

BLSI7005 Critical Analysis Essay

How The Lego Group achieves value co-creation

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Most of the people in community familiar with the toy known as Lego bricks, and we probably all played with them at some point when we were little. Simple yet constantly changing forms may be created by pushing and stacking colorful plastic blocks. Adults still like building with Lego bricks as a hobby because it allows them to use their imagination and feel successful when they finish their projects. There is a one of the most significant reasons for LEGO to success is value co-creation. In this essay, what is value, the definition of value co-creation, the definition of S-D logic and how The Lego Group engage with these ideas to success.

Value, in general, refers to the positive meaning and usability that an object exhibits to a subject. It can be considered as the total amount that fairly and appropriately reflects the equivalent value of goods, services, or money. Value is co-created by involving different characters. In the value co-creation process, customers participate in all aspects of value creation; the company provides an experiential environment; and the company and the customer interact to create a personalized experience, which is an all-round value co-creation process. The early service-dominant logic unified product and service; emphasized that service is the fundamental basis of exchange and argued that companies cannot deliver value but can only make value claims (Vargo and Lusch, 2008). Value co-creation is enabled by the exchange of services and the integration of resources in the customer experience; thus, value co-creation emphasizes the unique factors of service, customer interaction, and customer experience, the co-creation of value by the company and the customer, and the process of all-round value co-creation. Service logic emphasizes that the unique factors of value co-creation are services consisting of knowledge and technology, services as the basis for the exchange of resources, customer and relationship-oriented, and the importance of co-creation of value in the process of customer experience (Grönroos and Gummerus, 2014). The service logic focuses on the process of value creation through customer use, and value creation is divided into three areas: the customer area, the provider area, and the shared area. The customer area is an independent value creation which create real value. The customer is an independent value creator outside direct interaction. The provider area is the production which create potential value. The

provider is a value facilitator through the provision of resources. And the shared area in between that is where value creation in interaction which creates real value as well. (Grönroos and Voima 2012). The Lego Group is the provider which provides Lego bricks and instruction book. The customer is the independent value creator. The joint area is the platform which called “Lego Idea”, which is a website maintained by Chaordix and The Lego Group that enables people to submit concepts for Lego goods that might perhaps be made into sets that are offered for sale, with the original creator earning 1% of the profits (Botic,2015). Therefore, the factors that are specific to achieving value co-creation are service, direct interaction, and customer experience.

The Lego Group wasn't always successful through its development journey. In 2003, LEGO experienced a huge business crisis, with global sales falling by 29% that year and accumulating debts of nearly US\$800 million. Fifteen years later, in 2018, however, LEGO is among the top 500 world brands and has become synonymous with innovation and toys, with a huge business footprint involving toys, games, education, entertainment, and film (Folding the Crowd,2022). LEGO's original product development policy was "in-house, no outside ideas", with strict control over its products and intellectual property rights. However, LEGO fans from all over the world continued to come up with ideas for products and even began to make their own variations of what they thought was ideal for LEGO's standard products. This has made LEGO management realize that one of LEGO's priceless assets is its many passionate fans, many of whom have professional skills in design, software engineering, marketing, and even creative talent to discover new products, and that these should be incorporated into LEGO's development. This represents the integration of resources from customer. According to McColl-Kennedy and Cheung (2019), “we define value cocreation as the integration of resources from a range of sources by multiple actors, always involving the customer, to realize benefit in use for the beneficiaries involved in a given context. LEGO has taken this a step further with an initiative called "LEGO Ideas", a website that allows fans to suggest ideas for products they would like LEGO to produce. By creating new products together with LEGO's biggest fans,

LEGO not only get to know exactly what their customers like, but also allow them to buy the items they have always dreamed of. This reflected on Lilliemay Cheung's idea that resource integration is the process that social customers look at the skills, the knowledge, and the abilities that they have, the resources that they can draw on and exchange or transact in the way they can satisfy what they need. The experience of LEGO in embracing its fans shows how companies can move from a one-way service that ignores consumers' needs and potential business opportunities to a two-way communication, close interaction, and co-creation with consumers, which is a win-win situation for both companies and consumers. Thus, it is critical for a firm to have customers as the actors resources integrators to achieve value co-creation.

S-D Logic is also another factor that helps a firm to achieve value co-creation. Resource integration was first described by S-D logic as the process through which businesses, homes, or people combine and turn their micro-specialized skills into complex services that are in demand in the market (Peter, 2019). Vargo and Lusch (2004) unify the products and services separated under the commodity-led logic, arguing that all economies are service economies, where customers actively participate in relational exchange and co-production and value is determined and co-created by customers. As a result, the service-dominant logic became the main research perspective on value co-creation and has been developed and refined by many scholars. The service logic, service scientific, and service ecosystem perspectives that will be analyzed later are all extensions of this foundation. A customer service logic and a supplier service logic are distinguished by Grönroos (2008), who contends that the customer service logic dominates the supplier service logic. There are two models: value facilitation and value realization, which are based on the various roles that suppliers play in value creation. The client is the value creator, and the supplier is the value facilitator in the value facilitation paradigm. The supplier plays two roles in the value realization model: value collaborator and value facilitator. The supplier actively participates in the customer's value creation process and has the potential to become a value creator via direct connection. LEGO as the supplier who supplies LEGO bricks and platform to engage customers sharing their ideas and feedbacks to

make the product more satisfying with customers. As a result, LEGO is a great example which use S-D logic to put service at the front of business to achieve value cocreation with customers, as well as represents that value is cocreated by multiple actors, always including the beneficiaries.

In terms of service-led logic, platforms increase the number of resources accessible to customers to solve specific problems by establishing themselves as new institutions in a new service ecosystem. A platform is not limited to entering an existing market-it changes the rules of the market and creates a new market for itself. Firms should be customer-oriented in their production and services, focusing on the role of the customer in value co-creation and the significance of customer-specific human capital as a master control resource for value creation. The dominant logic of business is shifting from the exchange of tangible goods to the exchange of intangibles like know-how and skills, and the orientation of business is shifting from the producer to the customer. The more appropriate unit of exchange between firms is the application of competitiveness, or dedicated human knowledge and skills, which benefits the recipient. By maintaining the platform aspect of the game system, LEGO can extend its lifespan beyond the individual stories and the possibilities for customers to combine stories, which makes maintaining the platform a smart move. The platform alone is not enough; it needs to be combined with an understanding of the context of the customer's life in order to create an attractive product within the platform-essentially a service with a S-D logic.

In conclusion, this essay has introduced what is value, the definition of value cocreation, and how a firm achieve value cocreation in term of S-D logic. LEGO is one of the most recognizable examples to demonstrate the importance of customer involvement and services the first to accomplish value co-creation. In summary, it is significant for firms to improve a platform for the successful application of S-D logic, and thus achieve optimal service satisfaction.

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