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# **Conceptualising a relational approach to value creation in a government service: Implications for social marketing**

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## **Abstract**

Social marketing is often used by governments to achieve social change goals such as reduction of smoking, increase in adherence to safe driving, increasing uptake environment and recycling programs and healthier lifestyles. A hallmark of many of these social marketing programs is the nature of the 'product' in the social marketing mix being more service-oriented than goods-based. Given the prominence of services rather than goods in the government marketing mix, it would seem appropriate that services marketing theory can be used to develop the field of social marketing. This paper draws together the services marketing theories of co-creation and value creation to offer a new perspective for governments in managing service-oriented social marketing programs. Specifically Sweeney's Value Development Model (2003) is combined with Hastings (2003) multirelational model to show the relationship between key social marketing stakeholders (customers and employees) for each stage of the value creation process.

## **Introduction**

Governments face ever-increasing issues when they attempt to change the behaviour of society. The need to balance the use of business models and theories whilst maintaining the integrity of their social mission to more effectively deliver social services creates organizational tensions. Services marketing can assist governments in managing their social marketing strategies to be beneficial to all stakeholders though a focus on the dyadic interaction between the service employee and the customer. We argue a key services marketing issue - value-co-creation (Lusch & Vargo, 2006), has been ignored by government marketers. Co-creation is a key issue in the effective delivery of a service and it is defined as "the joint creation of value by the organisation and its customer" (Prahalad & Ramaswamy, 2004). Co-creation involves both the service employee and the customer at the point of encounter which can be either face-to-face or remote (online, email, kiosk or SMS). In most government organizations, the government employee is the service provider and the taxpayer is the customer, however there is little recognition in theory or practice of the value-co-creation role of these two parties and how this can affect service marketing goals.

A significant outcome of co-creation is the joint creation of value by the organisation and its customer (Prahalad & Ramaswamy, 2004). When value is created for customers this results in satisfaction (Sweeney, 2003). However despite these positive organization outcomes, to date there is little evidence of research that investigates customer value in a social marketing or government context.

Understanding value creation in a services organization requires an understanding of the interaction that occurs between these parties. Part of this interaction is the development of a relationship between the organisation and its consumers which has a direct influence on co-creation and value creation. While relationships have been well studied in services and B2B marketing, relational thinking has been identified as being absent from social marketing theory and practice despite the potential it has for the high involvement behaviours that social marketing targets (Hastings, 2003). Thus this paper proposes a relational approach to value creation in a government service and demonstrates this approach through the application to a

government health-service that currently adopts a business service model: BreastScreen Queensland.

## **Literature Review**

This paper commences with a brief discussion of three theories from services marketing; co-creation, value-creation and relationship marketing. It then identifies a gap in Hastings' Multirelationship Model of Social Marketing and offers a relational approach to value creation for social marketing that focuses on this gap. Finally this approach is demonstrated through the application to BreastScreen Queensland.

### **Co-creation**

Co-creation occurs in services when the service-provider and the customer jointly create the service through their interaction (Prahalad & Ramaswamy, 2004). In the delivery of the service, both the customer and the employee must be present for the delivery and consumption of the service to occur (Bove, 2003; Zeithaml, 1981) and this relates to the co-creation of value. The role of the customer is thus becoming increasingly important, as the customer should be seen as a partner in creating value (Prahalad & Ramaswamy, 2004). The concept of co-creation thus focuses on interactions between groups (Rowley, Kupiec-Teahan, & Leeming, 2007), namely the different stakeholder groups of an organisation that uses social marketing.

In order to satisfy conflicting goals of stakeholders, compatible expectations must be developed for each of the different groups in order to avoid role conflict (Lovelock, Patterson, & Walker, 2004). Doing so encourages the various groups to act in the way which they are supposed to and this will allow for the creation of value through co-creation. This paper defines stakeholders as identifiable groups who are affected by or have the ability to affect the achievement of an organisation's objectives (Freeman, 1984). In the context of a government organization engaging in social marketing of a service, the primary stakeholders are the players in the service interaction, namely the service employees and the customers of the government organization.

### **Value creation**

Value creation is an area usually examined from the perspective of a commercial organisation where customers are often concerned to some degree about financial cost (Preim, 2007). Many services provided by a government service are free to their target population and as such, these customers are likely to evaluate the benefits received against forms of non-financial cost. These costs could include time or effort. This relates to the overall assessment of the utility of a service based on what is received and what is given (Zeithaml, 1988). Sweeney (2003) agrees that customers evaluate the services that are provided and describes this process as consumers' comparison of "get components" against "give components." "Get components" are the benefits the consumers receive, while the "give components" are the costs incurred by the consumers, or what they have given up in order to consume the service such as time or effort (Sweeney, 2003). These evaluation or comparison processes lead to the perceived value of the service.

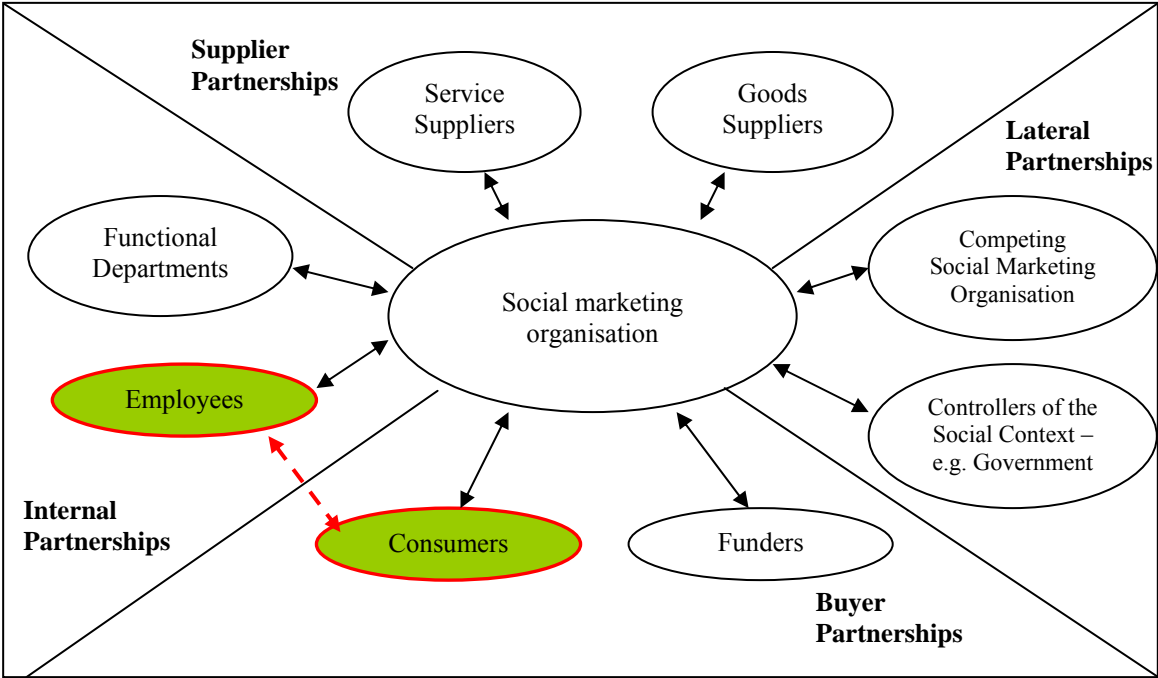
The customer value development model (Sweeney, 2003) shows how value is created to achieve the main objective typical for a commercial organisation, which is profitability. In a social marketing context, the main objective is not profitability, but rather a desired behavioural change within a target audience, which ultimately benefits society. Benefits can accrue for example via potential costs savings on the health system, or the creation of more

productive and happy citizens. The customer value development model shows the various stages customers go through in their evaluation of the value they have received from the organization; pre-purchase perceived value, post-purchase perceived value, satisfaction, behavioural intentions and desired outcomes. This model is useful for understanding the different stages that lead to the achievement of the objectives of an organization both commercial and government. However an omission in this model is the lack of a dyadic perspective where both employee and customer value is incorporated.

**Relational approach to social marketing**

The development and maintenance of commercial relationships is now well-established in both the B2B and services marketing literature (Gronroos, 1989; Lovelock et al., 2004; Moller & Wilson, 1988). The benefits of a relational approach are known to be: greater stability from long-term customers, supplier maintenance, higher levels of satisfaction and trust which lead to the achievement of the organizations performance objectives (Hastings, 2003). When applied to the social marketing context, Hastings adapted Morgan and Hunt’s (1994) four categories of relationships with the addition of key stakeholder groups for each category.

**Figure 1: A Multi-relationship Model of Social Marketing**

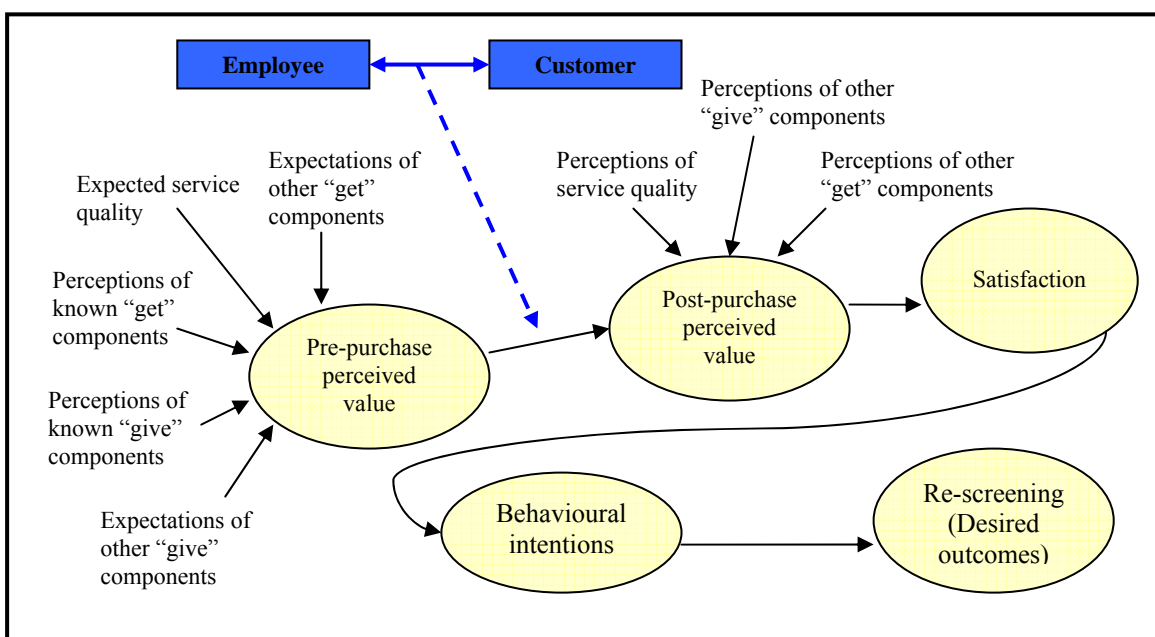


While the Hastings' (2003) model is the first to specifically apply commercial relational thinking to social marketing, it adopts a very organization-centric approach with all relationships radiating out from the organization. The gap in this model is the lack of inter-stakeholder relationships that affect the organisation’s performance. In the context of a service-oriented government organization, the relationship between employees (in the Internal Partnership category) and consumers (in the Buyer Partnerships category) form the core service in which co-creation and value-co-creation occurs. We argue that it is necessary to focus on central role of interactivity within the exchange process where value creation occurs because of the inter-stakeholder relationship. Ultimately this will lead to more effective management of a service-oriented social marketing program, which will benefit all stakeholders (the organisation, its employees and clients). The dyadic relationship between employees and consumers will now be examined in the value creation process for a social marketing service.

## A relational approach to value creation for social marketing

The Customer Value Development Model (Sweeney, 2003) has been adapted for a service-oriented social marketing context to include the two key stakeholders who co-create value; the service employee and the customer. This investigation will analyse and interpret the positive and negative influence of the interactivity between employees and customers at each stage of the model, thus showing that the model has both employee and customer value as outcomes. We propose that it is necessary for both stakeholders in the service interaction to perceive value for there to be an overall achievement of the organization's objectives. The mechanism for this value creation is through a mutually beneficial relationship between the customer and employee at each stage of the value-creation process. Figure 2 (below) is based on a dyadic exchange — between employees and customers, which is central to the staged process of value-co-creation depicted in the five staged process illustrated.

**Figure 2: Stakeholder Value Development Model for Social Marketing**



*Key: yellow variables are sourced from Sweeney (2003) and blue variables from Hastings (2003)*

### Moving from theory to practice: applying a relational approach to BSQ

Queensland Health's BreastScreen Queensland (BSQ), is a public health program that offers free breast cancer screening and follow-up assessment services primarily for women between the ages of 50 and 69 years old in Queensland. BSQ's service-orientation and recent development of a new social marketing initiative makes it an exemplar context to demonstrate the relational approach to value creation in a service-oriented social marketing organization as it adopts a service business model as part of its daily operations. The following discussion describes a five-stage process (see Figure 2) and outlines value-co-creation considerations required when applying relational thinking to a service-oriented social marketing program.

Stage 1: Pre-purchase perceived value is formulated through stakeholder perceptions and expectations of the service organisation prior to consumption. BSQ is a free government service, which creates both positive and negative value perceptions within the target population of women aged 50 to 69. For example, a woman participating in a market research focus group explained: "I would choose the free one unless my doctor sent me to another one" (BSQ, 2005). On the other hand, another woman explained that when "paying for it [a

screening service] you assume you might be getting better attention. I just prefer that" (BSQ, 2005). Employees also hold perceptions about the value of BSQ services. These are influenced by internal marketing factors and employee-employer exchanges involving information generation and dissemination and an employee's sense of participation in decision-making protocols (Lings & Greenley, 2005) which influence service outcomes and responsiveness to clients.

Stage 2: During the consumption process customer's form attitudes that influence post-purchase perceived value based on the interaction with BSQ employees. A pleasant experience with warm and friendly staff is a goal of customers that if met, is likely to result in satisfaction. A woman's consumption experience reported in a current market research report illustrates this influence, she said: "... I have been to a few private clinics. The one I go to now makes it comfortable. And I feel that they've become more people-skilled too..." (BSQ, 2005). It is at this second stage of the relational process that interactivity between BSQ employees and clients influences the value-co-creation in the exchange. Ultimately, post-purchase perceived value will impact the desired outcome, which is to increase participation among unscreened women and women whose attendance at BSQ has lapsed (BSQ, 2007).

Stage 3: In a relational approach, examining satisfaction requires consideration of all stakeholders. Satisfaction for the customer is generated when the customer receives quality service and has a pleasant and reassuring experience during the service consumption. The servicescape also impacts a stakeholder's sense of satisfaction. In the case of BSQ services, quality control of the servicescape is particularly challenging in locations where mobile services (i.e. vans and temporary accommodation is used) are used. Satisfaction for the employee is achieved from positive responses from the customer and their ability to control the servicescape situation influences (e.g. social and physical surrounds).

Stage 4: Stakeholder satisfaction leads to positive behavioural intentions. For example, customers satisfied with the screening service will result in positive behavioural intentions towards the act of re-consuming the service and adopting the long-term re-screening behaviour. The following quote from a satisfied women illustrates this point: "I think you get to know the staff there at the clinic and so if you've had a good experience it makes you feel more comfortable about going back" (BSQ, 2005). Clients positive perceptions about the value of BSQ services also creates constructive value for employees, which accrued via affirming interpersonal exchanges with reassured women and positive feedback from the employer, Queensland Health, on meeting service targets for re-screening women in at risk populations.

Stage 5: When consumers and employees have positive behavioural intentions this increases the likelihood of desired outcomes. The desired outcome for customers is commitment to regularly mammogram screening every two years. The desired outcome for employees is to increase the participation among unscreened women and women whose attendance at BSQ services has lapsed. This will ensure future localised BSQ service provision and the opportunity for continued employment for service employees. Achieving desired outcomes for both stakeholders will ultimately lead to the reduced incidence of breast cancer in women aged 50 to 69 years in Queensland.

## **Conclusion**

A relational approach to value co-creation provides a useful framework for government organisation's seeking to manage social marketing programs with a service-focus. This takes into account the effect that the interaction between the two key stakeholders of employees and

customers has on value creation during the service encounter. In particular, this is a dyadic approach that emphasis both the role of the employee and the customer and the benefits to each of participating in the co-creation of the service. This understanding can assist managers of service-oriented social marketing programs to identify problems and offers solutions to improve the delivery of these programs.

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