Service-Dominant Logic: A New Logic for Business

Interdisciplinary Research Perspectives for the Shared Economy

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The Importance of the Right Logic

- Without **changing our pattern of thought**, we will not be able to solve the problems we created with our current pattern of thought.
  - Albert Einstein
- The greatest **danger** in times of turbulence is not the turbulence: it is to **act with yesterday’s logic**.
  - Peter F. Drucker
- The main power base of paradigms may be in the fact that they are **taken for granted** and not explicitly questioned.
  - Johan Arndt
- What is **needed** is not an interpretation of the utility created by marketing, but a marketing **interpretation of the whole process creating utility**.
  - Wroe Alderson
Goods-Dominant Logic Model: Value Production and Consumption

Supplier → Supply Chain → Producer

Value Creation → Value Delivery

Producer → Value Destruction → Consumer ("end user")

Goods/Money

S-D Logic
Rethinking Goods and Service(s)

Wrong Thinking about Goods: **Good are not why we buy goods**
- Service (benefits) they provide
- Intangibles (brand, self image, social connectedness, meaning)
- Inputs into holistic experiences

Wrong Thinking about Service: **“Services”** Stated as types of Goods
- Value-enhancing *add-ons* for goods, or
- A particular (somewhat inferior) type of good: intangible output

Right thinking About Service
- Service is a process, not a unit of output
  - Using one’s resources for another’s benefit
- Goods are delivery mechanisms for service
- Customers are not “end users”
  - just other service providers (employees, parents, CEOs, etc.)
A Partial Pedigree For S-D Logic

Service-Dominant Logic

- Core Competency Theory
- Resource-Advantage Theory
- Network Theory
- Consumer Culture theory
- Experience marketing
- "Services" Marketing
- Relationship Marketing
- Theory of the firm
An Extended Pedigree for S-D Logic

Service-Dominant Logic

- Human Ecology
- Business Ecosystems
- Stakeholder Theory
- New Institutional Economics
- Social Network Theory
- Service Science
- Market Practices and Performances
## Axioms of Service-Dominant Logic

<table>
<thead>
<tr>
<th>Premise</th>
<th>Explanation/Justification</th>
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<tr>
<td><strong>A1</strong> Service is the fundamental basis of exchange.</td>
<td>The application of operant resources (knowledge and skills), “service,” is the basis for all exchange. Service is exchanged for service.</td>
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<td><strong>A2</strong> Value is always cocreated by multiple actors, including the beneficiary</td>
<td>Implies value creation is interactional and combinatorial.</td>
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<td><strong>A3</strong> All economic and social actors are resource integrators</td>
<td>Implies the context of value creation is networks of networks (resource-integrators).</td>
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<td><strong>A4</strong> Value is always uniquely and phenomenological determined by the beneficiary</td>
<td>Value is idiosyncratic, experiential, contextual, and meaning laden.</td>
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<td><strong>A5</strong> Value cocreation is coordinated through actor-generated institutions and institutional arrangements</td>
<td>Institutions provide the glue for value cocreation through service-for-service exchange</td>
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Value Co-creation through Resource Integration & Service Exchange

Resource Integrating
**ACTOR**
(Person, family, firm, etc.)

- **Market-facing Resource Integrators**
- **Private Resource Integrators**
- **Public Resource Integrators**

**Economic Currency**
**Social Currency**
**Public Currency**

**Service**

**New Resources**
**Value**
Micro Exchange Embedded in Complex (Eco)Systems of Exchange

S-D Logic

Resource Integrating actors

Supplier
Supply/Value Chain
Producer
Consumer

Resource Integrating actors
Resource Integration & Service-for-service Exchange within Service-ecosystems

Resource Integrators

Institutions & Institutional arrangements/logics

Resource Integrator/Beneficiary (“Firm”)

Resource Integrator/Beneficiary (“Customer”)

S-D Logic
The Structure and Venue of Value Creation: Institutions & Service Ecosystems

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, self-adjusting systems of resource-integrating actors connected by shared institutional arrangements and mutual value creation through service exchange.
Clarification: What institutions are & are not

- Institutions are **not** organizations
- Institutions are:
  - Socially-created schemas, norms, and regulations (Scott 2014) -- "rules of the game"
    - Organizations are the teams, players (North 1990,)
  - Routinized ways of thinking and acting that
    - are (partially) shared
    - enable and constrain human behavior (Berger and Luckmann 1966)
- Examples
  - Language, symbols, laws, traditions, culture,
Resource Integration & and the Structuration of Service Ecosystems

Institutions

S-D Logic

Resource Integrators

Macro

Meso

Micro
The Core Narrative & Processes of Service-Dominant Logic

- Generic actors involved in resource integration and service exchange enabled & constrained by endogenously generated institutions & institutional arrangements.
- Establishing nested & overlapping service ecosystems.
- Value co-creation.
- Resource integration and service exchange enabled & constrained by endogenously generated institutions & institutional arrangements.

S-D Logic
“Hip-Pocket” S-D Logic

Components & Structural Perspectives

- Societal: National, Global, etc
- (Sub)culture: Brand, Market, “industry, etc

Service ecosystems: • Nested and interlocking
Generic actors
Institutions
Resource Integration
Service Exchange: • Coordinated through
Value Co-creation
Innovation: The S-D Logic Perspective

Continual creation of new markets by:

- Leveraging existing service ecosystems
- Dynamically reconfiguring service ecosystems
- Creating new ecosystems
- In short: doing “institutional work”
  - Creation, maintenance, disruption of institutions
The Tesla Ecosystem Innovations

The Tesla Ecosystem Innovations

Roadster Ecosystem

Model S/Powertrain Ecosystem

Existing and planned supercharger ecosystem

Other institutional Design Elements
- Laws (e.g., non-dealer sales)
- Habits (e.g., “fueling”: more often, while parking)
- Regulations (e.g., preferred parking spots)
- Business model: Open patents to cocreation
Complimentary Institutionalizations and Upstream Adoptions Processes for UBER and Lyft

Institutionalization of:
- Pay per Distance Traveled
- Customized Pick Up and Drop Off

Institutionalization of:
- Mobile Applications for Ordering Services
- Accepted Transportation Practices

Institutionalization of:
- eCommerce
- Rating System to increase Trust

Institutionalization of:
- Mobile Communication and Data Exchange

Institutionalization of:
- Sharing Solutions
Select Institutional Work by Uber/Lyft: Maintenance, Disruption and Change

Institutions maintained:
- Pay for Distance Traveled
- Customized Pick Up and Drop Off
- Use of traditional Cars
- Etc.

Institutions disrupted:
- Professional Drivers
- Cash Payments
- Flagging Down
- Regulated Industry
- Etc.

Institutions changed:
- Rating System of Driver and Passenger
- Payment in Cloud
- Etc.
Thank You!

For More Information on S-D Logic visit: sdlogic.net

We encourage your comments and input. Will also post:
• Working papers
• Teaching material
• Related Links

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