



Reflections on Vargo and Lusch's systems perspective

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In their thoughtful article in this issue of *Industrial Marketing Management*, Vargo and Lusch make three observations about B2B marketing. First, the goods-dominant (G-D) model of exchange, anchored to trading of consumer products as the origin of marketing practice, is a major obstacle to making B2B marketing part of mainstream marketing. I fully agree. In several of my papers in the seventies, I had also expressed the view that the differences between B2B and B2C are less than their commonalities (Sheth, 1977). Indeed, our textbook, *Customer Behavior* (Sheth & Mittal, 2004) was organized to point out that if we change the word *consumer* to *customer* there are enormous similarities, especially if we consider the household as a unit of analysis. It is in many ways an owner managed organization. In fact, small business has more things in common with the household compared to large business in the same industry such as banks and manufacturing. Small business can be understood better as a supra-residential customer.

This blurring of demarcation between B2B and B2C marketing is more prevalent in services industries such as telephone, utility, banking and IT services which typically have all three types of customers: industrial, commercial and residential.

Second, Vargo and Lusch suggest that what is more important to study is value co-creation between customers and suppliers. Michael Etgar was one of the earliest proponents of this viewpoint in his paper on the household as a production unit. In the *Howard-Sheth theory of Buyer Behavior* (1969), we also wrote extensively how the household gives value to purchased goods (fresh vegetables, canned and frozen goods) to make them consumable by the family through warming, cooking and adding ingredients.

This notion of value co-creation is obvious if we liberate marketing from a trader (middleman) perspective (buyers and sellers) to producers and consumers. Again, value co-creation between a producer and consumer becomes a necessary condition in most services such as hairstyling, healthcare and education, even in consumer markets.

In B2B marketing and especially in key accounts, this value co-creation is organized, transparent, measured and often contractual. In my view, what we need is a *joint venture* perspective in marketing between a customer and a supplier. Typical joint ventures have agreed upon common goals, dedicated resources and compatible processes resulting in harmonious enduring relationships. Each party is dependent on the other in a joint venture. Gestalt thinking tells us that the whole is more than the sum of the parts. In this regard, a joint venture perspective is significantly different from key account management where the supplier commits resources in the relationship without reciprocal commitment by the customer.

In my studies of long term B2B relationships such as Whirlpool-Sears, P&G-Walmart, Lucent-AT&T, Siemens-Deutsche Telecom and Alcatel-France Telecom, I have understood them better as a joint venture model, with value co-creation as inherent to the survival and success of these relationships.

The third observation Vargo and Lusch make is that marketing is and should be viewed from a *systems perspective*, and I agree. In fact, systems perspective was a major conceptual initiative in the sixties leading up to what Sheth, Garrett, and Gardner (1988) referred to as a separate school of thought. It grew out of the popularity of industrial dynamics pioneered by Jay Forrester at MIT and was intensified in the seventies by the first energy crisis. Systems perspective is the foundation of most business simulation games such as *Markstrat*. Systems perspective is now even more necessary today, not only because of globalization but also because of borderless concerns such as the environment, terrorism and distributed collaborative work using web-based technology.

In my view, a systems perspective has the highest potential to elevate marketing from practice to discipline. At the same time, it will be the most difficult to embrace unless we unlearn our scientific traditions anchored to mechanics and physics as well as traditional theories of economics and behavioral sciences. It needs to embrace evolutionary and biological science perspectives with a focus more on the context of discovery and less on the context of justification (Schikore & Steinle, 2006).

Finally, a monolithic perspective, wherever it is borrowed from, (behavioral, social or economic sciences) is less likely to be useful in

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marketing, resulting in the proverbial five blind men and the elephant. In that sense, moving from propositions to practice is the key to discovering new knowledge and revising our current perspectives and belief systems (Yadav, 2010).

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