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It's all B2B…and beyond: Toward a systems perspective of the market

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ABSTRACT

The delineation of B2B from 'mainstream' marketing reflects the limitations of the traditional, goods-dominant (G-D) model of exchange and a conceptualization of value creation based on the 'producer' versus 'consumer' divide. Service-dominant (S-D) logic broadens the perspective of exchange and value creation and implies that all social and economic actors engaged in exchange (e.g., firms, customers, etc.) are service-providing, value-creating enterprises; thus, in this sense, all exchange can be considered B2B. From this perspective, the contributions of B2B marketing (and other sub-disciplines) can be seen as applicable to 'mainstream' marketing. This generic, actor-to-actor (A2A) orientation, in turn, points toward a dynamic, networked and systems orientation to value creation. This article discusses this systems-oriented framework and elaborates the steps necessary for developing it further into a general theory of the market, informed by the marketing sub-disciplines, marketing practices, and disciplines external to marketing.

1. Introduction

> A state arises, as I conceive, out of the needs of mankind; no one is self-sufficing, but all of us have many wants…. Then, as we have many wants … and many persons are needed to supply them, one takes a helper for one purpose and another for another; and when these parties and helpers are gathered together in one habitation, the body of inhabitants is termed a state. And they exchange with one another, and one gives and another receives under the idea that exchange will be for their good.

As the global, networked economy becomes more pervasive and its nature more compelling, it is (should be) becoming increasingly clear that we rely on one another through the voluntary exchange of applied skills and competences (Vargo & Lusch, 2004, 2008a). Consequently, one might think that the above quotation is contemporary; it is, however, from Plato's *The Republic* (360 BCE/1930), published over 2000 years ago.

Despite a globally interdependent world, the simple truth behind Plato's words often seems to be missed: we are all similarly human beings serving each other, through exchange, for mutual wellbeing. Perhaps his statement therefore punctuates our (Vargo & Lusch, 2004, 2008a; see also Vargo, 2007) contention that it is important to develop a logic of and for the market (and society) and marketing that transcends time, geography, and the sometimes myopic conceptualizations of academic silos. It was in the spirit of this contention that we previously used a 'linguistic telescope' to zoom out to a broader, more transcending view of economic exchange and suggested (Vargo & Lusch, 2008b) "It's all B2B."

Since our early collaborative work on what has become known as service-dominant (S-D) logic, we have tried to nudge marketing thought away from fragmentation and toward a more unified theoretical conceptualization and framework. A first step was to suggest *transcending the 'goods' verses 'services' divide* with *'it is all about service.'* More specifically and more recently, we recognized a need to overcome (mis)conceptual problems associated with the notion of a *'producer,'* as a creator of value, versus a *'consumer,'* as a destroyer of value, and have reflected this in one of the newer central tenets of S-D logic: *all social and economic actors are resource integrators* (Vargo & Lusch, 2008a — as captured in foundational premise (FP) 9). That is, all parties (e.g. businesses, individual customers, households, etc.) engaged in economic exchange are similarly, resource-integrating, service-providing enterprises that have the common purpose of value (co)creation — what we mean by "*it is all B2B*."

We initially picked 'B' because, given the most commonly used designations of 'B' (business) and 'C' (consumer), economic (and social) actors come closest generically to what is captured by 'business,' rather than 'consumer.' Stated alternatively, a business is thought of as enterprising, a characterization that we find also more fully captures the activities of those with whom they exchange, than is implied by 'consumer' — which has rather passive, final connotations of a 'target' with a primary activity of using stuff up, rather than creating and contributing. Additionally, B2B scholars have been

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among those at the forefront in the conceptualization of generic 'actors' involved in value-creation processes.

However, we now intend to zoom out even more with our linguistic telescope and use perhaps a more abstract designation such as 'actor-to-actor' (A2A) (see Vargo, 2009), which Evert Gummesson also has recently indicated to us that he is adopting, and is consistent with our adoption of the generic term 'actor' (e.g. Vargo & Lusch, 2008a, FP9) in our writings, as well as the convention of most Industrial Marketing and Purchasing (IMP) Group scholars (e.g. Håkansson & Snehota, 1995). Interestingly, it is also consistent with Bagozzi (1974) who, in writing about marketing as an organized behavioral system of exchange, defined the exchange system as a "set of social actors, their relationships to each other, and the endogenous and exogenous variables affecting the behavior of the social actors in those relationships" (p. 78).

The A2A designation, taken together with another of S-D logic's tenets — value is always co-created (Vargo & Lusch, 2004, FP6) — point away from the fallacy of the conceptualization of the linear, sequential creation, flow, and destruction of value and toward the existence of a much more complex and dynamic system of actors that relationally co-create value and, at the same time, jointly provide the context through which 'value' gains its collective and individual assessment (Giddens, 1984, p. 25; Slater, 2002. P. 60). That is, they point beyond an anything-to-anything perspective to a systems orientation. A systems orientation is important to both academics and practitioners because it has different implications for understanding and applying principles of value co-creation, as is particularly essential in an increasingly interconnected, and thus increasingly dynamic, world. There is perhaps a certain irony in this position; it implies that we must move toward a more macro, systemic view of generic actors in order to see more clearly how a single, specific actor (e.g. a firm) can participate more effectively.

Our purpose here is partly to elaborate further the claim that it is all A2A (or B2B) — that is, at an appropriate level of abstraction, all actors are fundamentally doing the same things, co-creating value through resource integration and service provision. But, perhaps more important, it is also our purpose to point toward what becomes possible once we have normalized the actors: (1) cross-fertilization among what have been seen as fragmented sub-disciplines and (2) a better vision of the collaborative, systemic nature of value creation and the implications for marketing theory and practice.

To accomplish these purposes, we first establish the historical roots of the producer–consumer characterization and briefly explore the role of B2B and other sub-disciplinary scholars in shifting the focus toward a more complex and relational model of value creation. We then outline an S-D logic conceptualization of value creation and its implications for not only a network-based model, but also a systemic model. We then briefly discuss how practice can inform marketing theory and why a practice-informed and S-D-logic-based understanding of markets and marketing, that integrates sub-disciplinary knowledge, might provide better insights into the practice of marketing.

2. The producer–consumer divide

It is difficult to pinpoint the origin of the business-versus-consumer (producer–consumer) distinction. Undoubtedly, it has practical roots in the development of indirect exchange. That is, initially, when exchange was direct through barter, the producer–consumer distinction was trivial, if not nonexistent, since each party was clearly doing something for the other (i.e. 'producing') and benefiting from having something done for them (i.e. 'consuming'). However, once a monetary system was created and economic organization (i.e. 'business firm') separated from households, more and more exchange began to take place indirectly (e.g. through intermediates, such as merchants) and, as a result, the symmetry of the roles became blurred. Now one party ('producer') did something for another party ('consumer') relatively directly, while the latter provided indirect benefit (money) obtained by providing direct benefit to a third party. As the economy became 'industrialized' this usually meant that this direct benefit to a third party was provided through an individual household member opting to work exogenously to the home, for a business, in return for monetary wages which then were used to participate in the market. Thus, the parties appeared to be playing different roles, though each was providing and receiving benefit, albeit, not necessarily directly. We capture this in another tenet of S-D logic: indirect exchange masks the fundamental basis of exchange (Vargo & Lusch, 2004, FP2).

More academically, the term 'produce' had a rather specific meaning that could be contrasted with consumption in the context of agricultural activity. This meaning became abstracted in the discussion of the activities that contributed directly to national wellbeing, perhaps most notably by the Physiocrats (Gilbert, 1987, p. 990) in the 18th Century. As discussion turned toward industrial activity during the Industrial Revolution, this distinction continued, in part because the indirect nature of exchange accelerated during this period as the beneficiaries and direct contributors of an exchange became even more separated.

Smith (1776/1904) used the terms 'producer' and 'consumer' but, for the most part, rather casually, in making the point that consumption was the sole purpose of production. But for Smith, the relationship between these two abstracted parties in the 'division of labor' was more of a circular one, as might be associated with bartered exchange. That is, producers and consumers were not seen as characteristically different kinds of actors with a unidirectional relationship but rather as representing the joint characterizations of all parties involved in exchange relationships (Gilbert, 1987, p. 991) — in other words, all are, at the same time, 'producers' and 'consumers.' By implication, producers and consumers were distinguishable only from the limited perspective of a respective party for a particular benefit provided and obtained through the division of 'labor.'

Smith did, however, play a pivotal role in establishing the producer–consumer divide by attaching a very specific meaning to 'productive' (and thus to 'producer,' though perhaps inadvertently). Generally in line with the Physiocratic focus on national wellbeing, he recognized 'productive' activities as those that contributed to the creation of surplus tangible goods that could be exported. This meaning of 'productive' was carried forward, albeit reluctantly, by the economic philosophers that followed (Vargo & Morgan, 2005), thus contributing not only to the producer–consumer divide, but also to the traditional, goods-dominant (G-D) paradigm of exchange.

The producer–consumer divide became more pronounced in the work of the economic scientists. It is evident in Walras (1926/1954) conceptualization of 'producer services' and 'consumer services' and was foundational, if not essential, to the development of a neoclassical economic theory based on the equilibrium of supply and demand moderated by price. It was this neoclassical model that characterized economic thought at the beginning of the 20th Century as academic marketing emerged from it (Vargo & Morgan, 2005) — a model represented by the good (product), embedded with value, as the focus of economic exchange — what we (Vargo & Lusch, 2008a) have referred to as G-D logic.

In terms of formal marketing thought, it is similarly difficult to pinpoint the origin of the business-versus-consumer distinction. The early textbooks in B2B, published under the rubric of industrial marketing, appeared in the early 1930s. Copeland (1930) published a case book and Frederick (1934) published a textbook on industrial marketing during this decade. However, B2B teaching and scholarship remained relatively dormant for a long period. It was not until 1957 that the first course in industrial marketing was developed at the Harvard Business School by Ray Corey, who five years later, published *Industrial Marketing: Cases and Concepts* (Corey, 1962). A little more