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Sustainable value co-creation in business networks

Sylvie Lacoste [1]

Leonard de Vinci Pôle Universitaire, Business Lab, 12 Avenue Léonard de Vinci, 92400 Courbevoie (Paris La Defense), France

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ABSTRACT

Even though the Service Dominant Logic (SDL) paradigm has contributed to the conceptualization of "value co-creation", no academic study has further investigated the role played by sustainability in business-to-business (BtoB) value co-creation.

Using case studies, we examine how BtoB companies embrace the concept of sustainability to co-create value. We determine that such a co-creation of value entails a two-stage process: first, suppliers co-create value with their customer's customers or end users by analyzing or co-creating sustainability awareness. Second, by integrating this behavioral knowledge, suppliers co-create with their direct customers, either a sustainable hybrid offering (a service bundled with a product) or an extended sustainable service. Such a service proposition enables suppliers' direct customers to increase performance (sustainability is at the core of value creation) or to integrate sustainability into their supply chain (sustainability is an incremental element of value creation).

Our research enriches the SDL paradigm by demonstrating the role of sustainability in reinforcing or extending the service proposition in a value co-creation process that links the supplier and customer networks.

1. Introduction

In an editorial of a special issue of the Journal of the Academy of Marketing Science on sustainability, Hult (2011) quotes Friedman (1970) to assert, "the social responsibility of business is to increase its profits". However, after four decades of debate on ecological conservation, the concept of sustainability emerged (WECD, 1987) and linked *social* responsibility with two other dimensions – *economic* and *environmental* – meaning that the assessment of "*business results is no longer based solely on economic performance but also takes into account the environmental and social impacts*" (Sheth, Sethia, & Srinivas, 2011: 21). If marketing has been typically defined as the task of creating, promoting and delivering goods and services to consumers and businesses (Kotler, Keller, Dubois, & Manceau, 2006), it is now also tasked with the delivery of sustainable goods and services in a manner that reflects social, economic and environmental responsibility, thereby broadening the role of marketing within organizations (Hult, 2011).

Much of the focus of academic research on sustainable marketing has targeted the environmentally conscious consumer, as "sustainability is at the forefront of consumer choice" (Crittenden, Crittenden, Ferrell, Ferrell, & Piney, 2011: 83). For example, marketing scholars are incorporating and linking new frameworks, such as "Customer Centric Sustainability" and "Mindful Consumption" (Sheth et al., 2011). The rise in environmentally conscious consumers has compelled firms to pay increasing attention to sustainability issues and there is a greater awareness that a failure to do so could lead to a competitive disadvantage. Firms such as BMW, Patagonia, and Bodyshop have adopted sustainable practices and developed innovative eco-products to answer end consumer demand. Conversely, Nestle failed to lend importance to the fact that one of their palm oil suppliers was accused of contributing to the destruction of rain forests[2] and consequently became the subject of an active and very negative Greenpeace campaign on social networks. Hence, sustainable marketing should not be considered only from the perspective of "end-consumer centricity" but also within the network of vertical business relationships. In this paradigm, vertical business-to-business (BtoB) relationships should be at the forefront of sustainability. However, few academic studies have defined and focused on sustainable marketing specifically in the BtoB environment (Berth, 2011: 3).

While sustainability is not garnering much interest in the BtoB academic community, a different stream of research is enjoying strong support. Since the publication of the seminal article by Vargo and Lusch (2004), the fact that business markets are shifting from a goods-dominant to a service-dominant logic (SDL) has been well documented in the literature (Antioco, Moenaert, Lindgreen, & Wetzels, 2008; Neu & Brown, 2008; Sawhney, Balasubramanian, & Krishnan, 2004; Ulaga & Reinartz, 2011). The academic diffusion of the SDL approach is so prolific that Cova et al. describe it as "the development of an academic brand" (2009: 571). Some recent developments in SDL have focused on value co-creation. For example, Grönroos and Voima emphasize, "*although value creation is not explicitly defined, extant literature on SDL generally*

E-mail address: sylvie.lacoste@profecogest.com.
[1] Tel.: +33 6 66 25 15 41.

[2] *Nestlé learns to see the wood for the trees*, article published in the Financial Times on 31/05/2010 by Michael Skapinker.

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treats it as co-creation, in that it emphasizes a process that includes actions by both the service provider and customer" (2013: 135).

We find here a tipping point between SDL and business market research on the supplier–customer interaction (Ford, 2002), which is highlighted by a recent stream of articles on "value co-creation" (Cova, Dalli, & Zwick, 2011; Hilton, Hughes, & Chalcraft, 2012; Jaakola & Hakannen, 2013; Leroy, Cova, & Salle, 2013).

Although there has been some interesting development in the conceptualization of "value co-creation", and despite the prioritization of sustainable marketing by business-to-business corporations, the literature suggests a failure to study the role played by sustainability in value co-creation in business markets. The aim of this paper is therefore to study how sustainability can play a major part in value co-creation in BtoB vertical relationships. Sustainably driven value creation strategies redefine vertical BtoB relationships: suppliers co-deliver sustainable value with their customer network (their direct customers and their customers' customers) to increase their customers' benefits and their own ones while delivering sustainability advantages.

Thus, we investigate the following research question: how do BtoB companies make use of the concept of sustainability to co-create value? By answering this question, we make several contributions. First, we contribute to the definition of sustainability in a BtoB context; second, we improve our understanding of sustainability, linking this construct to value co-creation. Third, we contribute to enrich the SDL program by showing the role that sustainability can play in value co-creation. From a managerial perspective, our findings can help companies use sustainability to develop services in an industrial setting.

2. Sustainability

2.1. Definition of sustainability

The United Nations' Brundtland report defines sustainability as "meeting the needs of the present without compromising the ability of future generations to meet their needs" (1987). The three main dimensions of sustainability are collectively termed the "triple bottom line": environmental, economic and social. Most scholars use this report's definition of sustainability, but consensus within the academic community is lacking regarding the meaning of this concept and regarding the direction future sustainability research should take (Phillis & Andriantiatsaholiniaina, 2001). Closs and Speier (2011) recognize that the concept can be interpreted broadly and is associated with many business activities; thus, these authors provide a comprehensive framework for defining the dimensions of sustainability (Fig. 1).

Fig. 1. The dimensions of sustainability (adapted from Closs & Speier, 2011).

In this article, we concentrate on three of these four dimensions, economic, environment and ethics. We ignore education, since our primary objective is to link sustainability with marketing in the context of business-to-business vertical relationships (focusing on relationship management) within *industrial* companies. The products or manufacturing processes of these companies strongly affect their environment. Thus, within those supplier-driven relationships, the sustainable focus is mostly on environmental issues and their economic consequences and how to steer customer relationships to share sustainability targets.

According to Ross, Carrigan, and Hastings (2011), some scholars have already attempted to explore a sustainable marketing paradigm (e.g., Cooper, 2005; Fuller, 1999; Peattie & Peattie, 2009), and they suggest the use of "green marketing" as the first step towards sustainable marketing. Based on previous literature on green marketing (e.g., Connolly & Prothero, 2008; Peattie, 1995, 1999; Thøgersen & Crompton, 2009), Ross et al. (2011) define green marketing as "companies applying sustainable thinking holistically, from production to post-purchasing service, aiming to balance the company's need for profit with the wider need to protect the environment". The authors also recognize that "*while companies may do all they can to pursue a green marketing effort to contribute to sustainability*, *if consumers do not change their own behavior to become more sustainable then little will be achieved*" (2011: 149).

2.2. Sustainability in a BtoB context

Ross et al.'s (2011) approach signals a dichotomy, which is of interest to BtoB marketers: in vertical business relationships, upstream companies may implement green marketing but they cannot be certain their efforts will meet the needs of the end users since the upstream companies have little to no direct contact with these users. Green marketing often relies on a segment of customers willing to pay a premium for a "green" product or service (Elkington, 1994; Iyer, 1999; Menon & Menon, 1997; Vandermerwe & Oliff, 1990), but some scholars challenge this approach. They contend that by minimizing the used resource in product or service development, external constraints (i.e., scarcer resources or environmental regulations) may enhance sustainability and supply chain efficiency (Sharma & Iyer, 2012) and benefit the entire customer range. Nevertheless, because upstream companies are removed from the final consumer in vertical business relationships, these companies tend to focus on green marketing, targeted at just their direct customers.

In a seminal article, Maxwell and van der Vorst (2003) present the Sustainable Product and Service Development (SPSD) method, which is designed to meet the requirements of business and industry in developing sustainable products and/or services throughout their entire lifecycle, from conception to end of life. Sustainability is studied and optimized at every stage of the life cycle, which is shown in Fig. 2:

First, the product is designed to include sustainable features and functionalities, based on sustainable (recycled or natural) raw materials; the production process will eliminate the use of non-sustainable consumables or parts, the use of the product will include functionalities that support sustainability (e.g., low-carbon emission) and the obsolete product will offer the possibility of recycling.

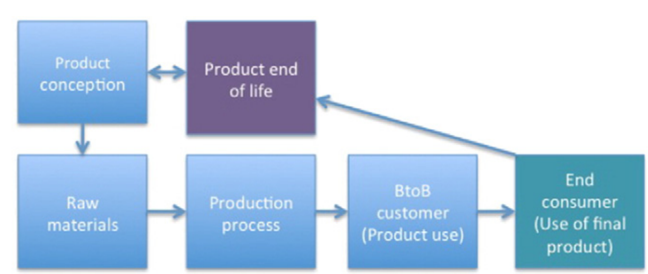

Fig. 2. Product life cycle in BtoB (partly based on Maxwell & van der Vorst, 2003).