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# The forum on markets and marketing (FMM): Advancing service-dominant logic

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## Abstract

This essay reviews the purpose and history of the Service-dominant logic linked, biennial *Forum on Markets and Marketing* (FMM) and the community of scholars it is catalyzing. Five essays developed by the participants around the organizational themes of FMM 2010 – (1) resource integration; (2) value, values, symbols and outcomes; (3) systems, complexity and engineering; (4) markets and practices; (5) effectuation theory – are reviewed. It is suggested these themes can be better understood by the adoption of a generic, actor-to-actor (A2A) model of resource integrators engaged in mutual service provision.

## Keywords

co-creation, effectuation, markets, networks, resources, S-D logic, service-dominant logic, systems, value

## Introduction

Nearly 15 years ago we began a collaborative effort to interpret the long evolution of marketing thought and practice. This led to our identification of an evolving new dominant logic, which subsequently became known as ‘Service-dominant (S-D) logic.’ Based on the response to our initial writing on this subject (Vargo and Lusch, 2004a, 2004b; Vargo and Morgan, 2005; Lusch and Vargo, 2006a), and punctuated by the contributions of over 50 scholars to a book of original essays on the topic (Lusch and Vargo, 2006b), we sensed sufficient interest in and need for a recurring event that would bring world-wide scholars together for continuing dialog. This resulted in the initiation of a biennial *Forum on Markets and Marketing* (FMM) intended to (1) explore

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foundational and theoretical issues related to marketing, including the understanding of markets (Vargo, 2007) and marketing systems; and (2) further the development of S-D logic. To foster dialog and co-creation of learning, the number of participants is intentionally restricted, thus eliminating the need for competing, concurrent sessions. The first FMM was held at the University of New South Wales in Sydney, Australia, in 2008, with Professor Roger Layton as the host.

## FMM 2010

The second FMM, held in September 2010, was hosted by Professor Irene Ng and the University of Cambridge. FMM 2010 was organized around five content areas: (1) resources and resource integration; (2) value, values, symbols and outcomes; (3) systems, complexity and engineering; (4) markets and practices; and (5) effectuation theory. The purpose was to identify what we know and what we need to explore in more depth to move S-D logic and our understanding of the market(s) forward in order to better inform market and marketing theory. This essay introduces essays contributed by the participants in FMM 2010 and uses these essays to demonstrate the need for the adoption of a more generic, resource-integrating, actor-to-actor (A2A) model of value co-creation through service-for-service exchange, as discussed in Vargo and Lusch (2011).

## Liberating thinking: A liberating perspective

Language plays a vital role in communication and helps to shape our thinking and the construction of meaning that subsequently influences human actions. However, it also can constrain our thinking by locking us into a particular perspective. We were motivated in part to develop S-D logic because the language that developed in economics, marketing and related disciplines were strongly goods-dominant, as we have described elsewhere (Vargo and Lusch, 2004a, 2004b). Perhaps most disturbing and disquieting was the artificial distinction made in the lexicon of marketing between goods marketing and 'services' marketing, based on the notion that services are intangible, heterogeneous, inseparable and perishable (i.e. the IHIP characteristics) and, generally, what goods are not. S-D logic is built on a transcending definition of 'service', one that better reflects its nature and purpose. It views service as the application of resources by one actor for the benefit of another. Goods then become service provisioning appliances. Service can be provided directly by one actor providing service to another and indirectly through a good (as a service appliance).

Over the last decade, we have become increasingly aware that, even with a transcending concept of service, we were being constrained by other central constructs used to describe markets and marketing. The most constraining of these are the distinctions implied by labeling one set of actors as 'producers' and another as 'consumers'; or as 'firms' and 'customers'; or as sources of 'supply' and sources of 'demand' which render us myopic concerning the more holistic role of these actors. The development of S-D logic allowed us to more clearly view all social and economic actors as generic actors that are resource integrating, service provisioning, and value co-creating. Furthermore, in their resource integrating, service provisioning, value co-creating activities, each actor is active and dynamic, thus representing operant resources. This is in stark contrast to the dominant view, in which the 'producer' is seen as an active operant resource acting on the passive consumer who is viewed as an operand resource.

Just as we believed that our thinking was constrained by viewing services as what goods were not and as evidenced by IHIP characteristics, we found that the language of B2B, B2C, C2C marketing was both constraining and, more importantly, misdirecting. For this reason we have

adopted a generic A2A, network lens. In an A2A network all actors are operant resources that influence and shape each other; hence, they create their own context or environment. Generic actors, despite labels such as firm, household or individual do essentially the same thing. That is they integrate resources, provide service and co-create value.

Coupled with S-D logic, the A2A network concept enables the marketing discipline to break free from traditional goods-dominant thinking and viewing one set of actors as producers of value and another set as using up or destroying value. Importantly, it points the marketing discipline toward reunification and away from the proliferation of sub-disciplines that largely developed because goods-dominant (G-D) logic was so limiting and constraining (Vargo and Lusch, 2008). It also better enables the viewing of markets and marketing processes as embedded in a larger social and economic system. In that regard actors are viewed as not only accessing market-facing resources but also non-market-facing resources, including private resources and public resources.

Resources however do not exist per se but are a function of human appraisal and thus, in an absolute sense, there are no resources, only potential resources. Social and economic actors are embedded in a soup of potential resources and are always integrating resources to create new resources. Complex systems emerge from the micro activities of resource-integrating and resource-creating actors. These systems emerge, converge, proliferate and decouple or diverge, and these abstract universal patterns need to be better understood by those that study and theorize about markets and marketing (Kiel et al., 1992).

In the history of human civilization, markets are relatively recent. By understanding the emergence of humans as specializing, exchanging and resource integrating, resource creating species we begin to see markets and marketing in a historical but also future perspective. From the outset in our work we have viewed ourselves as archaeological futurists. We cannot get stuck in the study of markets in contemporary market society because we need to transcend and see the evolutionary pathway that brought humans to markets and may possibly take humans to exchange institutions that are different in both form and substance. Things seldom stay the same when viewed from the long lens of the emergence of humans specializing to serve one another and the institutions they co-create. Markets are a clever human creation but humans will not stop innovating. They are a resource integrating, resource creating, and service for service species.

We argue the actor is able to learn how to partially control but not eliminate uncertainties but also that A2A networks serve this purpose. Western science is oriented toward developing theories and models that allow prediction. Prediction is then used as a framework for the control of physical systems but also social systems. At least that is the goal of sciences of the natural and social. But Simon (1996) argues for the science of the artificial or a science of human created resources. All resource integrators are enterprising, although some more skilled than others, that integrate resources to develop solutions to help them cope with uncertainty. A2A networks also serve this purpose. In an inversion of most scientific logics we see humans as not using *prediction for control* but *control for prediction*. The multitude of human inventions is the result of combining or integrating resources (Arthur, 2009) that create structure or institutionalized solutions that yield predictability. A2A networks and systems thus enable prediction, and institutionalized solutions control resource integrating actors that allow them to cope but also succeed in an uncertain world.

## Essays based on FMM 2010

We now offer a brief review of the FMM 2010 essays that follow in this issue of *Marketing Theory* and link each to the A2A network perspective we advocate.

### *Resource integration*

The essay, 'Resource Integration' (Kleinaltenkamp et al. – this issue) argues for developing a better understanding of five themes that center on the role of social and economic factors in resource integration. The five themes include: (1) defining resource integrators with special attention in the context of technology; (2) clarification of the nature of operand and operant resources and implications for this classification; (3) better understanding of the nature of interactivity and reciprocity in the co-creation of value; (4) the role of value propositions in resource integration within a service system and whether value is the outcome of resource integration or intrinsic within the interaction experience; (5) understanding the evaluation process of networked resource integrators.

This essay is developed in a manner that is consistent with the A2A network perspective we advocate. Most importantly, it shows what it means to be an actor and raises the question of choice. In addition, the essayists bring up the thought-provoking issue of whether 'technology can itself be a resource integrator and can forge relationships between other things embedded with knowledge capabilities.' Although we have not yet fully developed our position, we do believe it is a major issue that needs discussion and resolution.

### *Value, values, symbols and outcomes*

In the essay 'Value, Values, Symbols and Outcomes' (Domegan et al. – this issue) difficult and complex challenges around the role of value and valuations is discussed. The distinction between value and values and the view of value creation as both a social and market activity is highlighted. Predictably, this prompts important questions regarding the 'role of symbols, the nature of outcomes and the processes of *valuing* as they come together in markets, in organizations and in other social domains.' Incorporating ideas and theories beyond marketing and economics is called for as well as being proactive in identifying research opportunities for scholars from different disciplines to further develop and advance an interdisciplinary perspective.

The A2A network perspective we advocate views networks as dynamic. Making the network of actors dynamic are the exchange value, use value, sign value, outcomes and values that are emergent in A2A networks. Briefly, from examining these processes we witness the micro, meso and macro levels evolving to co-create social and market systems. The study of these co-created social and market systems requires more study but we suggest that the scientist refrain from viewing actors in terms of concepts such as supplier, customer, employee or firm because as suggested earlier this superficially casts actors in a myopic and limited role that seldom reflects the breadth of their activities in value co-creation, resource integration and service-for-service exchange.

### *Systems, complexity and engineering*

In the essay 'S-D Logic Research Directions and Opportunities: The Perspective of Systems, Complexity and Engineering' (Ng et al. – this issue) it is argued that service models 'cannot be simply extensions of the models for product design, supply-chain management or other legacy approaches developed by different disciplinary communities over the past six decades.' Moving us away from the legacy approaches the essayists suggest that models of service systems have five essential elements that need development and validation in order for service system knowledge to be advanced and for the development of tools useful for decision support for service design and management. The five essential elements are (1) identifying the boundaries of the service system in terms of

value-in-context; (2) contextual hyperactivity; (3) resource specification; (4) agent decisions and autonomy; (5) valuation of service outcomes and risk.

A plea is also made in the form of what is referred to as a 'Grand Challenge'. The essayists suggest that in dealing with the complex nature of service systems that benefits would accrue from a trans-disciplinary research agenda organized around a 'wicked problem' that could rally a global community of scholars. Such a grand endeavor would help not only make a real-world contribution but also contribute to developing knowledge about service systems.

We endorse the 'Grand Challenge' and hope to see it organized sooner rather than later. In any particular 'grand challenge' study of a complex service system we suggest the A2A network perspective because it frees thinking as described above. Consider for instance taking on a comprehensive study of the global wicked problem of world health. If one begins this analysis by assigning roles to different actors such as doctor, patient, insurer, insured, producer of pharmaceutical or medical devices, etc. the questions and inquiry become myopic. For instance a patient is an actor that is treated by a physician. But perhaps a patient viewed as a generic actor who is resource integrating and resource creating is actually performing more diagnosis and health evaluation than the physician and co-creating with others more health outcomes.

### *Markets and practices*

The essay, 'Market Futures/Future Markets: Research Directions in the Study of Markets' (Kjellberg et al. – this issue) begins to address what marketing scholars need to know about markets. Markets are always in the making or as the essayists paraphrase Vargo and Lusch (2004a) 'markets are not – they become.' Since markets are malleable, the processes through which markets are created and shaped need to be understood. In that regard four major opportunities for research are suggested. The first is the identification of the role and character of market practices and striving to find answers to how market practices emerge and are shaped, how they can be deconstructed or categorized and how they contribute to shape markets. A second broad research opportunity concerns market multiplicity and finding answers to how markets are affected by multiple contexts and (conflicting) market views, how market interpretations converge in markets, and how multiple enactments of markets align in market practices. Third, there are research needs that address agency and 'performativity', directed at issues related to power consequences, power balance and power relations. Finally, a plea is made for research on emerging markets and market emergence. Research opportunities identified direct us to look at diverse market practices, the role of different interest groups, use of markets for solutions to societal challenges and ways to change or stabilize markets.

If, as we argue, in an A2A network, the actors create their own context and environment then it may be more insightful to view markets as environments that emerge from A2A networks. As we also suggest, actors are 'resource integrating' actors and thus the networks that are created to integrate resources are always different from the market facing resources that firms offer. For this reason the market may not be something that is best defined by industry or government based on traditional industries and product categories (i.e. what firms make). Perhaps, instead of viewing the market as a network, the network of resource integrating actors is the market.

### *Effectuation theory*

Read and Sarasvathy (this issue) in their essay 'Co-creating a Course Ahead from the Intersection of Service Dominant Logic and Effectuation' point out that S-D logic and effectuation theory have

overlapping logics. The essayists suggest S-D logic can benefit from effectuation theory and Austrian capital theory to develop three areas for research exploration: (1) how is heterogeneous capital co-created; (2) how do incomplete markets operate for judging the risks of converting human capital into rent, and can risk and uncertainty be viewed as co-created; (3) how do you handle the necessity of incomplete contracting and what role does co-creation play in negotiation and other processes?

In the development of S-D logic we recognized the problem of viewing actors as efficient and effective calculating rational actors. What S-D logic recognized from the outset (Vargo and Lusch, 2004a) is that actors are quite good at learning, adapting and adjusting based on both marketplace and other feedback. However, we need to know more about how actors go about these processes. Importantly, we believe that the A2A network perspective can benefit from effectual logic because it presents a procedural rationality that seems to characterize actors as they create resources through resource integration, and co-create value through service-for-service exchange.

## Concluding comment

As we continue the journey with others to co-create S-D logic we find the Forum vital. Although the convening of the Forum only occurs every two years and necessarily directly involves only a subset of existing interested scholars, the first two Forums have demonstrated that the network of actors it assembles and the ideas that emerge catalyze the growth of an even larger and more active community of participating scholars. We encourage interested readers to become involved in future forums and, more generally, in the S-D logic community.

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