SELECTIVE DEMARKETING: WHEN CUSTOMERS DESTROY VALUE

Abstract

Selective demarketing is a strategic option for firms to manage customers who are or are likely to be a poor fit with its offering. Research has investigated related areas such as customer profitability and relationship dissolution but, as yet, studies have not offered a robust conceptualisation of selective demarketing. Based on research into value co-destruction, this study argues that these customers effectively destroy value by misusing or misunderstanding how to integrate their operant resources with those of the firm. As firms exist within a wider service system, this failure to integrate resonates throughout the system. To demarket selectively, firms use higher order operant resources to disengage and discourage these customers. This study develops a conceptualisation of selective demarketing as a marketing strategy through adopting a firm and systems perspective derived from value destruction.

Keywords: selective demarketing, value destruction, operant resources, resource integration, service systems.

Introduction

A firm interacts with selected customers to co-construct a consumption experience (O'Cass and Ngo, 2011) from which the customer gains value-in-use (Grönroos, 2008; Grönroos and Gummerus, 2014) or co-creates value (Vargo and Lusch, 2004). The firm directs its marketing efforts at identifying new customers with whom it may be able to co-create value and seeks to extend value co-creation opportunities with existing customers (O'Cass and Ngo, 2011). However, the business environment is far from static; changes occur for the firm, its customers and members of its network. The firm, as a result, may decide to withdraw from existing markets and/or to prioritise new customer groups. Such actions have been labelled selective demarketing, the aim of which is to reduce demand from certain classes of consumer (Kotler and Levy, 1971). These segments or customer classes may be considered relatively unprofitable or undesirable in terms of their impact on other valued segments of the market (Kotler, 1973) and are therefore candidates for selective demarketing.

Existing work that informs selective demarketing is covered in two principal areas. Firstly, there is abundant literature measuring customer profitability and customer asset management (for example, Bowman and Narayandas, 2004; Venkatesan and Kumar, 2004). Instead of Kotler's (1973) segments, firms can now identify individual customers who are unprofitable. The second area is the relationship dissolution literature largely based on empirical work from business-to-business marketing (for example, Alajoutsijärvi, Möller and Tähtinen, 2000). The relationship dissolution literature focuses on the breadth of how business relationships breakdown and that firms are often unwilling to terminate a relationship unilaterally owing to concerns about the negative consequences of their actions (Helm, Rolfes and Gunter, 2006).

Studies into customer abandonment bridge both resource allocation and relationship dissolution (see for example, Haenlein, Kaplan and Schoder, 2006; Haenlein and Kaplan, 2012) through an evaluation of strategies of customer abandonment or with the firm 'just fading away' (Haenlein and Kaplan, 2009). Firms have or may acquire customers whether business-to-business or business-to-consumer, who incur costs without generating sufficient benefits or revenue to be worth retaining and also acknowledge that abandoning customers may have negative consequences for the firm (Haenlein and Kaplan, 2012). This research generates detailed insight into the metrics of individual customer profitability and indicates ways for firms to better allocate their resources. As yet, strategies for deterring or discouraging customers who are a poor fit with the firm offering are ill-defined neither do they reflect the effect of these customers on the firm and its stakeholders. As the share of customers with a negative contribution margin (revenue less direct cost and cost-to-serve) can reach up to 30 per cent (Haenlein and Kaplan, 2009), the problem is large scale. By reconceptualising unprofitable customers as those who destroy value, a more robust understanding of selective demarketing is achieved.

Value destruction has recently emerged from research into service-dominant logic (SDL) that focuses not on the co-creation of value between the firm and the customer but on co-destruction (Plé and Chumpitaz Cáceres, 2010; Echeverri and Skålén, 2011; Smith 2013). SDL conceptualises the integration of resources almost exclusively in terms of benefits, whereas it has been noted that resource imbalances need to be considered as part of this integration (Peñaloza and Mish, 2011) and that interactions may co-destroy as well as co-create value (Echeverri and Skålén, 2011). Moreover, as the firm operates within a network of actors as part of value co-creation (Lusch, Vargo, and O’Brien, 2007; Vargo, Maglio and Akaka, 2008), costs incurred through serving value-destroying customers will be shared by the network or system as a whole.

In this study, the emphasis of SDL on value co-creation is inverted so that the focus is on value destruction. Existing studies into value destruction have considered the customer perspective (see for example Echeverri and Skålén, 2011; Smith, 2013) but this research investigates the construct from the perspective of the firm. In so doing, it sets out how value destruction sits within strategic marketing, drawing in key SDL concepts of resources and service systems, thus enabling a refreshed conceptualisation of selective demarketing.

This paper is structured as follows: a review of selective demarketing and its core of demarketing, value destruction and how that affects systems and resources in the SDL literature, followed by a reconceptualising of selective demarketing. The paper concludes with theoretical and managerial implications and suggestions for further research.

Demarketing and selective demarketing

Demarketing has been described as a response to overfull demand (Kotler, 1977, 2011); with its prime objective of reducing overall demand for a particular offering (Bradley and Blythe, 2013; Wall, 2005). Demarketing appears in a number of different contexts. Demarketing can be the means of decreasing demand for a tourist destination (Medway et al., 2011) through such strategies such as restricting access, pricing and redirection or diversion marketing. It can also be used to discourage the consumption of products that have a negative effect, such as tobacco (Shiu, Hassan, and Walsh, 2009) or narcotics

(Jones, Baines and Welsh, 2014) where consumers are offered substitutes or encouraged to abandon harmful behaviours. Green demarketing refers to a strategy whereby a firm or brand encourages consumers to consume or buy less for the sake of the environment (Armstrong Soule and Reich, 2015) with the longer term benefit to the firm of risk reductions for example, through the avoidance of fines and favourable share performance. These contributions to demarketing concentrate on preservation, that is, either conserving the place or, in the case of smoking, trying to improve consumer wellbeing. The objective of demarketing here is to limit or discourage customers on a non-specific basis, there will be customers who have the ability to negotiate barriers to their advantage or those who lack the resources to abstain or switch behaviours. The literature offers little theoretical insight into how demarketing may address deviant consumer behaviour.

There are circumstances where demarketing might have more complex objectives linked to marketing strategies. A standard view of selective demarketing is that firms may wish to reduce demand not overall but from certain classes of customers who might not be a good fit with the firm's offering (Kotler and Levy, 1971). In so doing, they can redirect resources to customers or segments that provide a better fit with their offering (Kotler, 1977; Kotler and Levy, 1971). Serving some customers may engender high psychological as well as financial costs (Pressey and Mathews, 2003) such as disruptive or aggressive customers encountered by airlines prompting firms to seek ways of encouraging them to go elsewhere. Firms may have up to 30% of their customers making a negative contribution in business-to-consumer (B2C) situations (Haenlein and Kaplan, 2009) rising to a half of customers in a study of German engineering firms (Helm et al. 2006). In view of the problems caused by customers who are unprofitable or costly to serve, there have been numerous calls for strategies or ways of encouraging customers to leave (for example Alajoutsijärvi et al., 2000; Holmlund and Hobbs, 2009) but there seems to have been little headway. Selective demarketing appears in principle to offer insight into how these challenges may be tackled, the lack of a strong conceptual basis means that it actually offers little strategic insight.

Significant investigation has been conducted into how firms can best direct or allocate their resources, and research into relationship dissolution has looked at how existing customers may be abandoned or eliminated. We look at resource allocation first.

Resource allocation

It has been asserted that resource allocation decisions at the market or segment level can result in sub-optimal strategies, therefore, firms should allocate resources at the individual customer level instead (Bowman and Narayandas, 2004). Here the customer is viewed as an entity that provides the firm with a stream of revenue as well as costs and thus becomes an integral component of the firm's overall net worth (see for example, Berger et al., 2002). Ascertaining the value of an individual customer to a firm has been investigated from a number of angles, such as customer lifetime value (CLV) (Venkatesan and Kumar, 2004), share of wallet (Cooil et al., 2007), assumptions about cross-buying (Shah Kumar, Qu and Chen, 2012) and size of wallet (Kumar and Reinartz, 2006). Whatever the precise measure of value alignment the firm uses, a metric is produced which quantifies the costs of serving a customer against the value, which that customer brings to the firm (Kumar and Reinartz, 2006). Firms are advised, based on these metrics, to allocate resources to those individual customers who generate a greater marginal return. The measure of individual customer value marks a significant step forward from Kotler's (1977) original view of segments or classes of undesirable customers.

The firm can then identify those customers who do not generate a desired level of return and may encourage these customers to spend more or reduce the quantity of sales communications (Shah et al., 2012). This type of response to the unprofitable customer corresponds to a form of customer abandonment (Alajoutsijärvi et al., 2000; Haenlein and Kaplan, 2009), which has been described as indirect. Firms indirectly abandon customer by reducing the amount of contact or increasing the social, physical or monetary costs of the customer of maintaining the relationship. In contrast, a more direct form of abandonment is to 'fire the customer' (Haenlein, Kaplan and Schoder, 2006). As the term suggests this action is unequivocal and is likely to consist of an explicit statement that the relationship is over (Haenlein and Kaplan, 2011). The consequences of such actions by the firm can provoke anger and even retaliation amongst abandoned customers. Direct abandonment even upsets those customers, who are not abandoned (Haenlein and Kaplan, 2012). This finding is an important extension to the resource allocation literature that, until this point, has been focused on the dyad of firm/customer. Nonetheless, a systematic understanding of the other actors in a selective demarketing scenario has yet to be achieved.

The resource allocation literature forms an important first step in a selective demarketing strategy by offering the means of identifying customers who are failing to generate value. However, formalised strategies for dealing with the aftermath of identification or abandonment are undeveloped, something that the relationship dissolution literature does investigate.

Relationship dissolution

Relationship marketing research has investigated how relationships are built and maintained with customers (Gummesson, 2002; Morgan and Hunt, 1994) and has also albeit to a lesser degree studies the breakdown or dissolution of marketing relationships (for example, Dwyer, Schurr and Oh, 1992; Michalski, 2004; Tähtinen and Halinen, 2002). As suggested in social exchange theory (see for example, Cropanzano and Mitchell, 2005), relationships may be candidates for termination where the costs are unevenly distributed so that one partner derives greater benefit than the other. In the business-to-business (B2B) marketing literature, relationship dissolution, termination and exit (for example Ping, 1999; Ritter and Geersbro, 2011; Tähtinen and Halinen, 2002) and relationship disengagement, ending, dissolution and breakdown in the B2C literature (Hocutt, 1998; Michalski, 2004) are all terms that encompass this domain. Studies have thus investigated the different ways in which relationships break down and who has initiated the ending.

The strategy of selective demarketing shares some characteristics with dissolution typologies such as endings that have been instigated by the seller (Holmlund and Hobbs, 2009) or, where customers have been deselected (Pressey and Mathews, 2003). In these one-sided firm originated endings, researchers have noted that scenes of attributional conflict have ensued, exacerbated by the intensity of exit (Pressey and Mathews, 2003). The quality of the relationship ending is driven by the process, that is, interactions between the partners as well as the context of the relationship. In spite of this acknowledgement, prescribing specific actions remains problematic (Alajoutsijärvi et al., 2000). Termination should, nonetheless be regarded by the firm as a legitimate option to decrease the number of unwanted customers (Ritter and Geersbro, 2011). The relationship dissolution literature marks the next step in selective demarketing in recognising the category of firm initiated endings but in terms of developing a process and strategy, procedures for achieving dissolution are still ad hoc.

The significance of networks of stakeholders is prominent in relationship marketing research (for example Christopher, Payne and Ballantyne, 2002; Morgan and Hunt, 1994) but there is less emphasis on stakeholders in the relationship dissolution literature. One pertinent question is posed by Tähtinen and Havila (2004) about firms paying attention to their customers who leave and their responses (Tähtinen and Havila, 2004). However, this is a generic question about the ending of a relationship rather than a specific one about customers who are terminated. According to stakeholder theory, the firm develops relationships, inspires its stakeholders and creates communities where everyone strives to give their best to deliver the value the firm promises (Freeman et al., 2004). The firm enhances its corporate strategy by understanding the roles and interactions with its stakeholders (Rowley, 1997), which will involve decisions about resources (Neville, Bell and Mengü, 2005).

If the firm fails to deal with unprofitable customers, it is not optimising its resources. This failure may affect its stakeholders – it has already been noted that serving unprofitable customers raises costs for profitable customers (Haenlein and Kaplan, 2012) –with costs resonating within the stakeholder system. Although the mandate for selective demarketing is increasingly being accepted, firms are caught in something of a dilemma. On one hand, they have a proportion of customers who generate insufficient revenue and affect stakeholders as well as the firm itself. On the other hand, the repercussions of eliminating these customers either directly or indirectly damages the firm's reputation (Haenlein and Kaplan, 2012; Pressey and Mathews, 2003). It is, therefore, not surprising that firms may hang back from selectively demarketing. A decision not to take action against unprofitable customers leaves the firm in a situation where it may have to absorb the costs of these customers (Helm et al., 2006) or pass them onto stakeholders thus weakening the network.

The discussion suggests that firms face three related problems. Firstly, they need to be able to identify unsuitable customers (Haenlein et al., 2006; Venkatesan and Kumar, 2004; Kotler and Levy, 1971). Secondly, firms need to develop procedures to reduce consumption (Armstrong et al., 2015; Bradley and Blythe, 2014; Shiu et al., 2009) or cease to serve unsuitable existing customers whether through direct or indirect strategies (Haenlein and Kaplan, 2011; Medway and Warnaby, 2008). Finally, firms face the problem that relationship dissolution is not merely a dyadic phenomenon but also affects other customers and a wider network (Haenlein and Kaplan, 2012; Freeman et al., 2004).

In the next section, we consider how value destruction offers new perspectives on selective demarketing and its strategy, stemming from research into value destruction and SDL. Perspectives from SDL and indeed service logic have sparked and continue to spark debates and arguments in both the consumer (for example Arnould, 2014; Penaloza and Mish, 2011) and strategic marketing literature (for example, Payne, Storbacka and Frow, 2008; Webster and Lusch, 2013) and which here engender new insight into selective demarketing.

Value destruction

Proponents of SDL (Vargo and Lusch, 2004, 2008) and SL (Grönroos, 2006, 2008) contend that service is a perspective on value creation rather than a category of marketing offering. According to SDL, the customer is a collaborative partner who co-creates value with the firm (Vargo and Lusch, 2004). The firm can only make value propositions, so it is the customer who co-creates value (Lusch, Vargo and O'Brien, 2007). The value proposition is not merely a promise about what the firm, customer and other parties co-create but also how they achieve it (Skålén, Gummerus, von Koskull and Magnusson, 2015), thus emphasising the strategic implications of value co-creation and the interactions which are involved.

Whilst the emphasis in research lies on the resources of the customer to co-create value, it is recognised that customers can also co-destroy value (Grönroos and Gummerus, 2014). Interactions between customer and firm are based on a shared perception of reality such as models of behaviour (Edvardsson, Tronvoll and Gruber, 2011), so if the firm and the customer have differing perceptions of what constitutes that reality, there is the potential for value to be destroyed rather than co-created. Value destruction is summarised as follows (Echeverri and Skålén, 2011, p.355):

> *While co-creation refers to the process whereby providers and customer collaboratively create value, co-destruction refers to the collaborative destruction, or diminishment of value by providers and customers.*

Value co-destruction comes about through the misuse of resources, either accidental or intentional, by an actor within the system (Plé and Chumpitaz Cáceres, 2010), owing to an imbalance or an asymmetry embedded within the value creation interaction (Edvardsson et al., 2011; Echeverri and Skålén, 2011). Moreover, it brings an important critique to the co-creation literature (Echeverri and Skålén, 2011, Smith, 2013) through its inversion of value co-creation. Two core concepts of SDL are now considered from this inverted perspective of value destruction.

Service systems

By identifying and considering a range of stakeholders, firms can gain competitive advantage by engaging not only with customers but other partners to encourage inter-group engagement (Lusch, Vargo and O'Brien, 2007; Vargo and Lusch, 2004). The similarity between the service systems of SDL and the networks of stakeholder and relationship marketing research enable some comparisons. The SDL literature states that value is created within a service system (Maglio, Vargo, Caswell and Spohrer, 2009; Vargo and Lusch, 2016). The firm uses its operant resources to interact with other actors in the service system and, in particular, engages with customers' value creation (Grönroos and Gummerus, 2014; Peñaloza and Mish, 2011) as actor to actor (A2A) (Vargo and Lusch, 2016). These interactions, providing they are positive, lead to an improvement in the wellbeing of the service system as a whole (Vargo et al., 2008), wherein the customer and value co-creation become embedded (Edvardsson, Tronvoll and Gruber, 2011).

Value destruction, however, arises from incongruent elements of practice, which depart from the shared understandings of practice between firm, customer and service system (Echeverri and Skålén, 2011). If these understandings are not shared, value is destroyed rather than created and leads to the decline in the wellbeing of at least one of the systems (Plé and Chumpitaz Cáceres, 2010; Smith 2013) and brings about an asymmetry in the service system. Instead of gaining competitive advantage through the action of the actors (Brodie et al., 2006; Grönroos and Gummerus, 2014; Lusch et al. 2007; Vargo and Lusch, 2004), the firm and the wider system are placed at a disadvantage.

The service systems approach illustrates the interactions which occur throughout networks of firms where customers, firms and other actors may define their roles according to various practices (Akaka, Vargo and Lusch, 2013; Brodie et al. 2006). In an attempt to unravel the complexity of service systems, recent work has proposed that these systems are structural assemblages (Vargo and Lusch, 2016) that consist of three nested levels (Akaka et al. 2013). The first level is the micro, which represents dyadic interactions, for example between the customer and firm, typified in much of the relationship marketing literature (for example Gummesson, 2002; Morgan and Hunt, 1994). At the second meso-level, actors are drawn in from competing firms, suppliers and distributors (see for example the ISPAR system proposed by Maglio et al., 2009). Finally, at macro level, the service system extends to actors who have an impact on the wider industry sector. From a value destruction position, this view of a three-level system connected through shared institutional arrangements underlines the interdependence of the actors for their effectiveness and ultimate survival (Iansiti and Levien, 2004). Value destruction is thus envisioned at micro, meso and macro levels and further illustrates how customers who cannot or will not integrate their operant resources inflict losses on the firm and its system. Since the premise in SDL is that the customer is an operant resource (Lusch et al., 2007), the inference is that there is no space in the service system for the customer who does not fulfil that role. The potential for value destruction cannot be overlooked so prospective customers should also be considered carefully before they enter the system (Plé and Chumpitaz Cáceres, 2010).

Resources

It is a foundational premise of SDL that all the actors in the service system integrate resources to co-create value (Vargo and Lusch, 2004, 2008). Although it has been suggested that the firm thinks of its consumers as equipped with the full range of operant resources to co-create value (Payne, Storbacka and Frow, 2008), it may only be 'good' customers who are able and willing to apply the specialized skills and knowledge to gain value-in-use (Lusch and Webster, 2011). The firm has customers or prospective customers who are unwilling to provide reciprocal resources (Lusch and Webster 2011) fail to understand the reciprocity of the value proposition (Grönroos and Gummerus, 2014), be unable to acquire the skills and resources to be effective resource integrators (Hibbert et al., 2012) or, as Etgar (2008, p.102) bluntly states, who 'may botch ...'. All of which suggest that in terms of value co-creation, customer operant resources may not necessarily interact beneficially with the operand resources of the firm as required by SDL (Vargo and Lusch, 2004). In these circumstances, these customers may not gain value-in-use so that the firm's service propositions will have negative value for them (Grönroos, 2008), both experiencing a loss (Smith, 2013). If certain customers are unwilling or unable to use their operant resources to co-create value, they cannot act as the fundamental units of exchange and hence collaborative value-creating partners (Vargo and Lusch, 2004). The firm may provide opportunities for these customers to learn how to develop their operant resources to co-create (Hibbert et al., 2012; Skålén et al., 2012) but if it encounters repeated instance of value destruction, it may have to discontinue further investment in that customer and discourage further interactions.

In this section, the key areas in the SDL literature of systems and resources have been reviewed from the perspective of value destruction. This review supports our contention that value destruction offers a meaningful foundation for selective demarketing. Customers will be unprofitable or not generate anticipated revenue if they destroy value through a failure to integrate their resources with the firm. The destruction of value is not restricted to the firm/customer dyad but resonates throughout the service system. In the next section, we incorporate this literature into a new conceptualisation of selective demarketing.

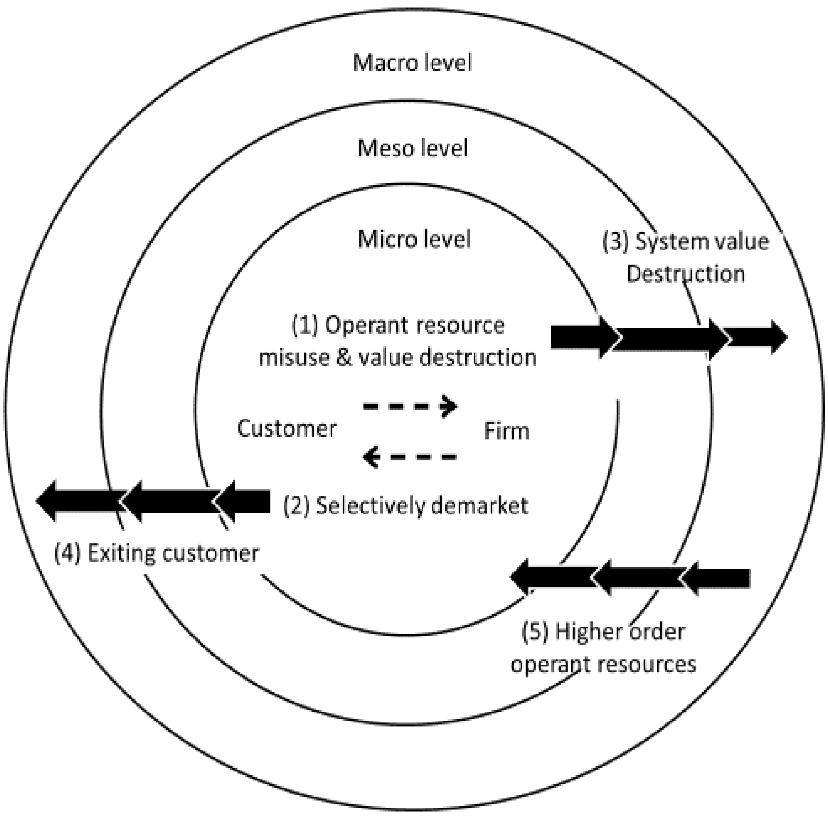
Discussion

Value destruction provides a novel perspective on selective demarketing by capturing succinctly the misuse of operant resources and the impact of that misuse on the service systems. It thus addresses a shortfall in the resource allocation literature by highlighting the impact of unprofitable customers beyond the firm/customer dyad to a wider service system. It also offers a conceptualisation that extends research in relationship dissolution by strengthening arguments for managerial actions to terminate unsatisfactory relationships. The following definition of selective demarketing is now offered:

> *Selective demarketing is a managerial process, in which operant resources are used to identify and disengage with existing value-destroying customers and to discourage potential value-destroying customers for the benefit of the firm and its systems.*

This definition marks a significant step forward from that of Kotler and Levy (1971), which has persisted over the years by focusing on individual customers rather than segments, by defining customers as value destroyers rather than undesirable or unprofitable and by extending the scope of selective demarketing beyond the firm to the system within which it operates. Based on the value destruction literature, it also incorporates the key concepts of operant resources and service systems from SDL research. It also recognises the importance of selecting customers who will co-create value (O'Cass and Ngo, 2011). Figure 1 is an illustration of how value destruction informs this conceptualisation of selective demarketing.

Figure 1 Conceptualising selective demarketing



In this figure, the firm and the prospective or existing customer are at the micro level of the system, with the customer misusing or misunderstanding how to integrate their operant resources with those of the firm, thus destroying value (1). Through this misuse, whether accidental or intentional, the customer destroys value not only for the firm but for other actors in the service system, which is depicted also at meso and macro levels (3). As a value-creating partner within the system, the firm should have a full understanding of how its customers integrate their resources to gain value-in-use by mapping customer resources such as social, cultural and physical skills (Arnould et al., 2006), factors (Lusch et al., 2007) or material, time and energy (Smith, 2013). The firm will be able to identify those customers who are failing to co-create value through an analysis of costs (see Haenlein et al., 2006) and noting reports of resource losses (Smith, 2013). As the customer is a fundamental unit of exchange in the collaborative value-creation process (Vargo and Lusch, 2008) and in the service system (Maglio et al., 2009), the choice or selection of customer is a significant strategic choice for the firm (Lusch and Webster, 2011; O'Cass and Ngo, 2011). The firm uses the information about resources and/or factors in customer profiling to refine customer acquisition (Bailey, Baines, Wilson and Clark, 2009) so that customers who lack or may misuse the resources for value co-creation do not become customers of the firm (2).

A further benefit of adopting the lens of value destruction is to note that the customer whether existing or potential may exit the micro level of the service system (4) but can remain with the service system as a whole at meso and macro level as 'loose customers' (Tähtinen and Havila, 2004). This observation has some support in the empirical work of Haenlein and Kaplan (2012) who find that the abandonment of the unprofitable customer may lead to current customers penalizing the focal firm. By acknowledging that the value-destroying customer remains within the system, the firm and other actors can refine their strategies using their higher order operant resources to manage this customer so that value destruction is contained (5). All actors can see the value (or destruction) for themselves in propositions being realised (or unfulfilled) (Lusch and Webster, 2011) and this occurs at meso or even macro level.

For firms to respond to this value destruction, research into higher order operant resources (Madavaram and Hunt, 2008) and strategic capabilities (Skålén et al., 2012) offers important directions in managing value destroying customers and hence selective demarketing. The development of firm operant resources is critical in value co-creation (Payne et al., 2008; Skålén et al., 2012) and is equally important in situations of value destruction. According to Madhavaram and Hunt (2008), the firm develops a hierarchy of operant resources of three levels: basic, composite and interconnected to manage the co-creation experience. At the top of the hierarchy is a set of interconnected operant resources, such as knowledge creation capability, which contribute to sustained competitive advantage. In a similar vein, Karpen et al. (2012) propose a service-dominant orientation that bridges SDL and strategy. According to their study, this orientation consists of a constellation of strategic capabilities for firms, such as developmental interaction capability and relational interaction capability. As firms interact with other actors within the service system at these levels, they can refine their capabilities even further. The development of these higher order operant resources or strategic capabilities enables firms to manage the process of selective demarketing to discourage and disengage with value-destroying customers. As firms become more adept at selective demarketing, the proportion of customers whom they need to disengage with will fall, thus improving their margins. This improvement in margins, as well as validating the process of selective demarketing, should allow them to refine their customer selection further, thus creating a beneficial process for them and their service system. The processes will also need to include steps that minimise negative consequences (Haenlein and Kaplan, 2012, Pressey and Mathews, 2003). The context and complexity of dissolving relationships has been acknowledged (Halinen and Tähtinen, 2002), suggesting that a standard approach to managing selective demarketing may be hard to achieve.

As a means of demonstrating the breadth and scope of selective demarketing, we borrow from an approach taken by Lee, Kozlenkova and Palmatier (2015) and now provide four illustrations of how value destruction informs this new perspective of selective demarketing. We organise the information into value destruction, operant resources in selective demarketing and service system. The information for these illustrations has been sourced from on and offline sources (see Table 1). We would emphasise that these are illustrations only and do not form any empirical support for our conceptual study.

The illustrations consist of four firms who appear to have engaged in selective with both prospective and existing customers. In each example, the focal firm has identified a group of customers who were integrating their operant resources in such a way that they were destroying rather than co-creating value. For example, Kronenbourg's customers were destroying their premium brand, whereas Sprint Cellular customers were negatively impacting company reputation for customer service and ultimately their bottom line. In all cases the focal firm took action to selectively demarket the value destroying customer segment. Burberry undertook measures to discourage customers from purchasing their product, whereas ING Direct closed customer accounts. The illustrations also clarify how in practice the destruction of value at a micro level, between firm and customer, can impact the meso and macro levels. For example, customer mis-use of the ING Direct Electric Orange account would undoubtedly further damage the reputation of ING Direct and the wider banking and financial service sector at a time when banks were being criticised for the easy availability of credit. In addition, the Sprint Cellular example serves to illustrate how a firm can work to reduce the value destroying activities of customers exiting its company. By sending a message to their customers condemning their value destroying actions, customers may learn from this experience and adapt their behaviour. Alternatively, competing firms may adopt different strategies using their higher order operant resources when considering entering into a relationship with this customer group.

Table 1 Illustrations of selective demarketing

Firm (sources)	Value destruction	Operant resources in selective demarketing	Service system
Burberry (Guardian, BBC, Economist, Daily Mail).	Burberry is synonymous with quality, innovation and style. Affluent customers co-create value by wearing Burberry products. The exclusivity of the Burberry brand was being threatened. The brand's distinctive check design was being worn by groups so different from the target market that UK sales were falling; hence, value of brand was being destroyed. The group or subculture referred to as CHAVs[1] wore lower costs items such as baseball caps or counterfeit items. The final straw was a widely published photograph showing an actress out with her baby in a buggy all in what appeared to be the Burberry check. CHAVs used social operant to gain access to an exclusive experience.	Production of higher priced items with distinctive design was increased and lower cost items were discontinued, that is, less than £50. Unsuitable customers were physically discouraged from entering stores. Actions were taken over the infringement of copyright actions to remove replica or non-genuine items from sale. Digital resources were used in innovative way, such as the live streaming of fashion shows to reinforce brand exclusivity and pre-eminence.	Burberry is a global brand with strong sales in the Far East. The problem seemed mainly to be in the UK; nonetheless, actions were taken to affect the global service system. All decision-making centralised to London. Licences for the Burberry brand were repurchased from 23 licence holders. Key markets such as the millennial customers were targeted. A brand community of fashion press, fashion councils, brand commentators was established. Indication of service system interactions at macro level.
ING Direct (Consumerism Commentary, Wesabe Wordpress, the Simple Dollar, Capital One.)	ING Direct (USA) launched its new Electric Orange current account offering an immediate line of credit, intended as occasional protection against overdraft. The account did not require customers to undergo a credit check. Some customers (including those with poor money management records) opened an account and immediately used, or frequently used, the credit line. Customers through physical and cultural resources were using the account as a credit facility rather than a current account.	ING Direct exercised its right under the disclosure agreement to run credit checks on its existing customers and closed the accounts of those with poor credit ratings. Periodic reviews were also undertaken to identify those who frequently use the credit line and accounts were closed accordingly. Customers were given 30 days to close their accounts. The credit line was immediately reduced to zero. ING Direct publicly stated its policy of removing customers to keep its costs low to deter unprofitable customers from opening an account.	Account closures took place from 2007 during the credit crunch when banks were being criticised for the easy availability of credit or loans. The launch of a product that unwittingly provided an immediate line of credit without a credit check had the potential to damage the reputation of ING and the wider banking and financial services sector. Meso-level interactions within the financial services industry.

[1] Council House And Violent

Kronenbourg (Marketing Week, The Inspiration Room)	Kronenbourg is a premium beer brand associated with quality ingredients and a superior flavour. Kronenbourg 1664, a strong premium export beer is sold in smaller bottles at higher prices. Due to its high alcohol content the beer has a loyal customer segment in Britain. Politely described as ‘performance drinkers’, this segment drinks strong beer fast due to social and community factors. The association between Kronenbourg 1664 and performance drinking was damaging the brand.	Working with its creative agency, Kronenbourg introduced a new advertising campaign in Britain called ‘Slow the Pace’ to promote the merits of taking time to sit and savour Kronenbourg 1664. The campaign included national TV adverts, a short documentary film, a print campaign, and social media. Higher order resources were used to discourage and deter performance customers or to change their behaviour.	Alcohol abuse is rising in Britain with resulting governmental and societal concern. The alcohol beverage industry as a whole is under pressure to address this issue. Kronenbourg’s selective demarketing campaign was developed with a meso-level actor – the advertising agency and at macro-level possibly pre-empting tighter regulation.
Sprint Cellular (New York Times, TechTarget, Consumerist)	The US telecommunication company reportedly had a poor reputation for customer service. Sprint’s own analysis of customer usage of their service department identified a group of heavy users whom they labelled as disruptive and problematic. Not only were the customers wasting the service representatives’ time but they were using their cultural and physical resources to constantly request and receive free phone credits.	Sprint cancelled 1000 accounts clearly outlining the reason for their actions in the letter sent to customers. Removing those customers whose needs they were unable to meet enabled Sprint to release their service representatives to provide a quicker and more efficient service to its remaining customers. Sprint also tightened its credit standards to focus on quality not quantity customers.	In explaining its action, Sprint publicly described the activities of many of the customers whose accounts were cancelled as ‘defrauding the company’. Sprint wanted to focus on phone customers who had the money to pay for their monthly bills. Commentators suggest that their action may have sent a lesson to such customers that this behaviour is not acceptable. This would benefit the service system at a meso-level as customers transferred to new providers and at a macro-level, improving the efficiency and profitability in the sector.

Conclusion

The purpose of this study is to offer a conceptualisation of selective demarketing which is rooted in value destruction, as an inversion of value co-creation is based on a failure to integrate resources. The study, by offering this conceptualisation, makes notable contributions to selective demarketing research. Firstly, it argues that unprofitable customers are those who fail to integrate their resources with those of the firm according to Plé and Chumpitaz Cacerés (2010). The view of customers as value destroyers broadens interpretations of customers who may be selectively demarketed beyond those who generate a metric based on CLV, CAM or share of wallet (for example Kumar and Reinartz, 2006). There is, however, nothing to stop a combination of approaches being used as part of identifying value destroying customers. Secondly, it demonstrates that these customers destroy value beyond the immediate firm by mapping their impact on the service system and its structures of micro, meso and macro-levels. This suggestion builds on intimations in the relationship dissolution literature that terminations take place within a wider network (see Tähtinen and Havila, 2004) and draws attention to the fact that these customers remain within the service system as 'loose customers'.

Selective demarketing is not limited to those customers who are already with the firm, the definition refers also to those who may become customers building on conclusions in value destruction research (Plé and Chumpitaz Cacerés (2010) and in value creation investigation (O'Cass and Ngo 2011). Whilst the literature on selective demarketing (Kotler and Levy, 1991) and, indeed value destruction, acknowledges costs at micro level (Plé and Chumpitaz Cacerés, 2010, this study suggests that these costs have an impact at meso and macro levels within the service system. Our proposition that customers who destroy value have an extensive negative influence is thus reinforced and as such addresses a gap in the resource allocation and relationship dissolution literatures, which largely concentrates on the firm/customer dyad[2]. Thirdly, the study argues with recourse to SDL that firms can selectively demarket, that is disengage with or discourage value destroying customers, through the development of higher order operant resources (Madhavaram and Hunt, 2008) or strategic capabilities (Skålén et al., 2015). These resources and capabilities can be developed within the firm and/or across the service system at meso and even macro level. This point resonates with findings in the relationship dissolution literature that acknowledges the challenges in the process of terminating relationships (see for example Alajoutsijärvi, et al., 2000; Holmlund and Hobbs, 2009).

Managerial implications

We offer several practical implications for managers from this research. By focusing on value co-creation, firms need sound knowledge of the operant resources that customers need for value co-creation. This deep knowledge drives selection strategies based on customers who are likely to have these resources or will be able to acquire them. Firms may accordingly reconsider how they acquire new customers. This alternative focus to customer acquisition may enable firms to fewer poor selections and thus lower costs. The development of higher order resources and capabilities to demarket selectively will enable firms and their service systems to strengthen their competitive advantage through lowered costs and value-creating customers and service partners.

When selective demarketing is unavoidable, then the firm and its system should have in place a carefully crafted marketing communications strategy to minimise negative responses and avoid 'botches' (see Etgar, 2008). The focus on value destruction provides a theoretical basis

[2] We would like to thank one of the anonymous reviewers for highlighting that point.

for decision-making, emphasizing the costs of these customers to the system and helping to strengthen managerial resolution (see for example Helm et al., 2006). The onus is on the firm to develop its own operant resources to higher levels so that it has the capacity to demarket selectively working within its service system.

Further research and limitations

In offering a novel conceptualization for selective demarketing, this study opens up a number of avenues for further research and indeed indicating its limitations. The emphasis of this study has been on customers who destroy value by failing to use their operant resources. There is considerable scope for researchers may be interested in investigating how customers do not merely co-create value with the firm but use their resources to gain maximum value that may exceed the firm's value proposition. There may be some parallels here with research into customer misbehaviour (for example Daunt and Harris, 2011), thereby affecting the revenue of the firm. A second area of investigation would examine the concept of value co-destruction plays out within the service system, for example, is the loss distributed evenly or unevenly across the service system? If the loss is unevenly distributed then what are the determinants of this and can these be managed to mitigate the loss? We would also suggest that further research is needed into the importance of reciprocity among the actors in the service/social system and how do firms encourage reciprocal behaviour? How will firms acquire customers according to their ability or potential ability to use their operant resources to co-create value? Conversely, how will firms know which customers are likely to destroy value? Research into the service system is at an early stage and this study suggests the need to understand how value can be destroyed, not only between firm and customer, but also by tensions between other actors in the service system. Finally, the deselected customer may leave the micro system but is likely to remain within the meso or macro system as a 'loose customer. What are the behaviours of these customers and what is the impact of these behaviours on the rest of the service system?

We acknowledge that our study has several limitations. Most significantly, it is a conceptual study needing empirical evidence for its assertions, specifically studies looking at the strategic elements of selective demarketing such as working within service systems. Will other members of the service system see the firm's value destroying customers as a problem for them too?

This study has not considered the ethical aspects of selective demarketing, that is deselecting or discouraging customers from availing themselves of the firm's services. Value destroying customers may be those who are in the most need. Further research may investigate how firms deal responsibly with value-destroying customers and indeed other actors in the service system. How does selective demarketing fit with the firm's policies on corporate social responsibility?

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