

## **Service-Dominant Logic: Premises, Perspectives, Possibilities**

S-D Logic

#### **Naples Forum on Service**

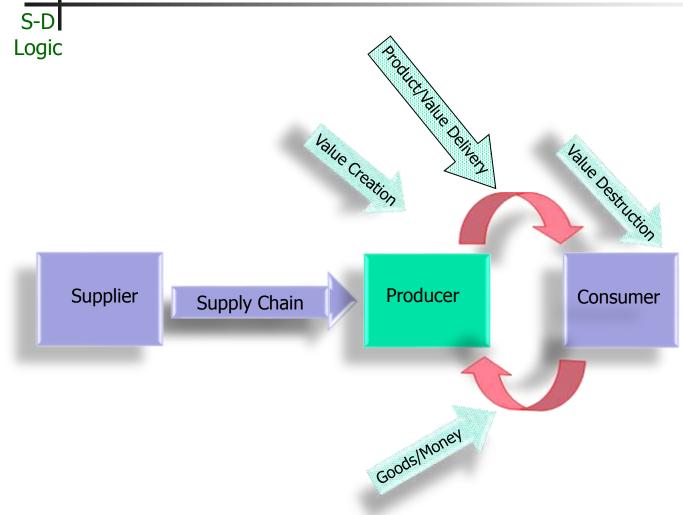
Ischia, Italy June 19, 2013

Stephen L. Vargo, Shidler Distinguished Professor University of Hawai'i at Manoa

**Robert F. Lusch, Muzzy Chair in Entrepreneurship University of Arizona** 

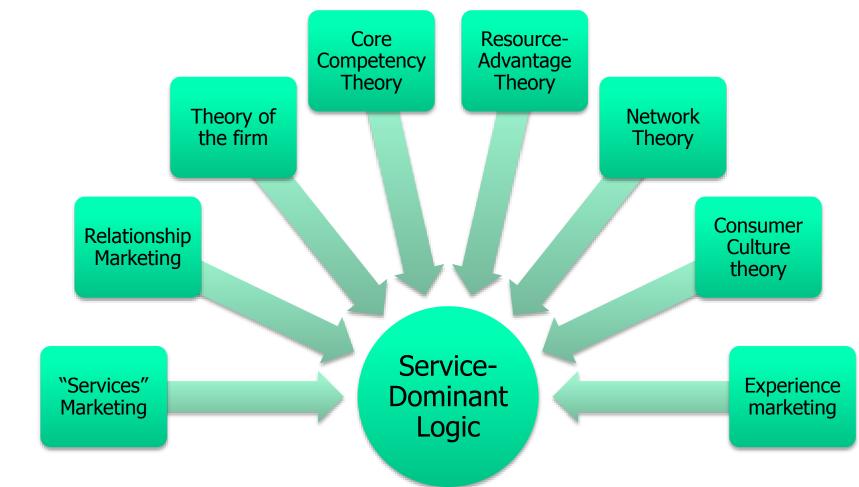


## Goods-Dominant Logic Model: Value Production and Consumption





## A Partial Pedigree For S-D Logic



#### **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

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Key S-D Logic **Publications** 



#### Service-dominant logic: reactions, reflections and refinements

Robert F. Lusch

University of Arizona, United States of America

Stephen L. Vargo

University of Hawaii, United States of America



Journal of Retailing 83 (1, 2007) 5-18



Competing through service: Insights from service-dominant logic

Robert F. Lusch a.\*, Stephen L. Vargob, Matthew O'Brien c.2

Lief the Acad. Mark. Sci. (2008) 36-25-38 DOI:10.1007/stl.747-007-0068-7

Why "service"?

Stephen L. Vargo - Robert F. Lusch

Received: 3 July 2017 /Accepted: 6 July 2017 / Published inline: 3 August 2017 © Academy of Marketing Science 2017.

Abstract "Service-dominant logic" appears to have found esonance in the marketing community since its introducion as the evolving, "new dominant logic" in the Journal of Marketing (Vargo and Lusch 2004a, Journal of Marketing, 68. 1-17 (January)). But on occasion, so has the question of whether the concept "service" captures the essence of the new logic. This article addresses the role of "service" as the heart of value-creation, exchange, markets, and marketing, as well as its considerable implications for research, practice, societal well-being, and public policy. The amoses are both to clarify the issues and to foster the ntinuing dialog around the service-dominant logic for marketing, as well as for other disciplines.

Keywords Service-dominant logic - S-D logic New dominant logic - Service marketing

Since identification of an emerging new dominant logic for marketing in "Evolving to a New Dominant Logic for Marketing" which has subsequently become known as the service-dominant (S-D) logic" of marketing in the humal of Marketing (Vargo and Lusch 2004a, see also h; Vargo and Morgan 2005), there has been considerable iscussion, elaboration, and debate. On balance, the

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many of Amorea 320 McClelland Hall, 1130 E. Heles Street, Tueson, AZ 8572 I, USA responses have been supportive of the need for a reformulation of marketing logic and supportive of the specifics of S-D logic

Even though we have not previously fully elaborated our mtionale for making "service" the central organizing concept for this "new dominant logic," there appears to be general support for its selection also. However, there have also been a few skeptics, most of whom agree with the logic but feel that the term "service" might have "baggage," resulting from inappropriate and/or unfortunate connotations associated with traditional, goods thinking, and occasionally from some who appear to be motivated by alternative logics and/or designators. This skepticism is understandable and welcome. It is also to be anticipated: as Levy (2006, p. 61) notes, S-D logic "will continue to be met with interest and mixed support." In either case, a fuller elaboration of the appropriateness and importance of the tole of "service" in S-D logic is a potentially critical issue, one that addresses the fundamental subject matter of markets and marketing.

What has become known as S-D logic, grew out of the identification within marketing thought of what could be characterized by fragmented logics (Vargo and Lusch 2004a), all sharing a common thesis of responding to the inadequacies of the more conventional logic. We have identified this conventional logic as "goods-dominant (G-D) logic." Others have referred to it as the "neoclassical economics research tradition" (e.g., Hunt 2000), "manufacturing logic" (e.g., Normann 2001), "old enterprise logic" (Zuboff and Maxmin 2002) or, more specific to marketing, 'product orientation" (Keith 1960), "marketing myopia (Levitt 1960), "product marketing" (Shostack 1977), and more recently, "marketing management" (Webster 1992). Regardless of the designation, the logic is centered on units of output, historically considered to be goods and more



#### Invited Commentaries on "Evolving to a New Dominant Logic for Marketing"

In the preceding article, Vargo and Lusch (V&L; 2004) observe that an evolution is underway toward a new domi-

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DIRECTIONS

ROBERT F. LUSCH on STEPHEN L. VARGO, -----

Vargo

The Four Service Marketing Myths

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Stephen L. Vargo University of Maryland new. This

Robert F. Lusch

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CONCEPTUAL/THEORETICAL PAPER

Service-dominant logic: continuing the evolution

Stephen L. Vargo - Robert F. Lusci

Received: 3 July 2007 / Accepted: 6 July 20 © Academy of Marketing Science 2007

Abstract Since the introductory

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marketing," "Evolving to a New

Marketing" was published in the

(Vargo, S. L., & Lusch, R. F. (20)

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Total Citations – Google Scholar (ISI)	4400 (1000) approx	11000 (2800) approx
Citations Google Scholar (ISI) 2004 JM Only	1800 (600) approx	4150 (1100) approx
Country of Origin = US	40%	37%



#### **Management**



#### **Entrepreneurship**



## Impact of S-D Logic

Callarray and Dobrzykowski. Service-Oriented Entropronountsig: Service-Dominan Logic in green design and her Service Science 1(4), pp. 225-260, © 20

Marketing Theory http://mtq.sagepub.com/

he nature and processes of market co-creation in triple reraging insights from consumer culture theory and ser Lisa Peñaloza and Jenny Mish Marketing Theory 2011 11: 9 DOI: 10.1177/1470593110393710

The online version of this article can be found a

David Ballantyne and Richard J. Varey (2008) issue on the Service-Dominant Logic of Market Marketing Science (JAMS), 36:1, pp. 11-14.

The service-dominant logic a marketing

### Branding in B2B markets: insigh

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dical implications — 1-0 kgc encourages extending bond stategies into a wide variety of conprodity/value - Some of the topics raised are not new list currently compute for attention in the

pwords Brand Image, Value added, Value to one pricing, Marketing, Knowledge management, Rd



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#### Towards a service-dominant professional identity

An organisational socialisation perspective

Maria Akesson and Per Skålen. Service Research Center, Karlstad University, Karlstad, Sweden

Abstract

S-D professional identity

Received 19 September 2009 Revised 29 January 2010, 4 Felmany 2010 Amped 4 Reletary 200 Entrepreneurship: Service-Dominant Logic i Green Design and Healthcare

phen K. Callaway, David D. Dobrzykowski College of Business Administration University of Toledo 2801 W. Bancroff, Toledo, Ohio, 43606 wayayutoledo edu. David Dobrzykowski a rockets utoledo edu

rial economies from manufacturing to service may have implications for th value creation. Service-dominant logic (SDL) poses a new paradigm for conomic exchange and argues that service is a true basis for understanding centered perspective, as opposed to a goods-centered perspective, argues the the process of parties using their specialized operant knowledge for mutu-providers and customers interact, in order to co-create value. Using the SD service-oriented entrepreneurship, where new business opportunities can b creation perspective that may have been otherwise unnoticed by the good are developed using literature on SDL and entrepreneurship. Next, secondar re offered which support linkages between SDL and: (1) the identification of (2) a lifetime view of products/services, (3) redefining the role of the of information and goals between firms and their customers, and (5) the

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WMG Service Systems Research Group **Working Paper Series** 

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BRIEF REPORT

Service-dominant logic and resource the

Eric J. Armoult

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a Service-D Value Propo

Irene Ng Glenn Parry Laura Smith Roger Mauli

Gerard Briscoe

#### A Service-Dominant Logic for Management Education: It's Time

University of Central Florida

DAVID E. BOWEN Thunderbird School of Global Management

Even though services dominate the U.S economy and figure prominently in other developed economies, principles for the effective provision of service experiences secure little attention in conventional management education. We provide an argument for what to termed a service-dominant logic for management education. It is organized into three parts. The first reviews the current status of the management discipline's coverage in our research and teaching of the unique challenges and apportunities in managing services. The second details serven key differences in managing services that are either minimally covered or ignored in traditional management courses. The third offers some suggestions 3dy 3007 / Published colline: 3: August 2007

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#### **Tourism**



#### **Other Topics**



## Impact of S-D Logic

### Marketing Theory http://mtq.sagepub.com/

#### Tourism Marketing in an Era of Paradigm Shift

XIANG (ROBIUT) LEAND JAMES E PITTRICK

Research Directions and Opportunities: The Perspective of Complexity and Engineering

lli, Francesco Polese, Primiano Di Nauta, Helge Löbler, Sue Halliday Marketing Theory published online 3 April 2012 DŎI: 10.1177/1470593111429519



#### What about interaction?

Networks and brands as integrators with service-dominant logic

Anna Fyrberg Stockholm University School of Business, Stockholm, Sweden, and Rein Jüriado

> Department of Business and Enterpreneurship, Sodertorn University, Stockholm, Sweden

Purpose - This paper aims to increase the understanding of networks within the service-delogic (S D logic) and to demonstrate the importance of interaction between network actors as a force behind the co-creation process.

Design/methodology/approach - The paper uses rich empirical data from a travel

Available online at www.sciencedirect.com

Industrial Marketing Management 37 (2000) 339-350.

The present article synthesizes the latest discussion on the future paradigm of marketing. Three alternative marketing perspectives are discussed: relationship marketing, the network approach, and the service-dominant logic. Additionally, their relevance to the field of tourism marketing is highlighted. It is revealed that tourism marketing researchers have

started to echo the new marketing thoughts, although in-depth ceptual exploration is still lacking. Finally, the implicams of these new marketing conceptualizations on tourism search, practices, and teaching are discussed, and it is conuded that the present tourism marketing research could be proved by putting more emphasis on strategy research and we prefer not to acknowledge, or which we ignore on a fairly regular basis," and part of the "reflect gaps in our theoretical understanding." ical gap could be a result of a lag between our real world practices. It may also be possible that previous marketing beliefs need to be reevalual

Concurrent with the growth of tourism ma flourishing development of general Beyond technical issues, marketing

analyzed traditional marketing prem justification of marketing's existen Montgomery 1999), and the future of

Tourism Wanagement 33 (2011) 207-214



Contents lists available at ScienceDirect

#### Tourism Management

Journal home page: www.elsevier.com/locate/tourman

Progress in Tourism Management

Aspects of service-dominant logic and its implications for tourism Examples from the hotel industry

Gareth Shaw 4.\*, Adrian Bailey 4, Allan Williams b

\*Opportunities of Management, University of Darler Business School, Device 1994-499, United Albertan \*Australie for the Study of European Transformation and Working Liter Assemb Institute, London Matropoliton University, United Kingdom

ARTICLE INFO

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This paper introduces the concept of service-dominant logic as a research management. It does no in the quotoot of tourism management's need to e within the malestrain management literature. Moreover it demonstrates dominant lay's in unawring the mir played by co-and action and co-creati Three idnes are developed in detail through a case shally of the UK hotel in empirical research undertaken by the authors.

Initiation of business relationships in service-dominant settings

ScienceDirect

Bo Edvardsson a.1, Maria Holmland b.\*, Tore Strandvik b.2

INDUSTRIAL MARKETING ANAGEMENT

> creator of value? Payne, Storbacka, & Frow, on management with research in what nanagement literature' remains highly 8), in some areas this dislocation is nised with attempts by tourism new conceptual flameworks as evi-

2006). The approach highlights the custon ship though interaction and dialog. increasingly based around the customer suppliers and consumers interactimore closof their wildowbip. The shift to tourism more on consumer experiences has been Climate's (1998) notions of the 'expe-



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#### Co-creating logistics value a service-dominant logic perspective

Atefeh Yazdanparast, Ila Manuj and Stephen M. Swa Department of Marketing and Logistics, The University of North Denton, Texas, USA

Purpose - The purpose of this study is to explore logistics service value through the the of service-dominant (S-D) logic with a focus on the creation of logistics value jointly by

I of the Acad Mark, Sci. (2008) 36:54-66 1009 10 10 07541 747-007-0065-9

#### CONCEPTUAL/THEORETICAL PAPER

An expanded and strategic view of discontinuous innovations: deploying a service-dominant logic

Stefan Michel - Stephen W. Brown - Andrew S. Gallan

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situtes Title: 00 Service-Dominant Logic - Exposing CPA goods Australia's K-Strategy 04-66 timpo

Ph 14 July 2009

Service-Cominant (S-O) Logic is an important new mindset in business. The fundamental gremise of S-O Logic is that organisations, markets, and society are fundamentally concern with exchange of service where a service is the application of competencies (knowledge and skills) for the benefit of a party. Thus, service is exchanged for service and all firms, marks and societies are service-based.

The fundamental difference between the more traditional Goods-Cominant logic and S-D log

## Impact of S-D Logic

#### **INNOVATION**



Innovation, symbolic interaction and customer valuing: thoughts stemming from a service-dominant logic of marketing

Daniel I. Flint

University of Tennesson, USA

Abstract. Interaction in its many forms, for example, product, process, and relation

ship, is critical to firm gree emphasis on an amorphis spokus eperantis to activity properties of our are mil-use consumer-enmid-floore immain. to each other and to mark ings. Airr Words # nor

#### Introduction

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TOWARDS A RECONCILIATION OF RESOURCE. ADVANTAGE (R-A) AND SERVICE - DOMINANT LOGIC ( D) THEORIES: A STUDY OF SERVICE INNOVATION IN SOCIAL MARKETING PROGRAMME

J. of the Acad. Mark. Sci. (2008) 36:54-66 DOC 10.10079/1747-007-0066-9

#### CONCEPTUAL/TREORETICAL PAPER

An expanded and strategic view of discontinuous innovations: deploying a service-dominant logic

Stefan Michel - Stephen W. Brown - Andrew S. Gallan

Service Innovation Viewed Through a Service-Dominant Logic Lens: A Conceptual Framework and

journal of Service Research 14(1):2-23 © The Andron(I) 2011 Reportes and permissions aggregate configurable from security 100: 80:1179/0948/0510/02213 https://dx.com/services/original-**SSAGE** 

Service

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innovation

The current issue and full text archive of this journal is available at www.emeraldinsight.com/1756-669X.htm

#### A new conceptualization of service innovation grounded in S-D logic and service systems

Bo Edvardsson CTF-Center for Service Research, Karlstad University, Karlstad, Sweden, and

Bård Tronvoll

Hedmark University College, Elverum, Norway and CTF-Center for Service Research, Karlstad University, Karlstad, Sweden

Purpose - The aim of this paper is to conceptualize service innovation through a service-dominant logic (S-D logic) lens and a service system foundation.

Design/methodology/approach - This conceptual paper offers a service dominant logic lens and a structuration theory approach emphasizing an actor perspective on service innovation. Since the value of innovation unfolds in practice, this paper will use customer to denote the key actor in co-creating

Findings - The paper shows how a resource constellation in a service system is reconfigured and thus explains service innovation from the lens of S-D logic, emphasizing customers' value co-creation of value in practices. The focus is on the interdependencies between the configuration of resources in a service system and schemas that shape customers and other actors when integrating resources and co-creating value.

Research limitations/implications - There is a need to discuss service innovation in a social constructivist view to better understand the guiding principles or schemas that enable actors to co-create value.

Originality/value - Service innovation is understood as sourced by dranges in either resources or schemas (norms and rules) or a combination, resulting in structural changes in a service system. The conceptualization provides: a new definition of service innovation; a new framework describing the interdependency between changes in resources and schemas as a basis for an innovative configuration or reconfiguration of a service system; and three propositional lustrating the relevance of this new framework.

Keywords Service innovation, Service system, Resources, Schemas, Service-dominant logic, Value co-creation, Customers

Paper type Conceptual paper

#### Introduction

Competition aims to create superior value for the involved actors. To gain competitive advantages, firms can facilitate service innovation by enabling actors to improve their own use value. That is, innovations often stem from a novel or improved way to use existing resources to co-create value, though in some cases, innovations also are based on new resources or new technologies in systems that are capable of creating service. These service systems constitute the basic context and enabler of value co-creation and thus the foundation for service innovation. The customer co-creates and determines the value of service innovation, while the company usually is responsible for the value proposition and service innovation, while the company usually is responsible for the value proposition and

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facilitating the value creation process (Lusch et al., 2007). Yet to understand the role of the

\*\*General Group Publishing Limited
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Open Innovation Paradigm: n-embedded technologies

esaroni, Lola C. Duque

of Business Administration rics III University 28903 Gelate, Masted, Spain se.mf.ou greetpe.gutti as mf.ou

#### Abstract

been modifying their innovation management t and exploit new technological knowledge. A pen model of innovation has been the recurring the new open innovation paradigm, firms have orientation and to adapt their managerial that the perspective suggested by the New an offer a useful guideline to firms in the tion (OI) model.

ough the lenses of S-D Logic by emphasizing the two perspectives. Ike the customers' complex networks of interaction among actors. proposition and value actualization.

ontributions. First, by means of the S-D Logic es of the Oi paradigm. Second, for each of the epict the S-D Logio, we provide instantiations obly adopted the OI paradigm. And finally, we s how suggestions provided by the S-D Logic ontext of the Cli model

wo different areas of knowledge (marketing and wo new relevant perspectives of thought that esponse to the current trends of the global

n Innovation, Value creation, Networks.

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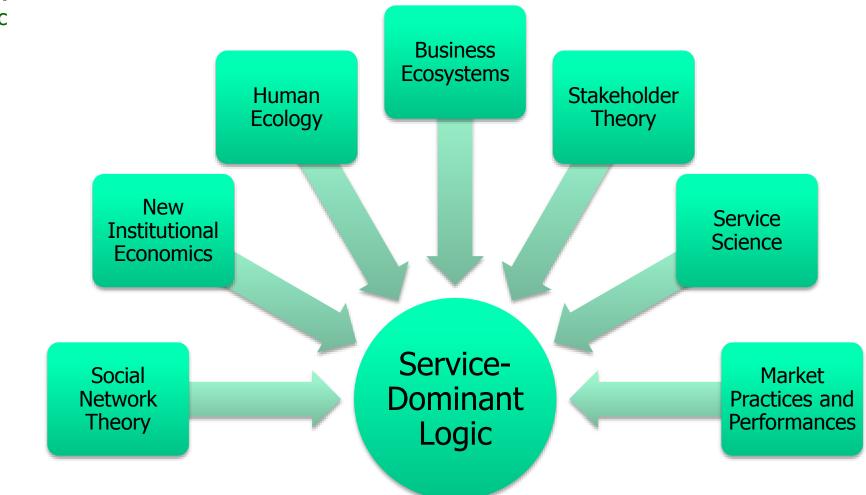
#### 1 Introduction

Today die service office proposalous potential for give global economy. Service judostries have expended out comprise more than 70 percent of the U.S. economy as gree departs product (GDR) of all developed setting This shows that the economic pereligins has slighed from a head ecounty. As settics but become the copes of competitive advantage reductions competitive on the hor et al., (6), the tests "venture" has embred to include any are characterized by legaded velociety concluding of prob-

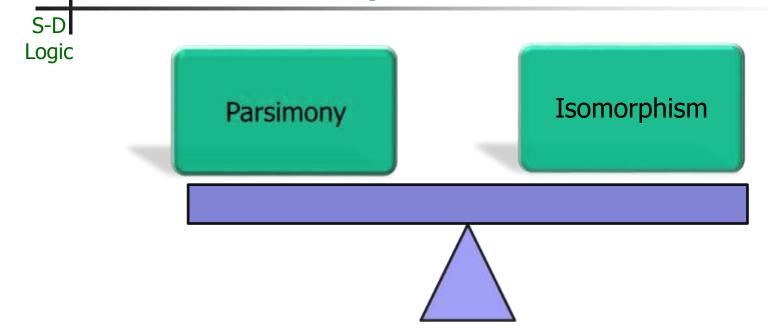
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## An Extended Pedigree for S-D Logic



# Striving to Explain the Complex from a Simple Structure

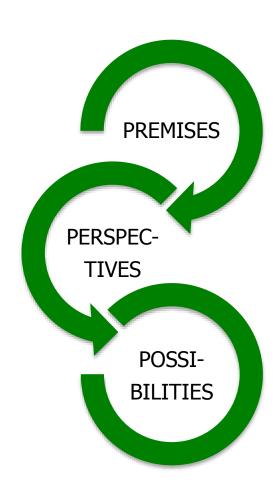


The grand aim of all science is to cover the greatest number of empirical facts by logical deduction from the smallest number of hypotheses or axioms.

Einstein



## A Continuing Journey...



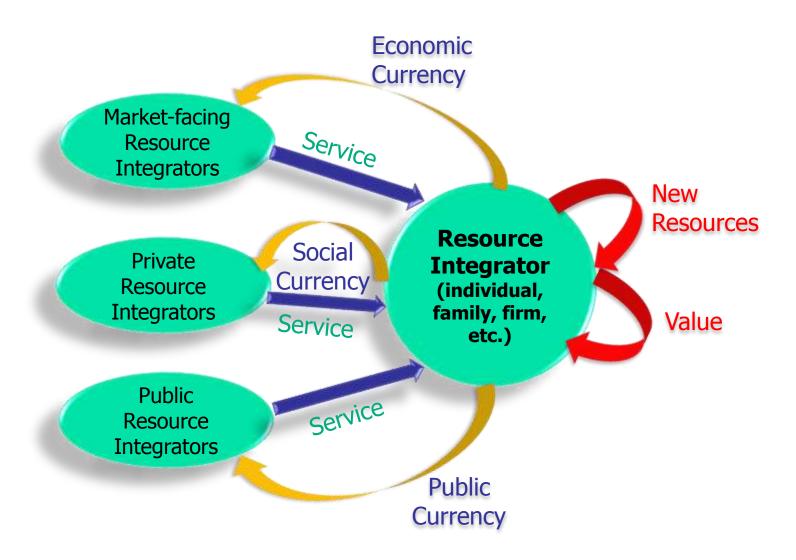


# Core Foundational Premises: The Axioms of Service-Dominant Logic

	Premise	Explanation/Justification
FP1	Service is the fundamental basis of exchange.	The application of operant resources (knowledge and skills), "service," is the basis for all exchange. Service is exchanged for service.
FP6	The customer is always a co-creator of value	Implies value creation is interactional.
FP9	All economic and social actors are resource integrators	Implies the context of value creation is networks of networks (resource-integrators).
FP10	Value is always uniquely and phenomenological determined by the beneficiary	Value is idiosyncratic, experiential, contextual, and meaning laden.

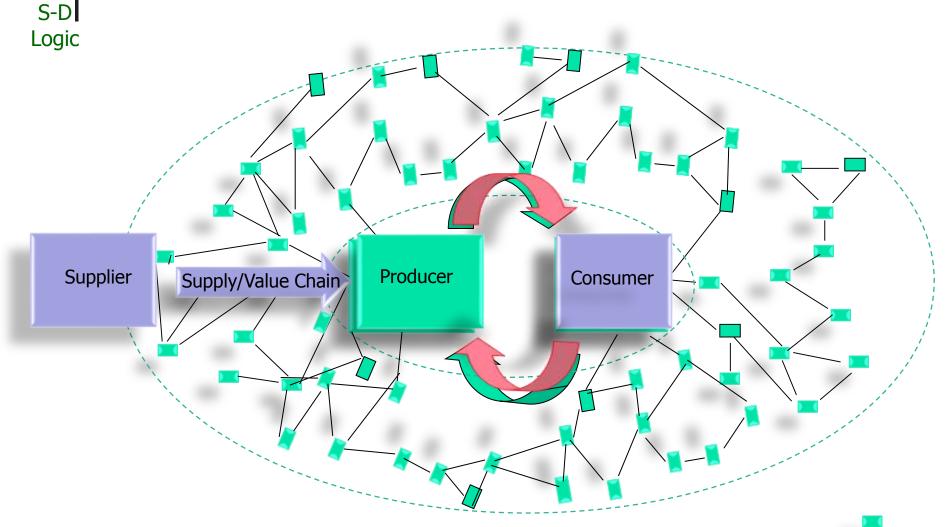


## Value Co-creation through Resource Integration & Service Exchange



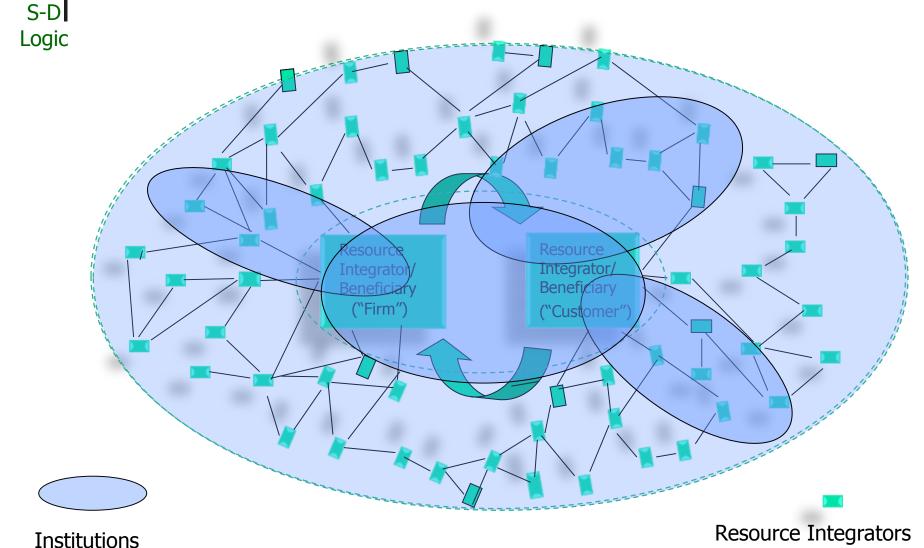


## Micro Exchange Embedded in Complex (Eco)Systems of Exchange





### Resource Integration & Service-for-service Exchange within Service-ecosystems





## The Structure and Venue of Value Creation: Institutions & Service Ecosystems

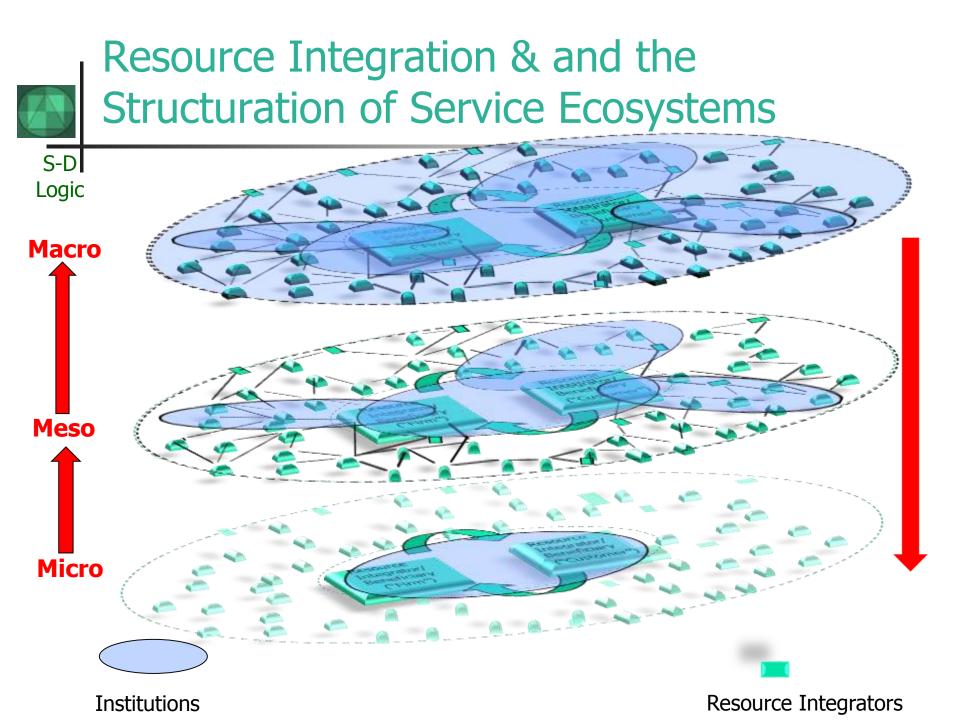
S-D

#### Logic Institution

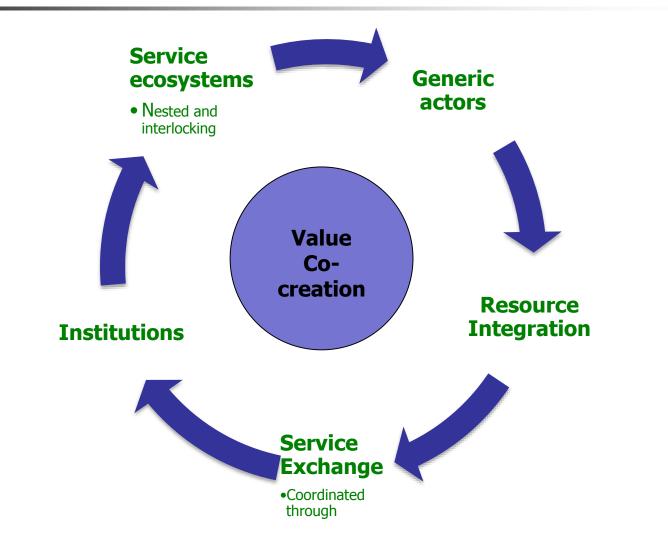
- "any structure or mechanism of social order and cooperation governing the behavior of a set of individuals within a given human community.
- (Stanford Encyclopedia of Social Institutions)

### Service Ecosystem (S-D logic)

 relatively self-contained, selfadjusting systems of resourceintegrating actors connected by shared institutional logics and mutual value creation through service exchange.



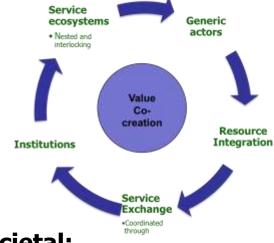
# The Core Moving Parts & Processes of Service-Dominant Logic





## "Hip-Pocket" S-D Logic

S-D Logic **Components & Perspectives** Macro Meso Micro Institutions Resource Integrators



#### **Societal:**

National, Global, etc

#### (Sub)culture:

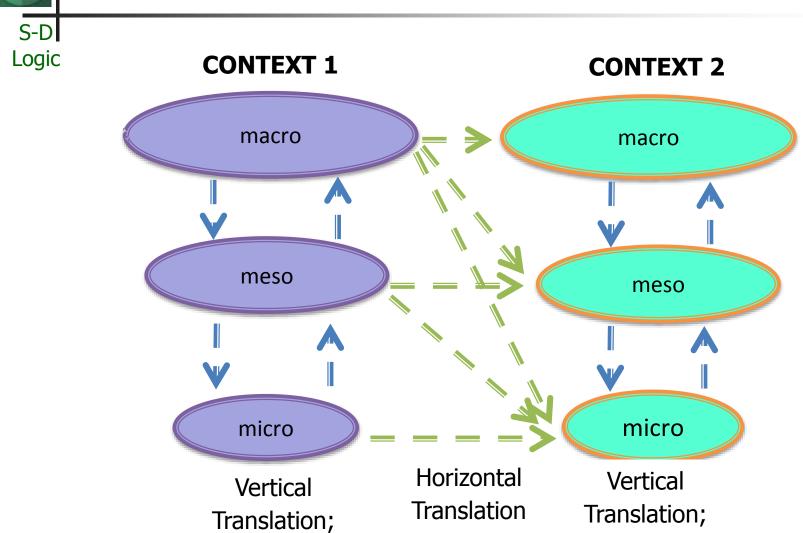
Brand, Market, "industry, etc

**Exchange** B2C, B2B, C2C, etc



## Intra- and Intercultural Translation

Structuration



Structuration



## Rethinking. Reframing, and Reconciling from an S-D Logic Perspective

- Economic (and social) Actors
  - From Bs and Cs to generic A(ctor)s
- Markets
  - From a priori to imagined, created, institutionalized, and performed
- Market-ing
  - From functional area to essential function of the firm (actor)
  - From marketing mix to value co-creation
- Value
  - From a property of output to a co-created outcome
- Strategy
  - From prediction and control to effectuation
- Technology
  - From exogenous variable to service-provision mechanism
- Role of Information Technology
  - From tool to a transformation in value creation processes
- Innovation
  - From invention to designing systems for value co-creation



## A MACRO VIEW OF VALUE CO-CREATION

## From the Individual to Market-Based Co-Creation

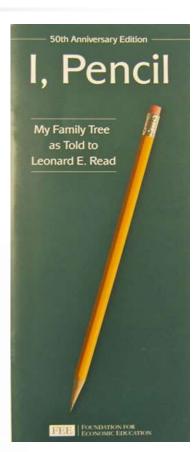






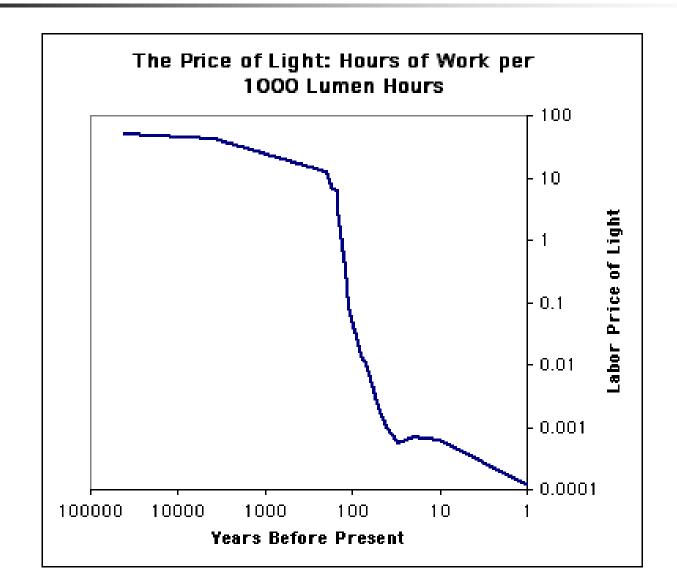
Source: Ridley 2010



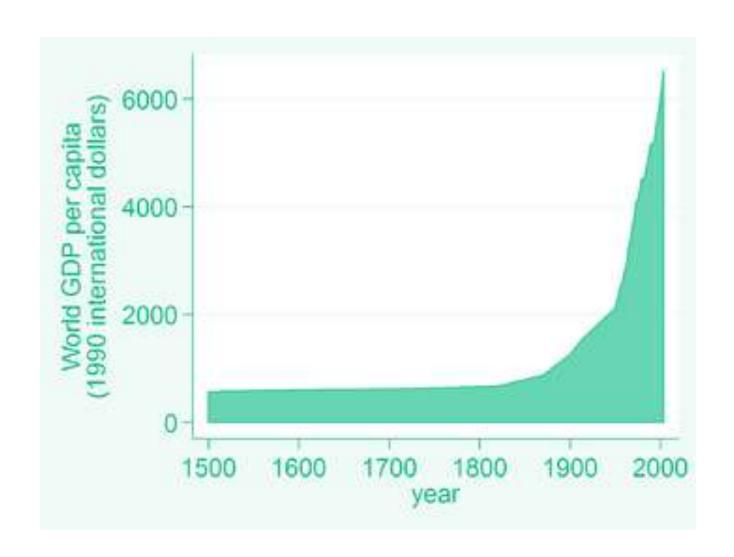




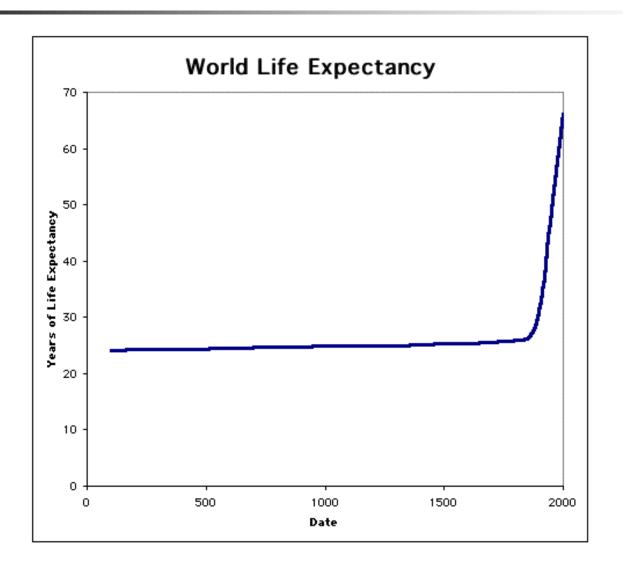
## Cost of Light in Hours Worked



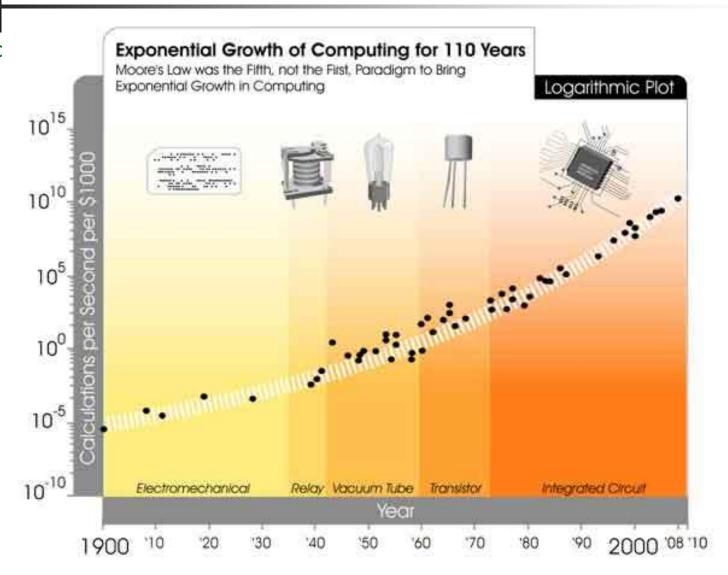








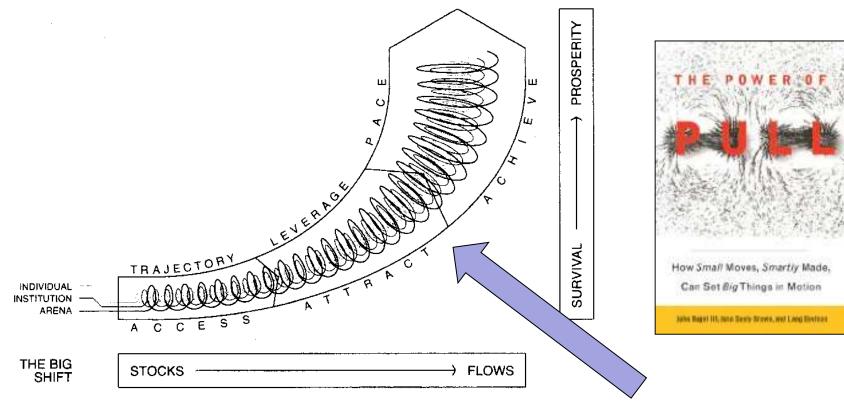




## .Value Co-creation: Growth in Prosperity through Collaboration



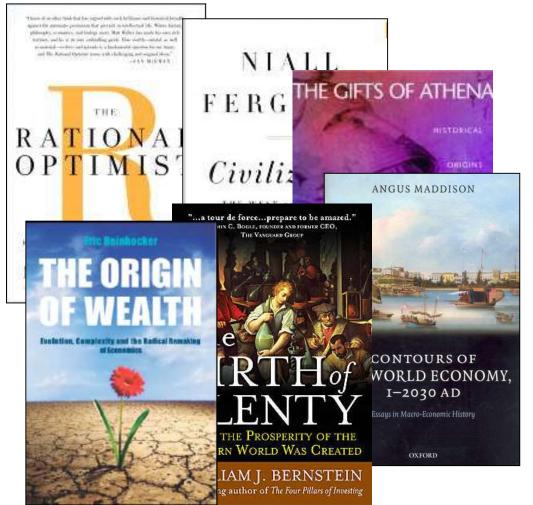
Logi



Havilland Studio, Palo Alto, California, and Lahaina, Hawaii

# The Drivers of Increasing Returns to Scale

S-D Logic

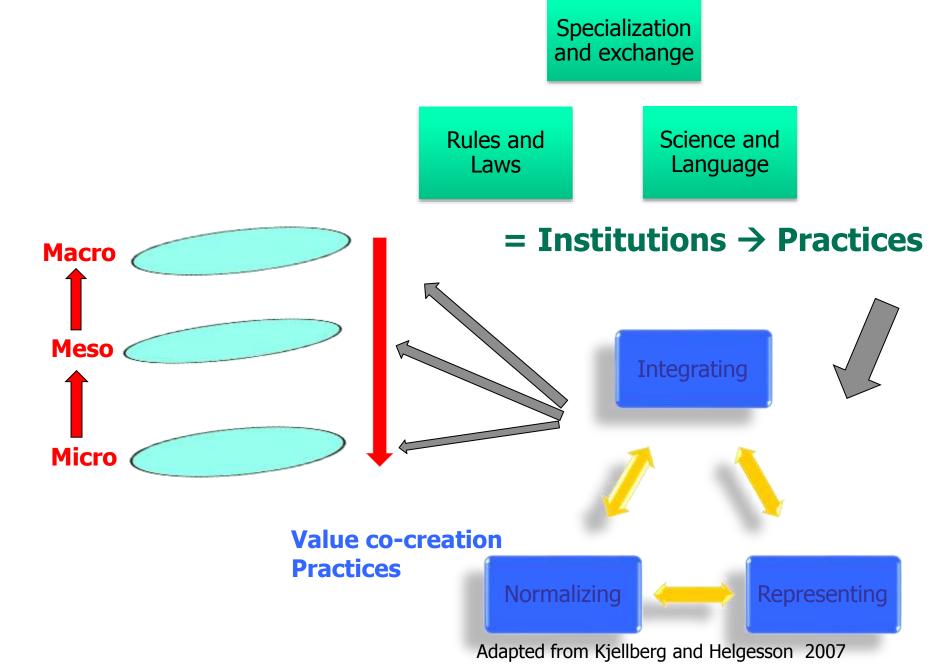


- Property rights
- Scientific rationalism

Specialization ar R and exchange

Rules and Laws

- Cor
- WcScience andLanguage
- He
- Large-scale production





### Some Current Research Issues

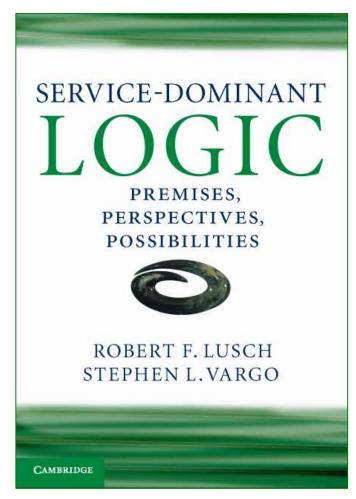


- The role of institutions and ecosystems in:
  - Innovation
  - Technology
  - Market making
- Value co-creation in mutli-stakeholder
- Bridging S-D logic and practice:
  - midrange theory
- Market-theory development:
  - grand theory: 'theory of the market"



## The Journey Continues...

S-D Logic



Release date: November 2013



AND DIRECTIONS

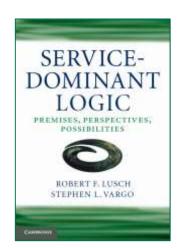
ROBERT T. LUSCH was STEPHEN L. VARGO, .....

S-D Logic

## Thank You!

For More Information on S-D Logic visit:

sdlogic.net





- Working papers
- Teaching material
  - Related Links

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