



SERVICE-DOMINANT LOGIC

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- Assistant professor (tenure-track) at the Department of Marketing and Strategy, Stockholm School of Economics, Sweden
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- Research interests: how social systems, such as markets, change and how such change processes can be influenced through market shaping, innovation and service design, research is often conceptual
- Course director in "Introduction to Systems Thinking in Marketing (PhD)," teacher in "The Reflection Series (BE)," "Essentials of Marketing (BE)," "Marketing Specialization (BE)," and "Markets and Marketing (MBA)"
- Assistant Editor of *AMS Review* (EIC Stephen L. Vargo), member of the Editorial Advisory Board of *Journal of Service Management*
- Published in the *Journal of the Academy of Marketing Science*, *Journal of Service Research*, *Journal of Business Research*, *Journal of Service Management*, *Journal of Services Marketing*, *Journal of Strategic Marketing* etc.
- Prior to her academic career, worked at the VTT Technical Research Center of Finland and consulted private and public organizations in relation to their innovation and co-design activities

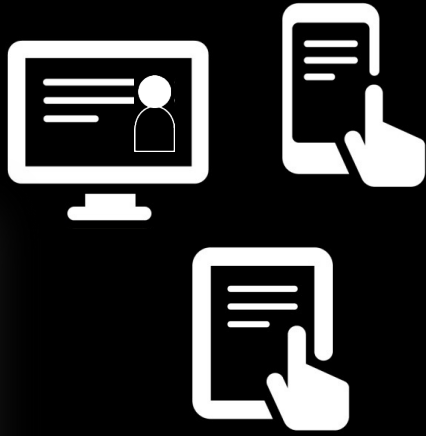


WHAT KIND OF ENCOUNTERS WITH S-D LOGIC
HAVE YOU HAD PRIOR TO THIS SESSION?

A little bit about myself and S-D logic...

2012: User innovators in the context of software intensive products and services

CHALLENGES:



Products or services ?

SERVICE



VS.



User innovator ?

ACTOR



Stephen L. Vargo & Robert F. Lusch

Evolving to a New Dominant Logic for Marketing

Marketing inherited a model of exchange from economics, which had a dominant logic based on the exchange of "goods," which usually are manufactured output. The dominant logic focused on tangible resources, embedded value, and transactions. Over the past several decades, new perspectives have emerged that have a revised logic focused on intangible resources, the corelation of value, and relationships. The authors believe that the new perspectives are converging to form a new dominant logic for marketing, one in which service provision rather than goods is fundamental to economic exchange. The authors explore this evolving logic and the corresponding shift in perspective for marketing scholars, marketing practitioners, and marketing educators.

The forefathers of marketing focused at first on the distribution and exchange of commodities and manufactured products and featured a foundation in economics (e.g., Shaefer 1924). The early marketing scholars directed their attention toward commodities exchange (Copeland 1920), the marketing institution (e.g., Shaefer 1924), and the marketing process (Nicosyn 1915, 1916, 1918), and the framework that needed to be performed to facilitate the exchange of goods through marketing institutions (Christenson 1925; Mead 1917). In the 1930s, however, the functional school began to morph into the marketing management school, which was characterized by a decision-making approach to managing the marketing process (e.g., Shaefer 1924). The customer (Drucker 1945; Levin 1966; McKittrick 1957; McCarty 1980 and Kotler 1967) characterized marketing as a decision-making activity directed at satisfying the customer's needs (e.g., Shaefer 1924). The functional school's approach to the marketing mix, or the "4 Ps," the fundamental foundation in the U.S. to the standard economic approach to the marketing mix, was the basis for the management school. The management school's conceptual approach was based in the 1970s (Kotler 1972, p. 42, emphasis in original) stating that "marketing management seeks to determine the settings of the company's marketing decision variables in order to achieve the maximum return on the light of the expected behavior of nonrestrictable demand variables."

Beginning in the 1980s, many new frames of reference that were not based on the 4 P's and were largely independent of the standard microeconomic paradigm began to emerge. What appeared to be separate lines of thought sur-

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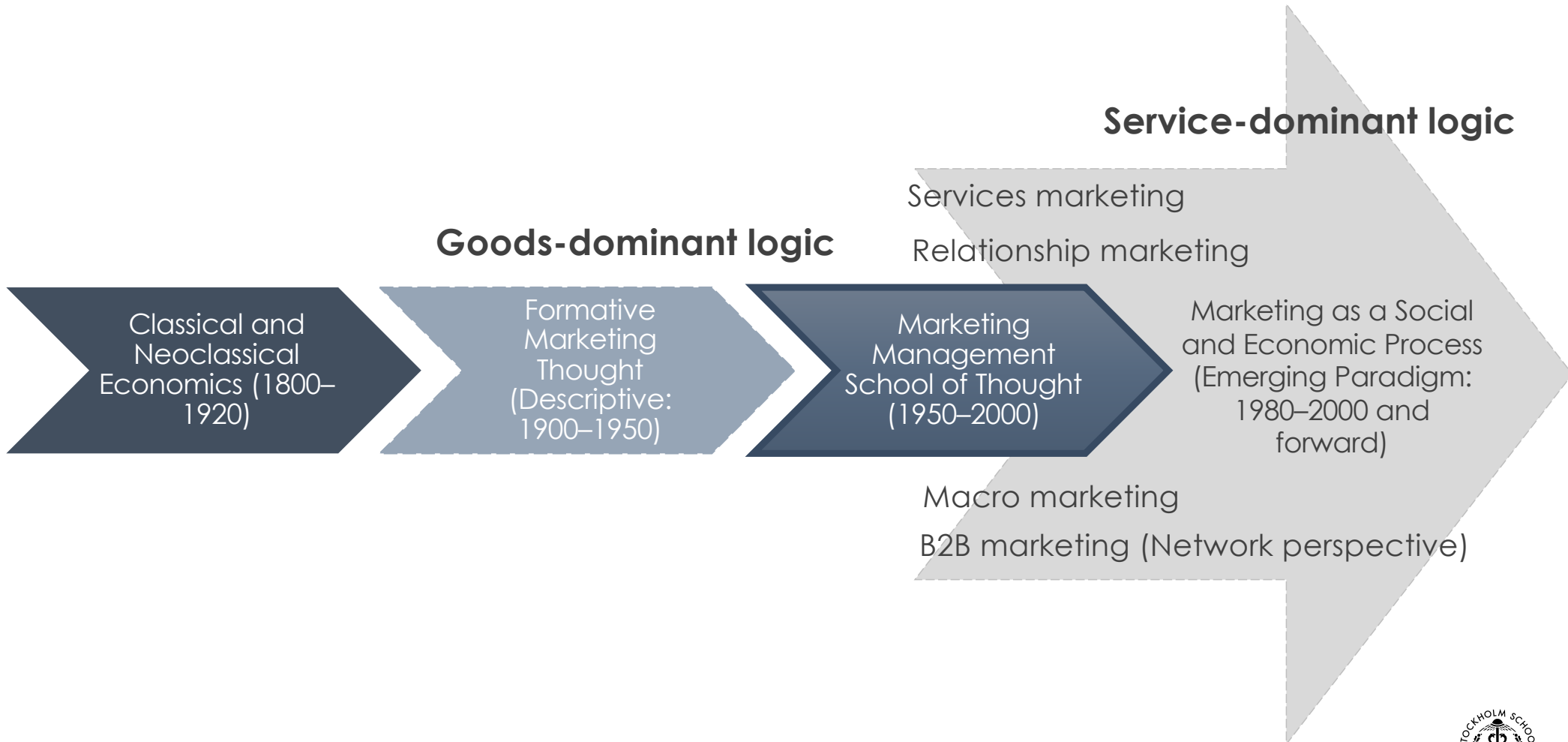
faceted in relationship marketing, quality management, market orientation, supply and value chain management, resource management, and networks. Perhaps most notable was the emergence of services marketing as a subdiscipline, following scholars' challenges to "break free" (Shoemaker 1977) from product marketing and recognize the inadequacies of the dominant logic for dealing with services marketing's subject matter (Dixon 1990). Many scholars believed that marketing thought was becoming more fragmented. On the surface, this appeared to be a reasonable characterization.

In the early 1990s, Webster (1992, p. 1) argued, "The historical marketing management function, based on the microeconomic maximization paradigm, must be critically examined for its relevance to marketing theory and practice." At the end of the twentieth century, Day and Montgomery (1999, p. 3) suggested that "with growing conservatism about the validity or usefulness of the Four P's concept and its lack of recognition of marketing as an innovating or adaptive force, the Four P's now are regarded as merely a handy framework." At the same time, advocating a network perspective, Achrol and Kotler (1999, p. 162) stated, "The very nature of network organization, the kinds of theories useful to its understanding, and the potential impact on the organization of consumption all suggest that a paradigm shift for marketing may not be far down the horizon." Sethi and Parvathy (2003, p. 148) suggested that "an alternative

paradigm of marketing is needed, a paradigm that can account for the continuous nature of relationships among marketing actors." They went as far as stating (p. 140) that the marketing discipline "give up the sacred cow of exchange theory." Other scholars such as Rust (1988),

Fragmented thought, questions about the future of marketing, calls for a paradigm shift, and controversy over services marketing being a distinct area of study—are these calls for alarm? Perhaps marketing thought is not so much fragmented as it is evolving toward a new dominant logic. Increasingly, marketing has shifted much of its dominant logic away from the exchange of tangible goods (manufactured things) and toward the exchange of intangibles, com-

EVOLUTION OF THE MARKETING DISCIPLINE



Vargo and Lusch, 2004



MARKETING THEORY ON DIFFERENT LEVELS OF ABSTRACTION

Metatheory

Foundational premises for a way of thinking

Goods-dominant logic

Service-dominant logic

Foundational premises

Mid-range theory

Empirically observable research propositions

Concept X

Concept Y

Theories-in-use

Everyday models that guide thinking and acting

Everyday knowledge

NORMATIVE VS POSITIVE MARKETING THEORY

In traditional marketing thought, the consumer is "studied in the ways that fishermen study fish rather than as marine biologists study them. ... The point of view of the marketing theorist was virtually identical to that of the marketing manager, and particularly the channel captain, even when his conceptual analysis was without immediate practical consequence." Tucker (1974, p. 31)

(Goods-dominant logic)
Marketing Management



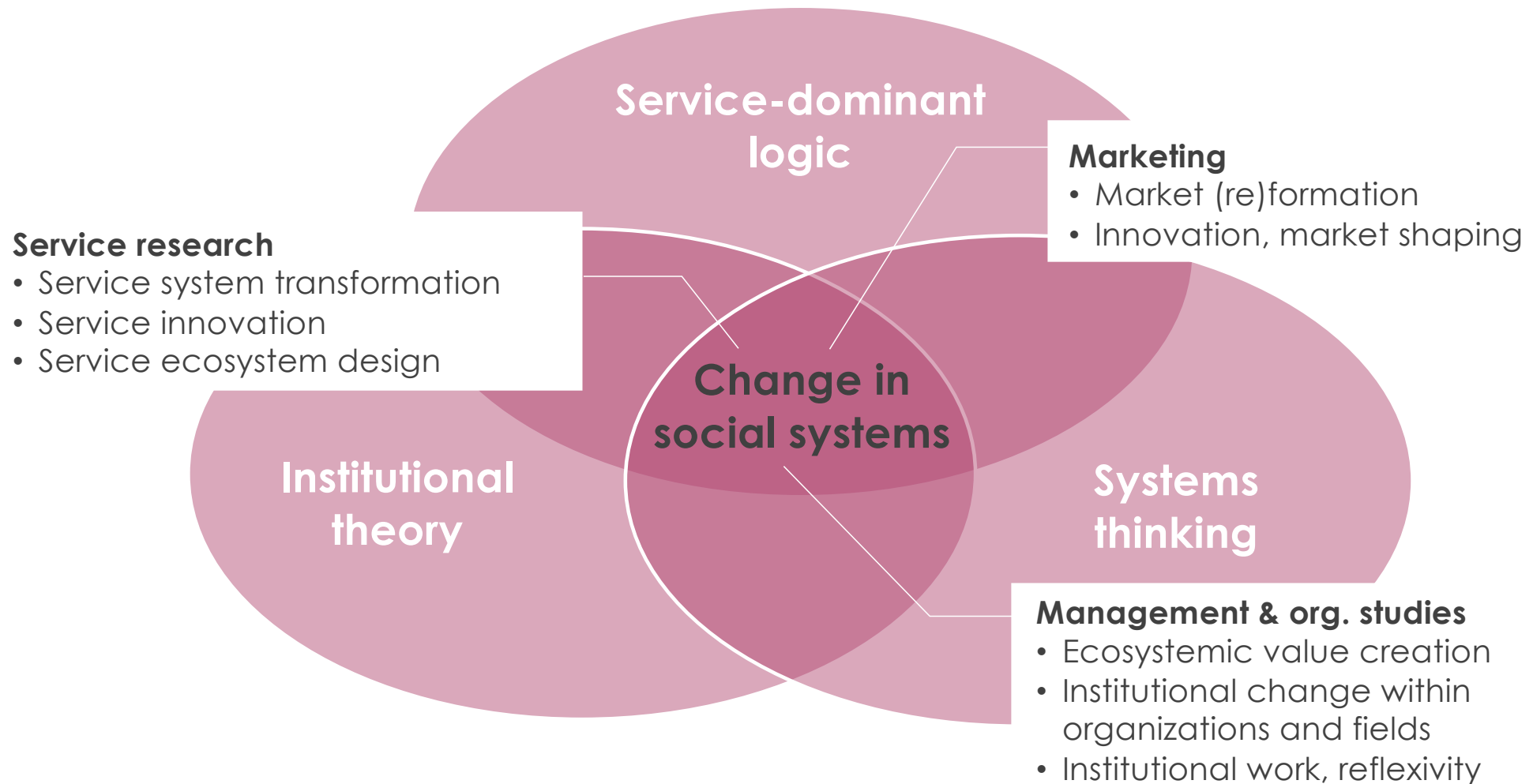
Normative theory
"the fisherman view"

Service-dominant logic



Positive theory
"the marine biologist view"

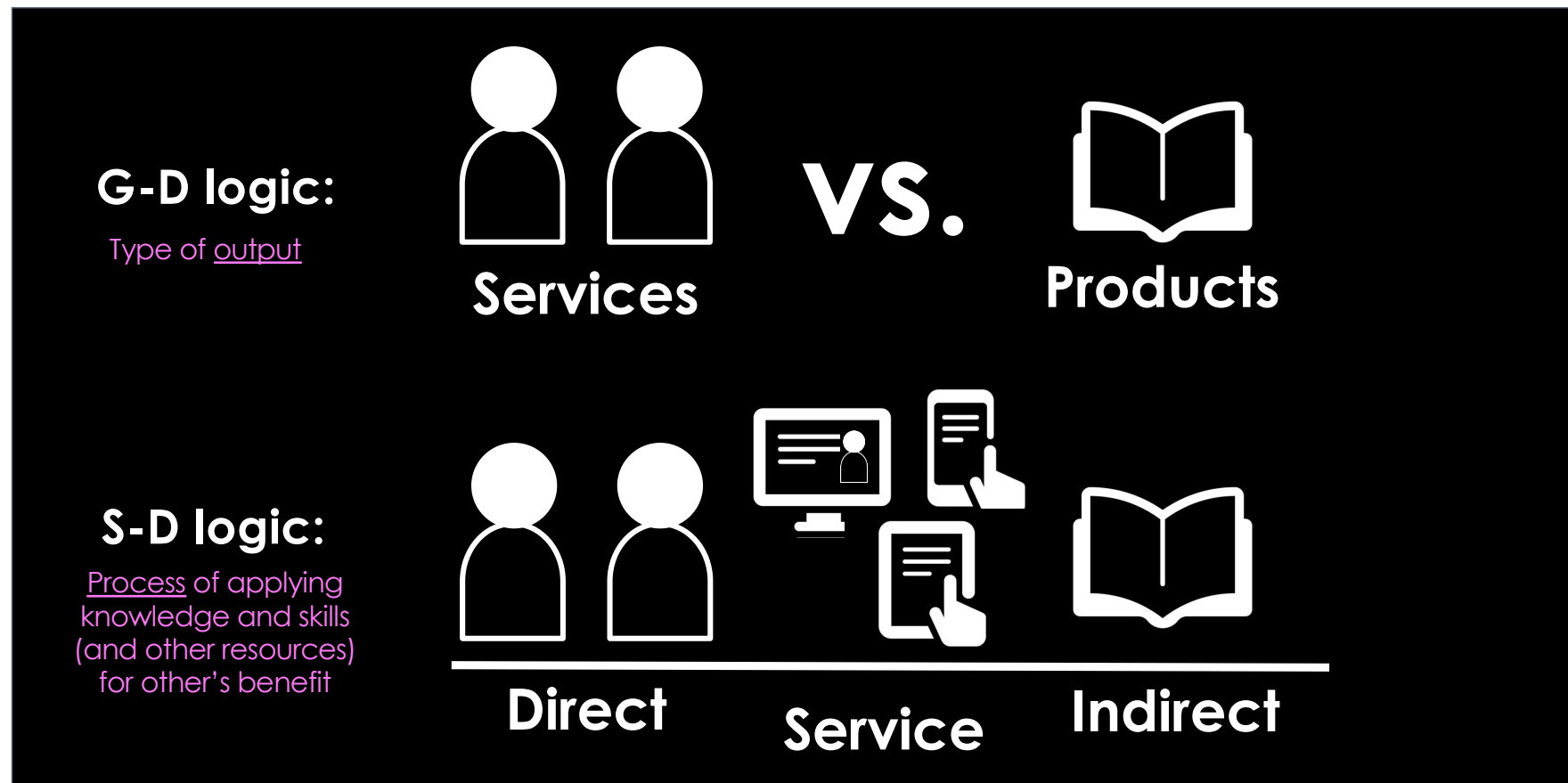
KAISA'S RESEARCH INTERESTS



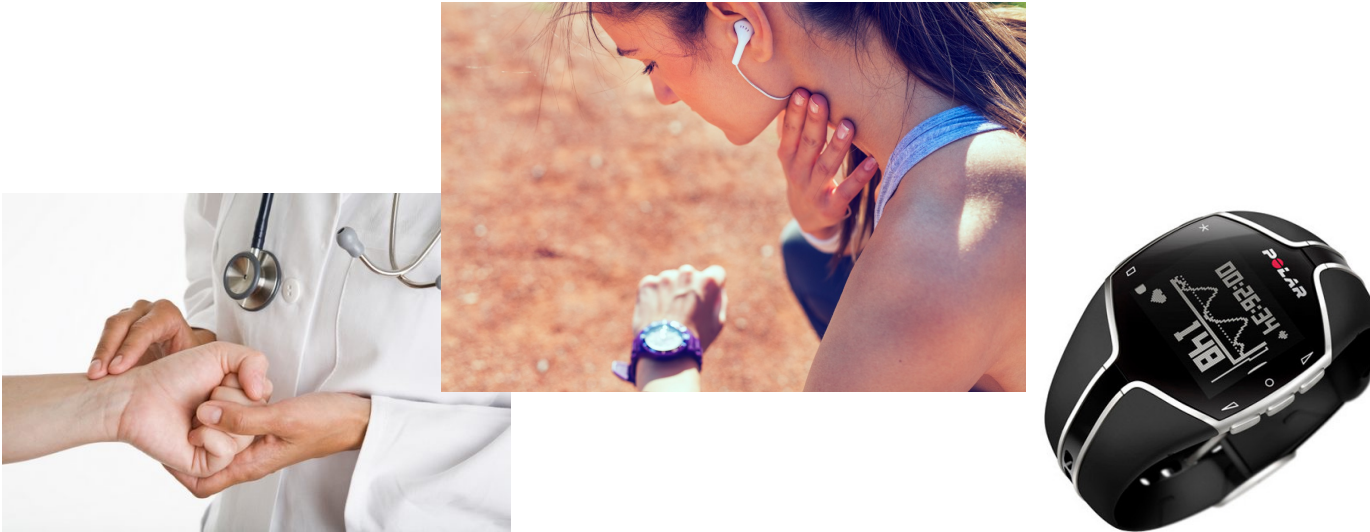
WHAT IS S-D LOGIC ABOUT?

“ALL EXCHANGE IS SERVICE EXCHANGE”

THE DIFFERENCE OF **SERVICE** AND SERVICES



UNCOVERING THE SERVICE

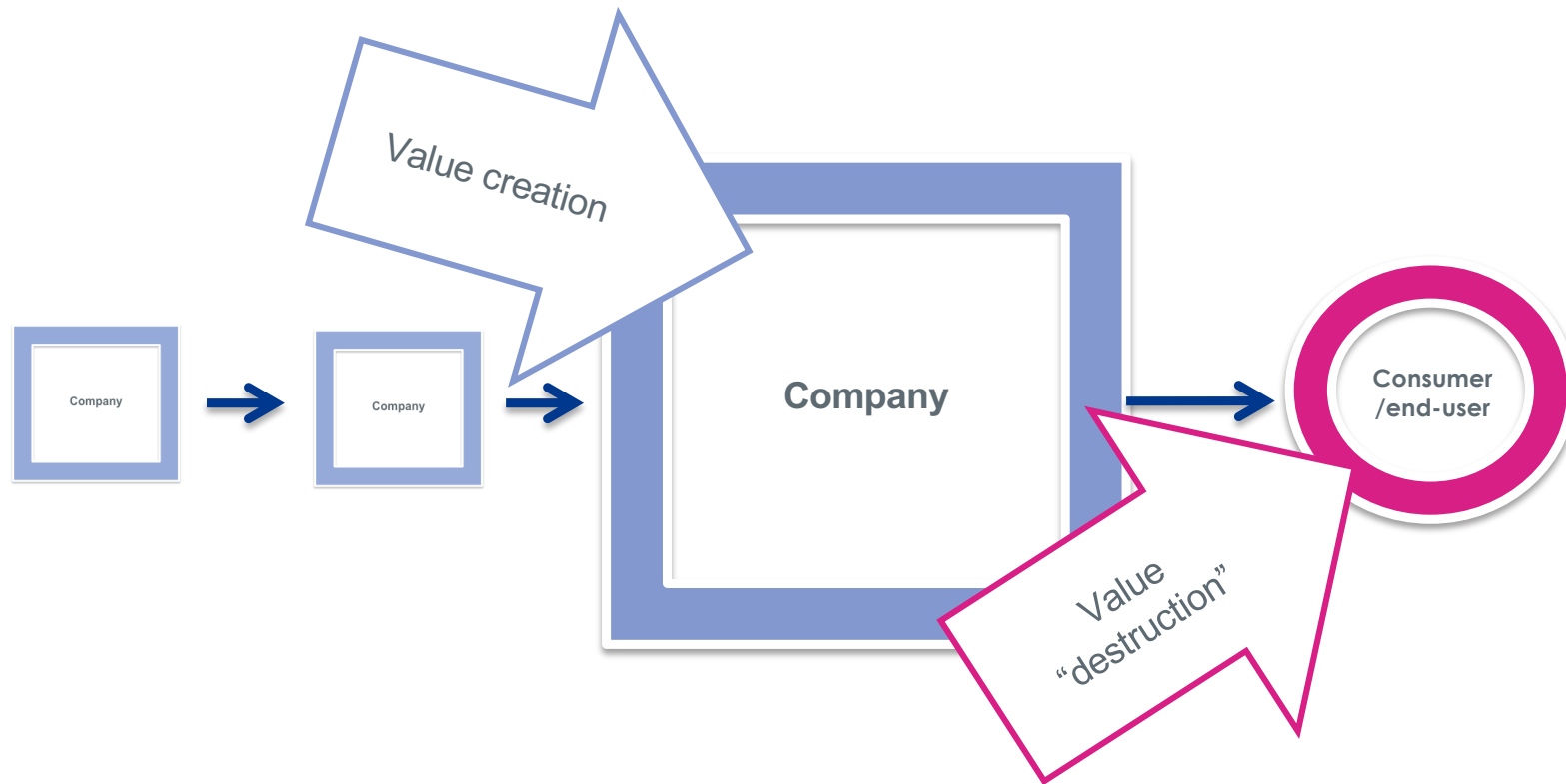


Direct

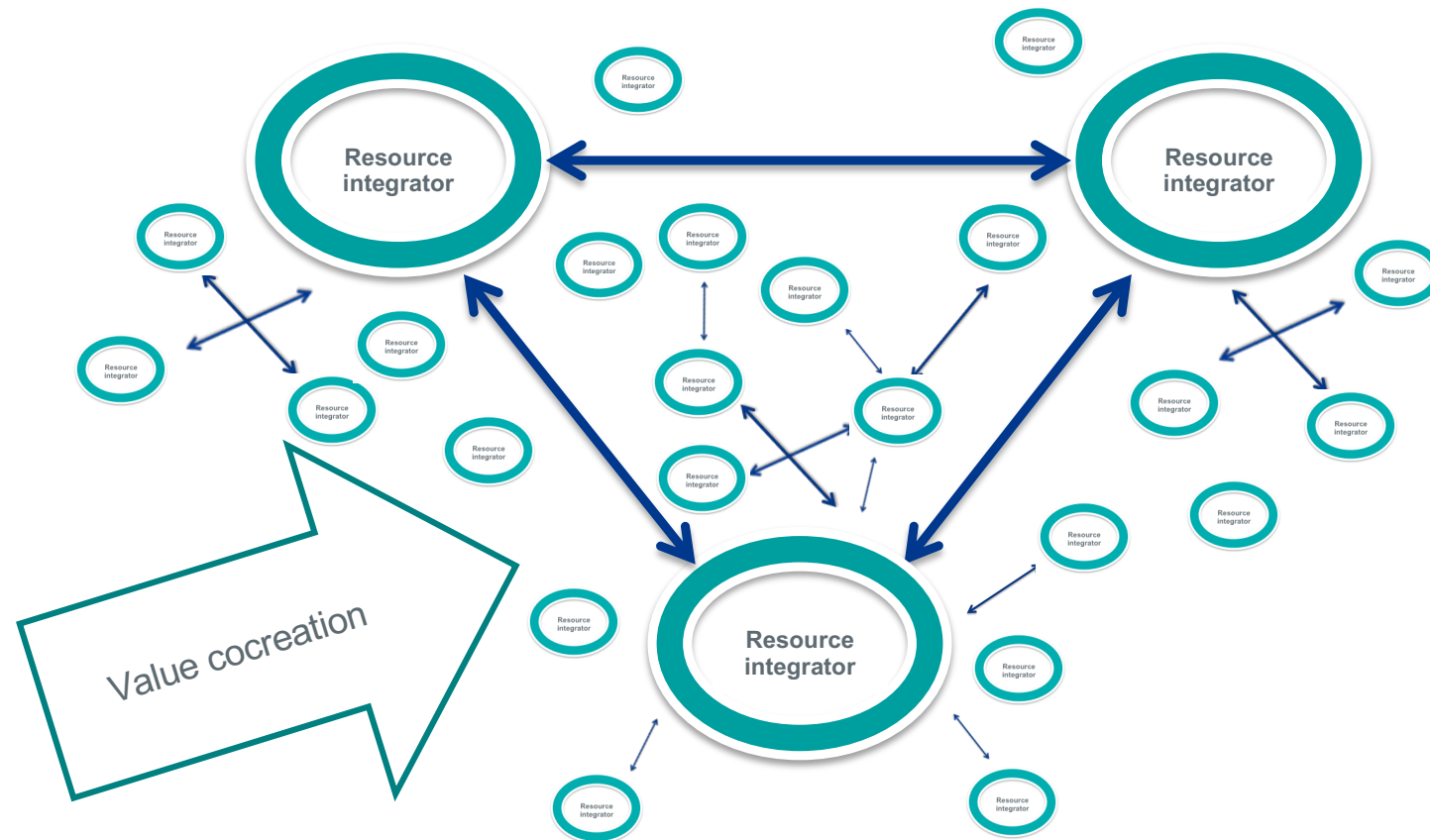
Service

Indirect

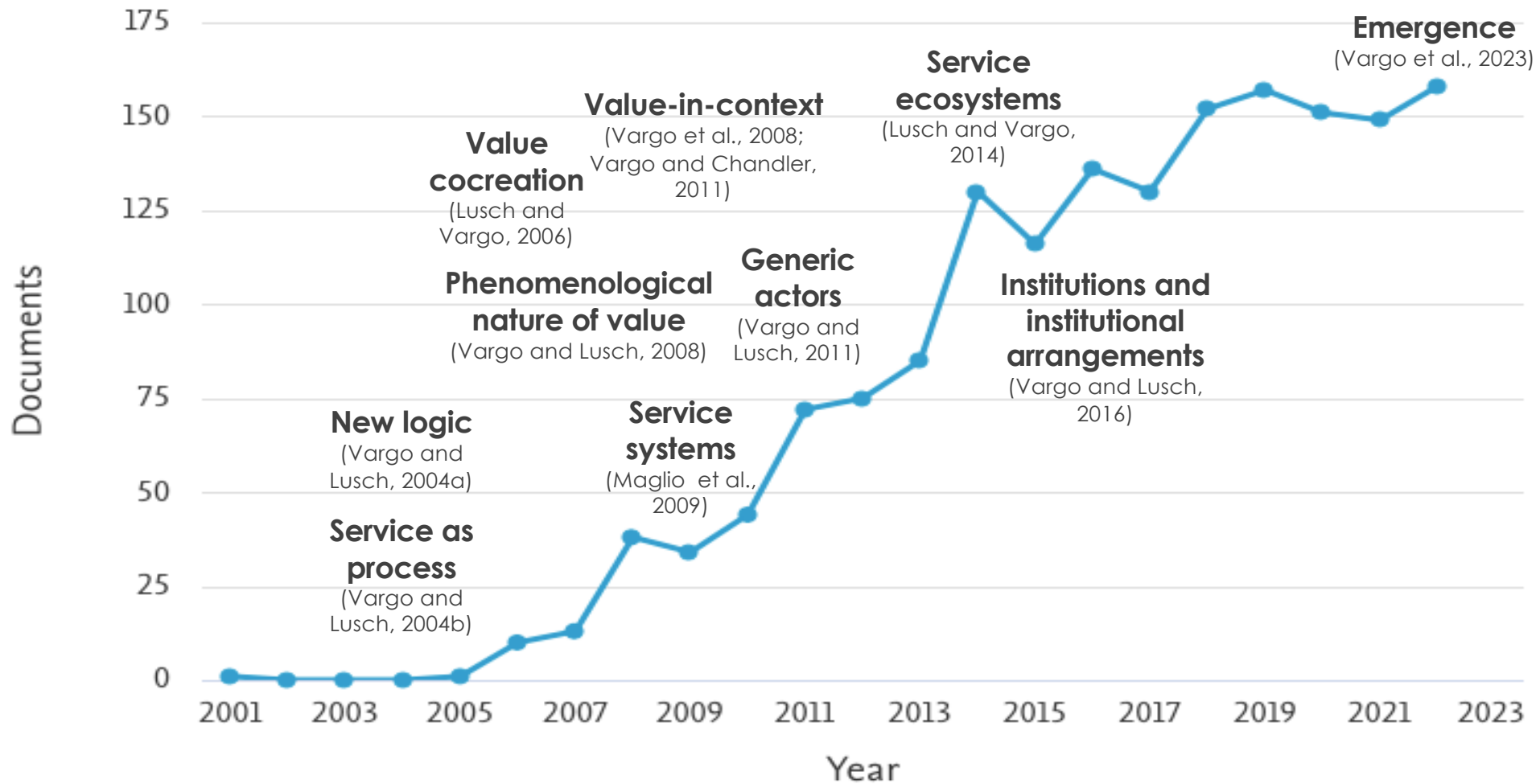
G-D LOGIC AND VALUE CREATION



S-D LOGIC AND VALUE CREATION

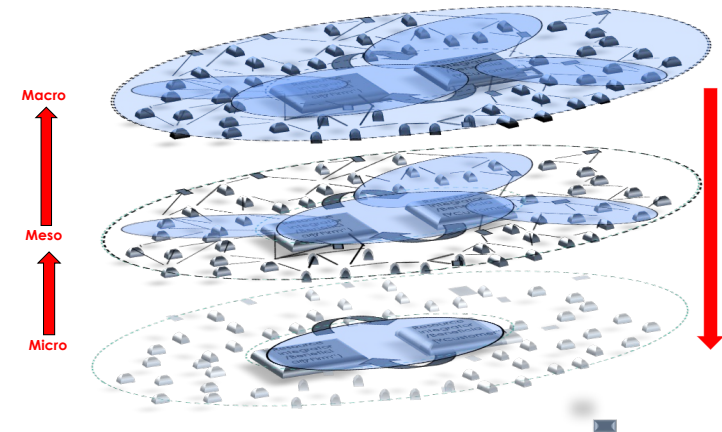
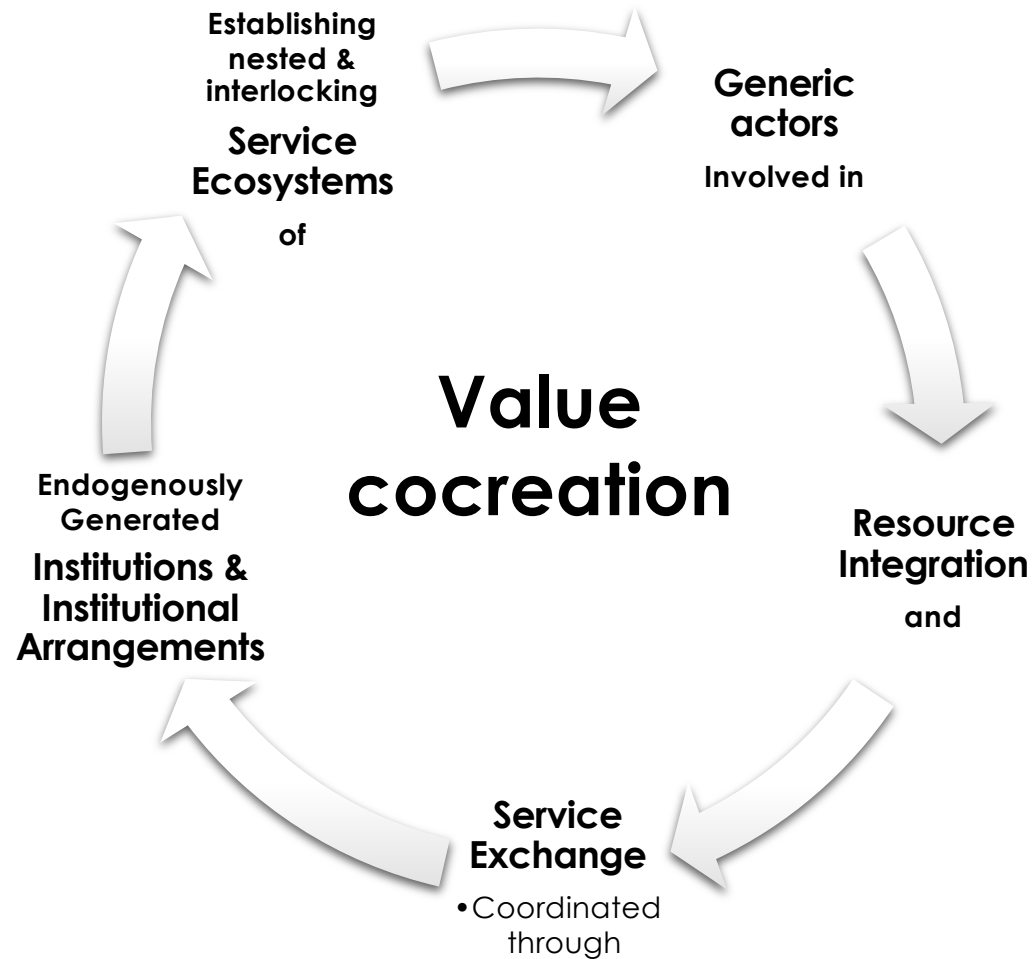


MAPPING THE EVOLUTION OF S-D LOGIC LITERATURE



Scopus search Feb 7, 2023: "TITLE-ABS-KEY ("service-dominant logic")"

THE NARRATIVE OF S-D LOGIC



Societal:
National, Global, etc

(Sub)culture:
Brand, Market, "industry, etc

Exchange
B2C, B2B, C2C, etc

AXIOMS OF S-D LOGIC

Axioms of S-D logic (Vargo and Lusch, 2016)	
Axiom 1 (FP1)	Service is the fundamental basis of exchange.
Axiom 2 (FP6)	Value is cocreated by multiple actors, always including the beneficiary.
Axiom 3 (FP9)	All social and economic actors are resource integrators.
Axiom 4 (FP10)	Value is always uniquely and phenomenologically determined by the beneficiary.
Axiom 5 (FP11)	Value cocreation is coordinated through actor-generated institutions and institutional arrangements.

QUESTIONS? COMMENTS? CONCERNS? IDEAS?



THANK YOU!

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