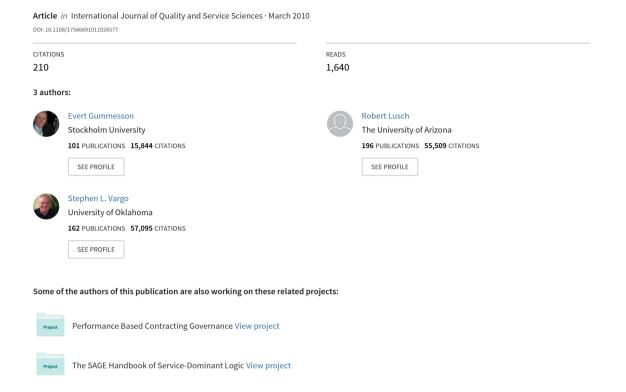# Transitioning from service management to service-dominant logic: Observations and recommendations. International Journal of Quality and Service Scienc....

3 authors:

Evert Gummesson
Stockholm University
101 PUBLICATIONS   **15,844** CITATIONS

SEE PROFILE

Robert Lusch
The University of Arizona
196 PUBLICATIONS   **55,509** CITATIONS

SEE PROFILE

Stephen L. Vargo
University of Oklahoma
162 PUBLICATIONS   **57,095** CITATIONS

SEE PROFILE

Some of the authors of this publication are also working on these related projects:

Performance Based Contracting Governance View project

The SAGE Handbook of Service-Dominant Logic View project

Transitioning from service management to service-dominant logic
Observations and recommendations

Evert Gummesson
Stockholm University School of Business, Stockholm, Sweden

Robert F. Lusch
University of Arizona, Tucson, Arizona, USA, and

Stephen L. Vargo
University of Hawaii at Manoa, Honolulu, Hawaii, USA

Abstract

Purpose – The purpose of this paper is to reflect on actions and obstacles in the conceptual transition from mainstream service management (1970-2000s) to a new approach synthesized in service-dominant (S-D) logic (2000s).

Design/methodology/approach – The paper takes the form of a review of approaches to service in the literature, education, and practice in management disciplines and economics.

Findings – S-D logic has triggered considerable interest in the global academic community. Its ten foundational premises (FPs) hold that service(s) and the roles of suppliers/customers be reconceptualized on a higher level of relevance and generalization. The new logic is not final but – to use its own terminology – is a value proposition that opens up for co-created theory improvements.

Research limitations/implications – To transition from a goods/services divide to a goods/service union, the platform for future service research requires the superordination of mainstream service management by a new language and lexicon and the generation of new theory; testing of the new theory by comparing its robustness with that of extant theory; conduct of empirical studies through hypotheses-testing and real world, in-depth research and the application of complexity theory, network, and systems theory; co-creation by and between researchers; focus on validity and relevance by using the full range of S-D logic compatible methods and metrics; and investigation at both micro and macro levels.

Practical implications – Business, marketing, governments, and politicians should focus on service and value and abandon the goods/services and producer/customer divides. Textbooks and educators should transition from outdated concepts and models. Improved education is strongly supported by IBM's service science programme.

Originality/value – The paper suggests that several developments in mainstream service management that once brought attention to service now provide obstacles both in research, education, and practice.

Keywords Customer service management, Complexity theory, Systems theory, Transition management, Education

Paper type Conceptual paper

Introduction

To be effective, science should be in constant transition by continually developing and refining its underlying concepts, models and theories, and augmenting the knowledge

of the phenomena with which it deals. The everyday, ongoing advancement of
knowledge primarily concerns the testing of established theories and incremental
refinement of mainstream thinking. The opposite extreme is the paradigm shift, the
quantum leap, the discontinuity, the breakthrough innovation. These often evolve
unobtrusively by offering small titbits, one at a time, until – suddenly – a tipping
point is reached, then bang! Not all people hear the bang even if it is a big one. They
may just note the more quiet arrival of bits and pieces but not grasp the accumulated
effect of their synthesis.

The purpose of the paper is to reflect on actions and obstacles in the conceptual
transition from mainstream service management as it developed from the 1970s an
onwards and the synthesis and new conceptualization offered by service-dominant
(S-D) logic. The paper ends with conclusions and recommendations for research,
education, and practice.

The first article on S-D logic (Vargo and Lusch, 2004a, in the *Journal of Marketing*
(*JM*), was accompanied by invited commentaries of seven renowned marketing
scholars. The then editor of *JM*, Bolton *et al.* (2004, p. 18), observed in her introduction
that:

> [. . .] the new dominant logic has important implications for marketing theory, practice, and
> pedagogy, as well as for general management and public policy [. . .]. The ideas expressed in
> the paper and commentaries will undoubtedly provoke a variety of reactions.

Her observations proved to be true. S-D logic garnered a nearly unprecedented
response from the international research community. However, consistent with the
co-creative thesis of S-D logic, both publications and the response to it should be
considered inputs to a continuing transformation, rather than outputs. According to
Vargo *et al.* (2010), "S-D logic is a work-in-progress; in fact, it is more incomplete than it
is complete." Within this spirit anyone can participate in generating, testing,
transforming and, if appropriate, abandoning the associated theory.

The first S-D logic article and commentaries have stimulated a lively and ongoing
world wide discussion about the nature of the market and marketing. This can be seen
in the number and variety of publications, conferences, and conference special sessions
with an S-D logic focus. Among them are the Otago Forum on S-D logic organized by
David Ballantyne in New Zealand in 2005 and 2008 to discuss and co-develop S-D logic.
The Forum on Markets and Marketing held at the University of New South Wales,
Australia, in 2008 and at Cambridge University, UK, in 2010, were organized by
Robert Lusch and Stephen Vargo to extend the central ideas of S-D logic. The 2009
Naples Forum on Service held on Capri, Italy, and initiated by Evert Gummesson,
Cristina Mele and Francesco Polese, broadened the scope to integrate S-D logic, service
science, and network and systems theory. S-D logic has a networks and systems view
but the Naples Forum was intended to stress this further as a vehicle for addressing
complexity, context, and change.

In 2007, special issues were published of *Marketing Theory, Industrial Marketing
Management,* and the *Australasian Marketing Journal* and in 2008 in the *Journal of the
Academy of Marketing Science*; others are being edited. In 2010, this special issue of the
International Journal of Quality and Service Sciences presents some of the Naples
Forum contributions; further papers will appear in two leading Italian journals,
Sinergie and *Mercati e Competitività*; and in the *Journal of Service Science*. A first book

edited by Lusch and Vargo (2006a) brought together insights from 50 top marketing scholars from around the world and represented both supportive and critical viewpoints on S-D logic. In the third edition of his book *Total Relationship Marketing*, Gummesson (2008) made a first effort to integrate S-D logic with relationship marketing and customer relationship management (CRM), and further extending it to multi-party networks through the concept of many-to-many marketing. New books are in progress. A Google search of "Vargo and Lusch" and S-D logic reveals well over a thousand forums, journal publications, conference presentations, books and book chapters, and marketing course syllabi, as well as blogs, and other web sites that cite and/or discuss S-D logic.

Initially, S-D logic had marketing in focus but, as Bolton suggested it would, it has repercussions far beyond marketing – to human resources, leadership, information technology (IT), operations management, etc. – thus potentially providing a reorienting perspective on the market for the firm as a whole. The same happened when service marketing and management emerged in the 1970s. For example, Normann's (2001) vantage point was management, strategy, and organization which gradually became customer and market focused. Many marketers became absorbed by quality management, which, in the 1980s, changed the one-sided focus on manufacturing, to customer needs and customer satisfaction, thus bringing operations management together with marketing and customer relationships (Gummesson and Grönroos, 1987; Fisk *et al.*, 2000; Grönroos, 2007).

S-D logic is intended to capture and extend a convergence of apparently diverse thought that has been shifting the dominant logic of marketing and economic thought away from a primary concern with tangible and often static resources, output in the form of supplier-generated value (goods), and transactions. It points towards often intangible, dynamic resources, inputs for co-created value, and relational, economic and social processes. S-D logic represents an evolution, rather than a revolution.

The central tenet of S-D logic is that reciprocal service, defined as the application of competences for the benefit of another party, is the fundamental basis of economic exchange. That is, service is exchanged for service. S-D logic is structured around ten FPs which are explained and elaborated elsewere and will not be repeated here (Vargo and Lusch, 2008b). The central differences between service management as established from the 1970s and S-D logic will become evident in the following sections.

The simultaneous launch of the service science initiative by IBM has also played a role in shifting the orientation. There is a close affinity between S-D logic and service science. Although S-D logic emerged from academe and service science from business practice, they soon found that they were working in the same direction. This occurred spontaneously and has laid the ground for theory and practice to join forces. One result is that S-D logic has become the foundational philosophy of service science. For service science, the focus is service systems innovation and functionality and the stimulation of interdisciplinary research and education in service, especially bringing knowledge from business schools together with schools of technology. Service science is also the object of numerous articles and reports and comprehensive books are in progress (Maglio and Spohrer, 2008; Maglio *et al.*, 2010). The service science programme has also introduced service courses and research into universities in which they had previously been absent.

The S-D logic conceptualization of "service" has, at least partially, redirected the discussion of service by doing away with the need for a "goods versus services" dichotomy. Ottenbacher *et al.* (2006, p. 346) argue that S-D logic introduces "a renewed focus on the conceptual fluency between what is relevant in services marketing." In S-D logic, "service" is a transcending concept defined in terms of using competences for the benefit of another party. It is an inclusive term, with goods representing a mechanism for service provision.

Whereas the discussion has been redirected, in part, the issues are not fully resolved, perhaps reflecting the paradigmatic power of a goods-dominant (G-D) logic. Edvardsson *et al.* (2005) question the traditionally accepted definition of "services" for its managerial and firm-centered focus and argue that services may be defined from the customer's perspective by incorporating the conceptualization of service and the idea of value co-creation supported by S-D logic (Vargo and Lusch, 2004a, 2006). Edvardsson *et al.* reported preliminary research findings that support the connection between the S-D logic conceptualization of service and the definition of services in the traditional "services industry."

The emergence of S-D logic has emphasized the centrality of service in marketing and management and suggests that the theories and models are applicable to all of marketing, including the subset of instances in which goods are involved (Vargo and Lusch, 2008a). In contrast to this continuing debate, and consistent with S-D logic, several marketing scholars have initiated attempts to redefine the role of marketing with regard to the overall discipline. Gummesson (2010b) talks about the "new service marketing" and Grönroos (2006, p. 362) contends that goods marketing is a special case of service marketing. He proposes three conclusions for marketing's traditional focus on goods:

(1) concentrating on the product draws the marketer's attention away from what ultimately is important for the customers – their value-creating processes;

(2) goods can be seen as a platform for services; and

(3) for the customer to use goods, other resources must accompany them, and the goods are only one resource, among others, in the process of supporting customers' value-generating processes.

The dialog surrounding service-centered phenomena has marked a starting point to broaden the scope of service marketing and management literature and re-examine service, in terms of what it is and where it stands in the management disciplines as well as in economics. If S-D logic is valid, then it also leads to an understanding of all of marketing and management as being fundamentally about service, since service exchange is seen as offering the roots of economy and society. Thus, at some point one would expect no such thing as service marketing or service management but merely marketing and management with the service-focus implicitly understood.

A brief history
As of the time this being written, six years have passed since S-D logic was made public. It seems a good time for reflection and action. We start with a bit of history. However, history is non-linear and full of deviations, variations, and parallel events that make it complex and difficult to overview. Still it is presented as more or less linear for the sake of intelligibility:

(1) *1970s-1990s.* A critical mass of scholars started to explore services in the 1970s. Out came service management with services marketing as the most active area but it also engaged human resource management, operations management, quality management, and other disciplines. It was a protest against the one-sided focus on the manufacturing sector and the neglect of the role of service. Service established itself rapidly in research and in business school curricula. For an overview, see textbooks by for example Grönroos (2007), Palmer (2007), and Lovelock and Wirtz (2010).

During the past three decades crucial issues were highlighted and seminal contributions were made. Although the stage was largely controlled by US researchers, service research was international and especially prominent in the UK, France and Northern Europe (with Sweden and Finland at the forefront – later to be called the "Nordic School"). The emphasis was on the differences between goods and services. Over the years however, the perspective began to shift toward one of goods and service being intertwined and service considered as a perspectives for any offering (Wyckham *et al.*, 1975; Gummesson and Grönroos, 1987; Langeard, 1987; Normann, 2001). But the time for a full shift was not ripe.

Service research had managed to put service on the agenda; this was no small feat. It started what would become an avalanche of interest, especially among a younger generation of researchers. However, it was initially largely rejected or marginalized by many mainstream marketing academics, perhaps because it created insecurity, though eventually, it earned a place in the academic sun. This was a necessary transition phase with many seminal contributions. Its outcome will be referred to as "mainstream service management". It paved the way for the publication of evolving to a new dominant logic for marketing (Vargo and Lusch, 2004a).

(2) *1980s-present.* Relational approaches established themselves in marketing embracing both goods and services and both business-to-consumer and business-to-business (B2B) marketing: relationship marketing, CRM, one-to-one and specific models of these like the 30 relationships, ("the 30Rs") and the six markets model, and special applications in B2B marketing. The orientation of the firm moved from one-party (supplier or customer) centricity to two-party (customer-supplier) centricity and early versions of multi-party (network) centricity. See further Håkansson and Snehota (1995), Christopher *et al.* (2002), Payne and Frow (2005), Egan (2008), Gummesson (2008), Buttle (2009), and Håkansson *et al.* (2009).

(3) *1990s-present.* The internet, e-mail, and mobile communication offer a new infrastructure for commercial and social relationships. Service research found a new object for research: e-service. It was initially hailed as a panacea (the dot.com boom around the year 2000). For example, it was predicted that stores would disappear and all retailing would occur via the web. It soon got a more balanced role in service research (Parasuraman, 2000; Rust and Kannan, 2002).

The outcome of these years of service research, once radical and controversial, have created a foundation for what some have called a shifting paradigm. The convention says that we have gone from small scale self-supporting communities to global and

large-scale markets, and to the division of the roles of supplier/consumer and employer/employee. What S-D logic points to is a more realistic view of what is actually happening. Customers and citizens take own initiatives that are not registered in official statistics and management and economics theory. They are operant (active) resources. They create for themselves and they co-create with others. S-D logic merges goods and services and service science puts efficient service systems on top of the research and teaching agenda. Both recognize network and systems complexity which is in the core of many-to-many marketing (Gummesson, 2008) and the viable system approach (Barile and Polese, 2010).

What was hailed as seminal contributions in service management in the 1970-2000 period now appears in a different light. We have to ask ourselves how a productive and constructive transition could be stimulated, speeded up and prioritised. For example, the transition from mainstream services marketing to the new service marketing uncovers several dilemmas (Gummesson, 2010b). The paper will now continue to analyze the mainstream service management heritage in the light of S-D logic.

The benefit and burden of a heritage
As noted, over the last three decades, service-research knowledge has begun to turn into mainstream marketing knowledge (Vargo and Lusch, 2008a). It has managed to draw attention to services, and created subdisciplines, especially of marketing but also of operations management. However, it has not caused the paradigm shift of management and marketing in general that many had hoped for. In fact, it never had much impact on general textbooks in marketing management, B2B marketing or organization theory. Economics did not even note what was going on and, as IBM discovered, service were not even part of the curricula in schools of technology. Many claims of service were, at least in part, based on taken-for-granted but ill-founded assumptions. Much of this was challenged but did not get the attention it arguably deserved. So, parallel to the growing service knowledge, service research also developed and perpetuated its own mythology.

If mainstream service management is transitioning to S-D logic, it raises a questions of:

- How much of the heritage should be carried forward and how much should be left behind?
- How fast should it move?
- How quickly can it inform practice?

People have invested resources, maybe whole careers, and now others advocate replacing them, or at least subordinating them. Our view is that the current service management mainstream has fulfilled important tasks; without the leverage it has provided, S-D logic would be much less possible. Everything must be assessed within the intellectual context in which it is created.

Some of the issues that we feel should not be carried forward to a new service logic are discussed in the following sections.

Fuzzy economic sectors
According to Gummesson (2007b, 2010b), what has been referred to as the "service sector" is a clutter and patchwork. The category defies both scientific demands and common sense. Service sector statistics include trade, hotels and restaurants, transport

(including tourism, travel agencies, tour operators), storage and communication, financial services, real estate and dwellings, business services (e.g. accounting, software development, management consultancy, technical consultancy), public administration, defence, education, health services, religious, and other community services, legal services, recreation, entertainment, and personal services. What is meant for example by "communication" and "personal services" and where the internet and the web come in is far from obvious. Even a subsector like health services is huge and diverse, embracing anything from a painkiller prescription to 8 hour trauma surgery after a traffic accident with recurrent need for treatment and perhaps lifelong suffering. There are thousands of service systems within the healthcare span.

It is not clear what dimension the concept of the service sector adds to our understanding and what the various subsectors have in common. In official statistics the service sector classification picks up what does not fit in the manufacturing or agricultural sectors; and by making internal service units companies and by outsourcing services, people are transferred from the manufacturing to the service sector but are still doing the same or a similar job. So the growth of the service sector is largely an illusion.

To be of meaning for decision making and action, each economic entity has to be treated on its own terms in its own context. For example, when we refer to hotels we should talk about hotels, when we mean high-class hotels we could call them five star hotels; these are manageable categories. To categorize them as part of the service sector adds no information. Still, the service sector is used as a mantra. Politicians as well as media headlines keep saying that the service sector is growing, that the manufacturing and agricultural sectors are shrinking, and that all new jobs come from the service sector. Economists concern themselves with intricate technicalities about service sector statistics. Then consider that we:

- never had so many goods and so much product waste;
- never had so much food and were never so obese but at the same time often undernourished; and
- generally lack basic and efficient service systems including healthcare for everyone, affordable and dignified elder care, good schools, and working legal assistance.

This indicates that the economic sectors are not measured by the value they help create for individuals and society. The statistics are totally supplier and cost centric.

Not only do researchers, governments and the media get trapped in categories that may lead them in the wrong direction; so do business practitioners. It can be tempting to change labels but to achieve progress commitment, understanding and a focus on content is required. For example, changing a title from vice president marketing to chief marketing officer, but remaining in the same mode of thinking will not lead anywhere. S-D logic provides new concepts and categories and these have to be understood and tried on real situations. Consider this case of B2B goods marketing and service.

When research on the role of service(s) in manufacturing companies and B2B marketing is reported in *Harvard Business Review* (Reinartz and Ulaga, 2008) and *The Wall Street Journal* (Brown *et al.*, 2009) we are told, among many things, that companies "[. . .] have decided that they have to branch out into services to stay competitive" and that "some truck manufacturers don't just offer vehicles but sell maintenance and service packages, driver-training programmes" and "[. . .] even sell services that go well

beyond caring for trucks, such as advising clients about improving their logistics operation" (*The Wall Street Journal*); and when services are not just add-ons to existing products and companies "[...] move away from straightforward product-related services into more complex customer solutions, managers must take a new look at sales management strategies" (*Harvard Business Review*). These are probably accurate descriptions of the current state of affairs in companies but it only shows how little has happened in the minds of those in manufacturing; G-D logic is solidly implanted in their brains. The same issues were a headache in the 1960s, 1970s, 1980s, and 1990s and possibly before that.

Separating services from goods, the IHIPs
Even though there has never been any scientific justification for them, the four alleged differences between goods and services – intangibility, heterogeneity, inseparability, and perishability (the IHIPs) – form the introduction to almost every textbook and chapter on service. They have never been substantiated and they have been unambiguously refuted in papers by Lovelock and Gummesson (2004) and Vargo and Lusch (2004b). Consider the following:

- Services are intangible, goods are tangible. The idea is that services are activities and processes that cannot be touched, for example, the service of an opera performance. A surgeon is in health care service but it seems odd that the service of cutting your belly open could be perceived by either the provider or the patient as intangible.

- Services are characterized by heterogeneity, variability, or non-standardization; goods by homogeneity and standardization. This is based on the idea that service is performed by human beings while goods are produced by machines. Thanks to IT, increasingly more service can be performed in a strictly standardized mode, for example the service of cash machines.

- In services there is inseparability between production, delivery, and consumption, also expressed as simultaneity, while in goods manufacturing there is typically separability as goods are produced without the presence of the customer. This gave rise to the concept of the service encounter, which is characterized by interaction between the customer and the supplier's contact personnel, servicescape and systems, and between those customers who are present at a specific place and point of time (customer-to-customer interaction). From an S-D logic perspective, this encounter is not dependent on the existence of goods or services; it represents a value co-creating network.

- Services are characterized by perishability meaning that they cannot be stored; goods by non-perishability. Activities and processes can be stored in products (such as a car), people, systems and equipment and a provider's preparedness to perform the service when a customer requires it. This epitomizes the knowledge and skills content of service which is central in S-D logic.

Quality, value, and customer satisfaction
Service research in the1980s became aware of the little-studied quality aspect, while in manufacturing, quality management was a major discipline. Again, the reigning paradigm stressed differences between goods and services so service research looked

for what divided goods and services instead of what united them. Those who developed national and international quality awards like the Malcolm Baldrige National Quality Award in the USA and the EFQM Award for Excellence in Europe did not consider goods/service differences but rather reviewed each organization's performance on its own specific terms. Although both value and customer satisfaction were common terms, quality was the key word. Quality is not a recurrent word in S-D logic; value has taken over.

Many of the claims about service quality from mainstream service marketing and management do not stand the test of time. Among those which still appear in many textbooks and are taught in courses are the following:

- *Service quality is difficult, while goods quality is easy.* This is built on the idea that goods are manufactured in standardized components by easily controlled machines whereas services are "handmade" by human beings. But goods and manufacturing quality is not easy; enormous resources are put into improving and keeping quality at same time as productivity is considered. When quality is measured it never considers the customer's role in co-creation (compare the comments on the IHIP heterogeneity above).

- *Service quality cannot be assessed before consumption while goods quality can.* It builds on the misunderstanding that it is easy to assess the quality of a product "as it is tangible". More realistically, consumers understand very little about the technical quality of a car and therefore buy on trust for the brand and under considerable stress and insecurity. Among the few quality properties we can assess are the size and colour of a car. Not even the fuel consumption can be checked until the car has been used for some time as it also depends on driving style. In light of the definition of service where the customer is co-creator the quality of a car is variable and dependent on the way each customer creates value for himself or herself.

- *Better service quality costs more.* This was long a taken-for-granted assumption that has turned out not to be true but is still referred to. Better quality sometimes costs more, sometimes the same and sometimes less; there are only specific instances. Quality in the form of a bigger hotel room can be more expensive for obvious reasons. A smarter service system reduces the cost of breakdowns, complaints from dissatisfied customers and rework. By improving the technical quality a supplier may save money without lowering the price, which adds to profit.

- *Service productivity does not improve whereas goods productivity keeps improving at a rapid rate.* This is often presented as a shortcoming of the service sector. Productivity indicators have to be adapted to service in the S-D logic sense to be a meaningful. Productivity is the easiest to measure and control when something can be broken down in detail and be linked together in the one best sequence. This works well in a factory but is not applicable when the customer is a co-creator. Further, when a manual service like washing was packaged in a machine, the gains were not credited to the service sector.

- The disconfirmation paradigm states that customers have expectations on services and that customers compare these expectations with the actual experiences. If they match, the customer is satisfied and quality is adequate; if the delivery is below expectations customers are dissatisfied; and if it is above

expectations customers are delighted. However, customer expectations are often not explicit and well-thought through, may be based on ignorance or faulty information, and keep changing.

· Questionnaire survey packages were introduced to learn about customer perceptions of service quality. They were variants of conventional customer satisfaction surveys and were given the status of being "scientific and rigorous," mainly because they were statistical. They were easy and quick to implement but only scratched the surface. They could not address the complexity of value-in-use and value-in-context.

Further alleged goods/service differences
Ending this exposé of claims about goods/service differences, there are especially two we would like to add:

(1) *The pure goods-pure services continuum.* This appears in almost every textbook on service. For example, one continuum puts clothing on the pure goods side and a visit to your shrink on the pure service side. However, clothing is very obviously surrounded by service through retailing, fashion shows and the magic of branding; and the remedy against psychic disorders is to a large extent the psychiatrist's prescription of manufactured pills. The value proposition concept used in S-D logic makes this distinction superfluous.

(2) *Manufacturing requires heavy investment whereas services do not.* The convention at least used to state that service firms are people-intensive while manufacturing firms are capital-intensive. IT has largely changed this but even before that service could be very capital intensive. Consider, for example, the enormous investment in capital goods of an airport and an airline in order to make the flying service possible.

Conclusions and recommendations
As noted, S-D logic represents the convergence of a host of diverse conceptualizations and research streams with the common feature of responding to inadequacies of traditional G-D logic and mainstream service management. The development of S-D logic involves a growing, world wide community of scholars who help co-create, elaborate, and extend a new logic for management in general and for marketing and the functioning of the market economy, which is the central exchange institution of Western societies. Thus, S-D logic has implications in social as well as economic exchange.

The momentum from S-D logic, service science and network and systems approaches is appears to be significant. Despite this there are lags in the implementation. These lags are found in research but even more so, it seems, in education and business and government practice. Caution should always be observed in accepting a new foundational perspective; there is no objective, risk-free way of assessing its validity and robustness. It is characteristic of true scholars embarking on new ventures that they are open to using their best judgment, intellect and capacity as concerned and curious human beings. If science is still about finding the truth and help us orient ourselves in a complex and uncertain world, time is also a pivotal factor. How much time is there and how much delay in acceptance and implementation is reasonable? Our contention is that old "truths" linger far too long in a world where we constantly are told that everything

moves faster and faster. However, resistance to change – or at least sluggishness – seems to be genetic in people and organizations, and any change process will travel on a bumpy dirt road rather than on a smooth highway. The delay to get new theory integrated with the old or replace it is more often a matter of decades than years.

There are a host of challenges associated with the further growth, development, and implementation of S-D logic. The next sections list conclusions and recommendations for research, education and practice.

For research

- We have discussed the benefits and the burden of the service management heritage and identified a series of claims that should not be carried forward into a future paradigm. Several established concepts and categories have outlived their application, either by being too narrow or not matching the conditions of contemporary and expected future business and social reality. Therefore, we need to further develop a language and lexicon to describe the management of service and market economy mechanisms, consistent with a service-centered mindset.

- Now is also the time to begin empirical study using a multitude of research methods. Although S-D logic was initially not developed as a theory with testable elements, we believe that the ten FPs can be used to derive testable propositions and hypotheses. The premises can be studied in several domains such as household resource integration, enterprise value-proposing, and customer co-creation as well as a multitude of others. However, care must be taken to assure that propositions derived from S-D logic are tested with S-D-logic-compatible metrics (Vargo, 2007b).

- Gummesson (2007a) claims that numerous in-depth cases are needed based on the capacity of case study research and network theory to handle complexity, context and change. New theory needs to develop a detailed empirical and substantive base to open up for deeper insights and understanding. The risk is otherwise that we settle for mid-range theory that is neither well grounded nor abstract and dense enough. If we start generalizing from data of poor quality we will never reach higher levels of abstraction and general theory; we will get "stuck-in-the-middle-theory."

- We encourage work that deals with multiple levels of aggregation on business, customer, government, political, and economic macro levels. All levels interact and influence each other. Seeking to understand the market and marketing from a holistic and process perspective is what S-D logic uniquely offers the management disciplines and economics. If we neglect to take up this grand challenge of unification we will have short-changed both business and society.

- We suggest concentrating on theory improvements, incremental improvements as well as foundational development. Constantly evaluate mainstream definitions, categories, and concepts in relation to those offered by new theory. Constructively focus on continuous theory generation through an open source code, mass collaboration, and free co-creation between researchers. Better theory will replace previous theory quite naturally. The overriding criteria should be validity and relevance for contemporary and future business and society. It requires discernment to determine what may be sustainable and beneficial and

what is irrelevant, ephemeral, and hyped. However, scholarly work includes risk taking and risk avoidance is not acceptable as a general research strategy.

- Scientific journals have become the main arena for academic careers. They have become the number one indicator of research quality (through blind, peer-reviewed articles) and quantity (counting the number of published articles). They therefore have a major role in future academic research and higher education. Journals should take a balanced approach to perspectives and research techniques, and strive for both relevance and validity. They should try to minimize accepting more-of-the-same and incremental articles based on taken-for-granted but unsupported claims. Science is about sustainable and useful discovery but discovery is also about risk, and it seems all too often that editors are too quick to avoid risk. We argue that risk-taking should be an essential part of a journal's editorial policy.

For education

- Education is perhaps the prime outlet of knowledge. It reaches young people in their formative years and teaches them the basics of management and economics. The students bring this knowledge to their future jobs, and employee and executive training provide a direct channel to those who may already have the power to introduce change. Educational institutions therefore carry a unique responsibility to absorb and assess the new logic. This work is forcefully supported world-wide by the IBM service science programme.

- At least so far, S-D logic seems to have had relatively little impact on textbooks, even those editions published in the last few years. Even though S-D logic is heavily cited in academic journals, the vast majority of textbooks on general marketing, service marketing, B2B marketing, relationship marketing and CRM, do not mention it at all. Rather, these books seem to sustain what might be called their own "textbook theory," in some cases based on a rather encyclopedic and fragmented list of traditional concepts, models, theories, cases, and conclusions that lag years behind academic publications.

- It is therefore especially urgent that professors supplement textbook packages with their own research; recent articles; media news; international, national, and local material; guest lectures by practitioners from business, government, and other organizations; and the student's own experiences. Most good educators probably already do this but many seem to get caught in the rut of established "preps," in which acclaimed textbooks are likely to get exaggerated attention. In many countries, educators are increasingly being driven to do more teaching and administration and do not have the time or strength to continuously update their knowledge and improve class-room performance.

For practice

- Much of what has been said on research and education has direct or indirect bearing on practice as well. Not only professors but also practitioners have a responsibility to listen, reflect, allocate time, and think long-term beyond the short-term bottom line. Practitioners, claiming that they are hands-on and close to reality are often the victims of old philosophy that implicitly controls their thinking.

- With the service science programme initiated by IBM as a role model, other companies could also take initiative to support the rethinking of service in industry.
- Official statistics and their underlying categories are still driven by the 300-year-old goods/service and supplier/customer divides from a goods-centered, industrial logic. Thus, they give the impression of the service sector growing. Business managers, governments, and politicians need to refocus on service and value and transition from the supplier, goods, and cost centric worldview. We need balanced centricity, which takes into account the role of and impact on all stakeholders, and statistics that are useful for monitoring these roles and impact need to be developed.

References

Barile, S. and Polese, F. (2010), "Linking the viable system and many-to-many network approaches to service-dominant logic and service science", *International Journal of Quality and Service Sciences*, Vol. 2 No. 1.

Bolton, R.N., Day, G.S., Deighton, J., Narayandas, D., Gummesson, E., Hunt, S.D., Prahalad, C.K., Rust, R.T. and Shugan, S.M. (2004), "Invited commentaries on evolving to a new dominant logic for marketing", *Journal of Marketing*, Vol. 68 No. 1, pp. 18-27.

Brown, S.W., Gustafsson, A. and Witell, L. (2009), "Beyond products", *The Wall Street Journal*, June, p. 22.

Buttle, F. (2009), *Customer Relationship Management*, Butterworth-Heinemann, Oxford.

Christopher, M., Payne, A. and Ballantyne, D. (2002), *Relationship Marketing*, Elsevier Butterworth-Heinemann, Oxford.

Edvardsson, B., Gustafsson, A. and Roos, I. (2005), "Service portraits in service research: a critical review", *International Journal of Service Industry Management*, Vol. 16 No. 1, pp. 107-21.

Egan, J. (2008), *Relationship Marketing*, Pearson, Harlow.

Fisk, R.P., Grove, S.J. and John, J. (Eds) (2000), *Services Marketing Self-portraits: Introspections, Reflections, and Glimpses from the Experts*, American Marketing Association, Chicago, IL.

Grönroos, C. (2006), "What can a service logic offer marketing theory?", in Lusch, R.F. and Vargo, S.L. (Eds), *The Service-dominant Logic of Marketing: Dialog, Debate, and Directions*, M.E. Sharpe, Armonk, NY, pp. 354-64.

Grönroos, C. (2007), *Service Management and Marketing*, Wiley, Chichester.

Gummesson, E. (2007a), "Case study research and network theory: birds of a feather", *Qualitative Research in Organizations and Management*, Vol. 2 No. 3, pp. 226-48.

Gummesson, E. (2007b), "Exit services marketing – enter service marketing", *Journal of Customer Behaviour*, Vol. 6 No. 2, pp. 113-41.

Gummesson, E. (2008), *Total Relationship Marketing*, revised 3rd ed., Butterworth-Heinemann, Oxford.

Gummesson, E. (2010a), "Future of service is long overdue", in Maglio, P.P., Kieliszewski, C.A. and Spohrer, J.C. (Eds), *Handbook of Service Science*, Springer, New York, NY.

Gummesson, E. (2010b), "The new service marketing", in Baker, M.J. and Saren, M. (Eds), *Marketing Theory*, Sage, London.

Gummesson, E. and Grönroos, C. (1987), "Quality of services – lessons from the product sector", in Surprenant, C. (Ed.), *Add Value to Your Service*, American Marketing Association, Chicago, IL.

Håkansson, H. and Snehota, I. (1995), *Developing Relationships in Business Marketing*, Routledge, London.

Håkansson, H., Ford, D., Gadde, L.-E., Snehota, I. and Waluszewski, A. (2009), *Business in Networks*, Wiley, Chichester.

Langeard, E. (1987), *Integrated Services and Goods Offering in New Service Strategies*, IAE, Aix-en-Provence.

Lovelock, C. and Gummesson, E. (2004), "Whither services marketing? In search of a new paradigm and fresh perspectives", *Journal of Service Research*, Vol. 7 No. 1, pp. 20-41.

Lovelock, C. and Wirtz, J. (2010), *Services Marketing*, Prentice-Hall, Englewood Cliffs, NJ.

Lusch, R.F. and Vargo, S.L. (Eds) (2006a), *The Service-dominant Logic of Marketing: Dialog, Debate, and Directions*, M.E. Sharpe, Armonk, NY.

Maglio, P.P. and Spohrer, J. (2008), "Fundamentals of service science", *Journal of the Academy of Marketing Science*, Vol. 36 No. 1, pp. 18-20.

Maglio, P.P., Kieliszewski, C.A. and Spohrer, J.C. (Eds) (2010), *Handbook of Service Science*, Springer, New York, NY.

Normann, R. (2001), *Reframing Business: When the Map Changes the Landscape*, Wiley, New York, NY.

Ottenbacher, M., Gnoth, J. and Jones, P. (2006), "Identifying determinants of success in development of new high-contact services: insights from the hospitality industry", *International Journal of Service Industry Management*, Vol. 17 No. 4, pp. 344-63.

Palmer, A. (2007), *Principles of Services Marketing*, McGraw-Hill, Maidenhead.

Parasuraman, A. (2000), "Technology readiness index (Tri): a multiple-item scale to measure readiness to embrace new technologies", *Journal of Service Research*, No. 2, pp. 307-20.

Payne, A. and Frow, P. (2005), "A strategic framework for customer relationship management", *Journal of Marketing*, Vol. 69, pp. 167-76.

Reinartz, W. and Ulaga, W. (2008), "How to sell services more profitably", *Harvard Business Review*, May, p. 11.

Rust, R.T. and Kannan, P.K. (Eds) (2002), *e-Service: New Directions in Theory and Practice*, M.E. Sharpe, Armonk, NY.

Vargo, S.L. (2007), "Paradigms, pluralisms, and peripheries on the assessment of the S-D Logic", *Australasian Marketing Journal*, Vol. 15 No. 1, pp. 108-11.

Vargo, S.L. and Lusch, R.F. (2004a), "Evolving to a new dominant logic for marketing", *Journal of Marketing*, Vol. 68 No. 1, pp. 1-17.

Vargo, S.L. and Lusch, R.F. (2004b), "The four service marketing myths: remnants of a goods-based, manufacturing model", *Journal of Service Research*, Vol. 6 No. 4, pp. 324-35.

Vargo, S.L. and Lusch, R.F. (2006), "Service-dominant logic: what it is, what it is not, what it might be", in Lusch, R.F. and Vargo, S.L. (Eds), *The Service-dominant Logic of Marketing: Dialog, Debate, and Directions*, M.E. Sharpe, Armonk, NY, pp. 43-56.

Vargo, S.L. and Lusch, R.F. (2008a), "From goods to service(s): divergences and convergences of logics", *Industrial Marketing Management*, Vol. 37 No. 3, pp. 254-9.

Vargo, S.L. and Lusch, R.F. (2008b), "Service-dominant logic: continuing the evolution", *Journal of the Academy of Marketing Science*, Vol. 36 No. 1, pp. 1-10.

Vargo, S.L., Lusch, R.F., Archpru Akaka, M. and Yi, H. (2010), "The service-dominant logic of marketing: a review and assessment", *Review of Marketing Research*, Vol. 6, pp. 125-67.

Wyckham, R.G., Fitzroy, P.T. and Mandry, G.D. (1975), "Marketing of services", *European Journal of Marketing*, Vol. 9 No. 1, pp. 59-67.

Further reading

Vargo, S.L. (2007), "On a theory of markets and marketing: from positively normative to normatively positive", *Australasian Marketing Journal*, Vol. 15 No. 1, pp. 56-63.

About the authors

Evert Gummesson is a Emeritus Professor of Marketing and Management at the Stockholm University School of Business, Sweden; Honorary Doctor of the Hanken School of Economics, Helsinki, and a Fellow of Tampere University, Finland. His interests especially embrace service, relationship marketing and CRM, and a network approach to marketing, reflected in his latest book *Marketing as Networks: The Birth of Many-to-Many Marketing.* His book *Total Relationship Marketing* was published in its 3rd and revised edition in 2008. In 2000, he received the American Marketing Association's (AMA) Award for Leadership in Services, and his article (with Christopher Lovelock) "Whither services marketing?," in the *Journal of Service Research,* won the AMA Award for Best Article on Services in 2004. He is one of the 50 most important contributors to the development of marketing included in the guru list of the Chartered Institute of Marketing, UK. Gummesson also takes a special interest in research methodology and the theory of science. He has spent 25 years as a business practitioner and is a frequent speaker at conferences, business meetings and universities around the world. Evert Gummesson is the corresponding author and can be contacted at: eg@fek.su.se

Robert F. Lusch holds a PhD from the University of Wisconsin-Madison. He currently is the Lisle and Roslyn Professor of Marketing and Marketing Department Head at the Eller College of Management at the University of Arizona. Previously, he served as Dean of the M.J. Neeley School of Business at Texas Christian University and Dean of the Michael F. Price College of Business at the University of Oklahoma. In addition, he is a previous editor of the *Journal of Marketing and Chairperson* of the AMA. He is a two-time winner of the AMA Harold Maynard Award for theoretical contributions in marketing published in the *Journal of Marketing* in 1996 and 2004. An author of over 100 scholarly articles and 18 books, his current focus is on developing a S-D logic of marketing and on the development and use of agent-based modeling to understand service ecosystems.

Stephen L. Vargo is a Shidler Distinguished Professor and Professor of Marketing at the University of Hawai at Manoa. His primary areas of research are marketing theory and thought and consumers' evaluative reference scales. He has had articles published in the *Journal of Marketing*, the *Journal of the Academy of Marketing Science*, the *Journal of Service Research*, and other major marketing journals and serves on six editorial review boards, including the *Journal of Marketing*, *Journal of the Academy of Marketing Science*, and the *Journal of Service Research.* Vargo has been awarded the Best Article of the Year Award by the Australia and New Zealand Marketing Academy and the Harold H. Maynard Award by the American Marketing Association for "significant contribution to marketing theory and thought." His 2004 article in the *Journal of Marketing* titled "Evolving to a new dominant logic for marketing" is the most-cited marketing article published in the last ten years.