic nature of economic exchange and marketing. Since man came down from the trees he developed tools to help serve themselves and others. Along the way he discovered that specialization was advantageous to tool making. At some point it became more efficient and effective to have others make tools for your household or family. With the advent of domesticated agriculture and then industrialization, coupled with a revolution in transportation, the individual began to take on a role as a worker outside the home. At the end of the day and workweek the worker would then return to the home exhausted but with money to exchange for the offerings in the marketplace that they did not have the time or expertise to produce. Individuals once able to experience the benefits of specialization were not likely to return to the home or cottage as a fully integrated economic unit (i.e. a mini-factory). Essentially, the farmer in Italy found the best way to obtain a Swiss Watch was not by learning how to craft these watches but by producing grapes and making wine and at the same time the Swiss watchmaker found the best way to get wine with lunch and dinner was to produce watches and not to learn the skills and make the resource investments to operate a vineyard.

Over the history of economic development, the role of the enterprise became one of producing uniform, standardized tangible goods at high efficiency using the principles of division of labor and automation (Vargo and Lusch 2004a; Vargo and Morgan 2005). These activities occurred far away from the market. Hence, the enterprise had to store these goods and transport them to distribution intermediaries (wholesalers and retailers) and then provide them to central marketplaces where customers sought an assortment of goods that could enhance their standard of living. Marketing could be characterized during this period of time (up until around the 19th century) as a to market philosophy (Lusch 2007). Stated alternatively, the role of marketing was to take products to market and thus distribution was paramount.

» Both the customer and the firm are co-creating by integrating resources for individual and collective benefit, and learning how to better serve each other. «

Once the enterprising sector of the economy could produce abundant quantities of goods it was soon discovered that to dispose of this production, an active marketing program was required. Marketing was no longer able to achieve its objectives by merely taking stuff to market but by marketing to target customers using what became known as the Four Ps (product, promotion, place and price). This was the period of marketing to or outbound marketing. It was outbound because the customer was assumed to be exogenous to the enterprise.

In both the period of marketing to and outbound marketing, enterprises embraced a goods-dominant logic. With a goods-dominant logic the focus is on efficiently producing units of output usually far removed from the customer in order to improve manufacturing efficiency. This is illustrated in Figure 1. This logic produced an inherent conflict. The conflict occurred because the firm was viewed as the active source of expertise and knowledge which was used to develop innovative and creative marketing offerings that were produced in the factory. Hence, the firm and the factory were seen as the source of value. The customer was seen as passive, exogenous to value creation, and unknowledgeable but could be encouraged to purchase and “consume” the firm’s output (production). Hence, the customer was a destroyer of value.

Earlier, a new logic for understanding marketing was alluded to. Initially these ideas were published in two scholarly articles (Vargo and Lusch 2004a, b) and further developed over several years (e. g., Lusch and Vargo 2006; Lusch, Vargo, Malter 2006; Vargo and Lusch 2008a,b). In these articles, it was argued that marketing prac-