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# Service-Dominant Logic: A Brief Update

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Forum on Markets and Marketing: Extending Service-Dominant Logic

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# Service-Dominant Logic Basics

Service, rather than goods is the basis of economic and social exchange

- i.e., Service is exchanged for service

## Essential Concepts and Components

- Service: the application of competences for the benefit of another entity
  - Service (singular) is a process—distinct from “services”— particular types of goods
  - Shifts primary focus to “operant resources” from “operand resources”
  - See value as always co-created
  - Sees goods as appliances for service deliver
  - Implies all economies are service economies
    - All businesses are service businesses



# A Partial Pedigree

- Services and Relationship Marketing
  - e.g., Shostack (1977); Berry (1983); Gummesson (1994) ; Gronroos (1994); etc.
- Theory of the firm
  - Penrose (1959)
- Core Competency Theory
  - (Prahalad and Hamel (1990); Day 1994)
- Resource-Advantage Theory and Resource-Management Strategies
  - Hunt (2000; 2002); Constantine and Lusch (1994)
- Network Theory
  - (Hakansson and Snehota 1995)
- Interpretive research and Consumer Culture theory
- Experience marketing
  - (Prahalad and Ramaswamy 2000)

# Core (Revised) Foundational Premises of S-D Logic



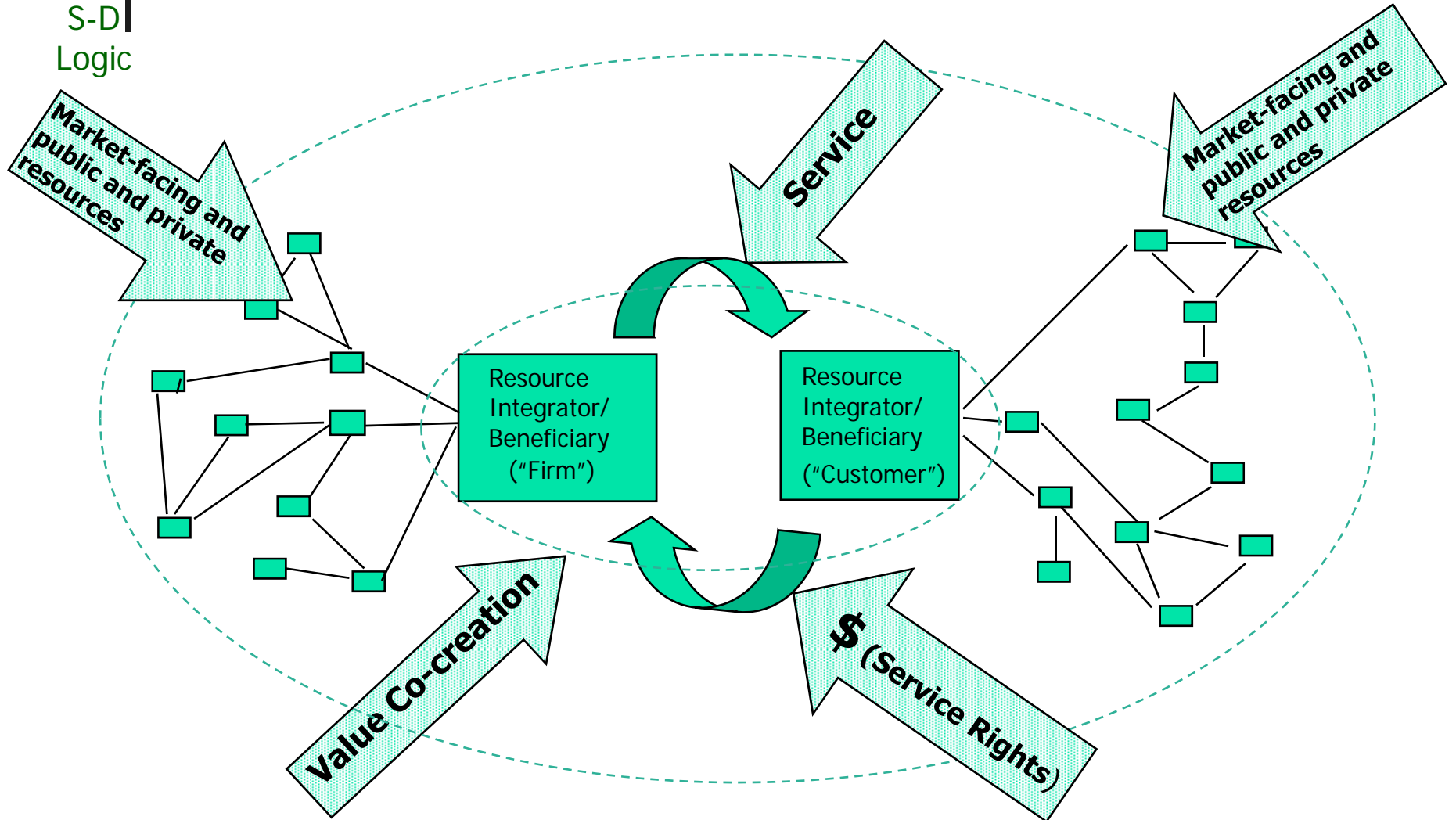
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Premise		Explanation/Justification
<b>FP1</b>	<b>Service is the fundamental basis of exchange.</b>	The application of operant resources (knowledge and skills), "service," is the basis for all exchange. Service is exchanged for service.
<b>FP6</b>	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

# Service Exchange through Resource Integration and Value Co-creation



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# An Expanding Pedigree

- Social Network Theory
  - e.g., Giddens (1984); Granovetter (1973)
- New Institutional Economics
  - North (2005); Menard (1995)
- Human Ecology and Business Ecosystems
  - e.g., Hawley (1986); Insiti and Levien (2004)
- Service Science
  - e.g., Spohrer and Maglio (2008)



# Continuing Misconceptions

- Reflection of the transition to a services era
  - In S-D logic, all economies are service economies
- Replacing goods with services as the basis of exchange
  - S-D logic is grounded in “service” (a process) not “services” (intangible units of output)
- Alternative To The “Exchange Paradigm”
  - Problem with exchange paradigm is in notion transactions of valuable outputs, not the notion of exchange
    - Exchange just implies reciprocity
  - In S-D logic service (a process) is exchanged for service
- A Theory
  - S-D logic is a logic, a mindset, a lens, but not a theory



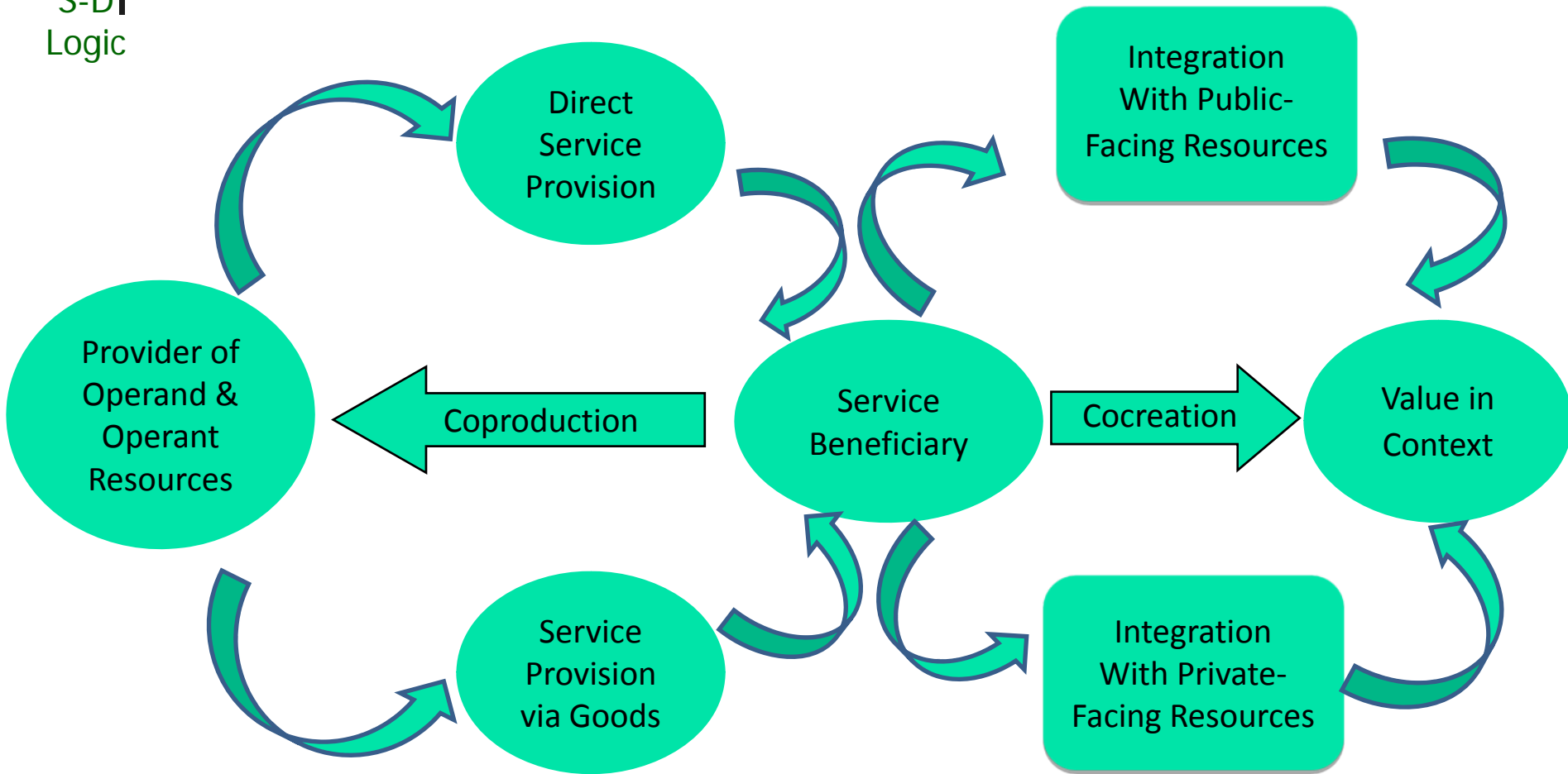
# Other Distinctions

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- No “Producer” and “Consumer”
- No “Services”
- Value-in-context” replacing “value-in-use”
- Co-creation of value/co-production



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# S-D Logic Citations and Publications

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## Total Citations – V&L S-D Logic (approximate)

Social Science Citation Index	260
Business Source Premier	267
Google Scholar	800
Book Citations	65

## V&L S-D Logic Publications

Articles	25
Books	1
Contributed Book Chapters	11

## Citation Source Journals – V&L 2004

Industrial Marketing Management (IMM)	21
Journal of the Academy of Marketing Science (JAMS)	18
Journal of Marketing (JM)	13
Journal of Service Research (JSR)	12
International Journal of Service Industry Management (IJSIM)	12
Journal of Business and Industrial Marketing (JBIM)	8
European Journal of Marketing (EJM)	8
Journal of Public Policy and Marketing (JPPM)	7
Journal of Business Research (JBR)	7
Journal of Business-to-Business Marketing (JBM)	6
Journal of Retailing (JR)	3
Marketing Science (MS)	3
Decision Sciences (DS)	2
Journal of Consumer Research (JCR)	2
Journal of Interactive Marketing (JIM)	2

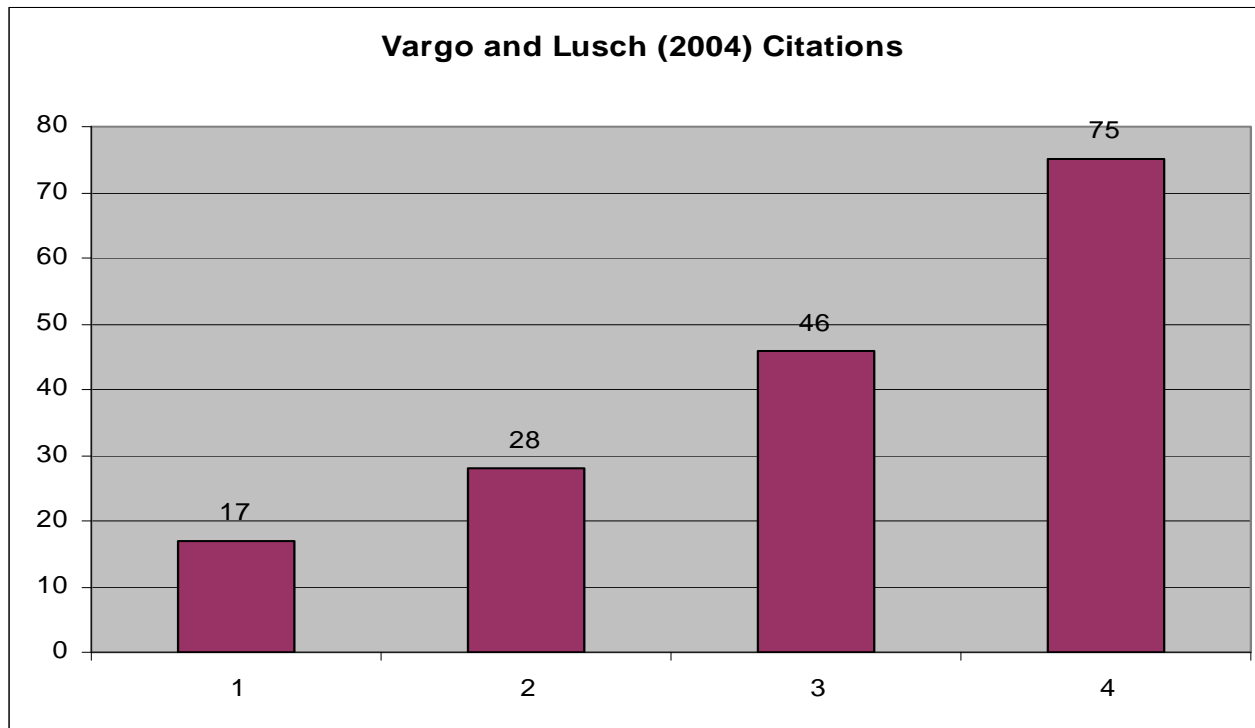


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# Continuing the Evolution

## Citations for Vargo and Lusch (2004)

"Evolving to a New Dominant Logic for Marketing" *Journal of Marketing*



\*Projected for 2008



# Marketing and Market Science

- Other disciplines have found it convenient to institutionalize the distinctions between applied and basic science... In marketing, the problem is rather one of spinning off a basic science from a problem solving discipline.
  - (Arndt 1985)
- “Paradoxically, the term *market* is everywhere and nowhere in marketing.”
  - Venkatesh, Penaloza, and Firat (2006)
- It is a peculiar fact that the literature on economics...contains so little discussion of the central institution that underlies neoclassical economics – the market
  - North (1977)

# Forum on Markets and Marketing (Dec. 4-6)



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## Major Themes

- Marketing Systems
- Grand or General Theory of the Market & Marketing
- Marketing and Value(s)

## Joint-Issue Journal Publication

- *Australasian Marketing Journal*
- *European Journal of Marketing*
- *Marketing Theory*
- *Journal of Macromarketing*



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# Thank You!

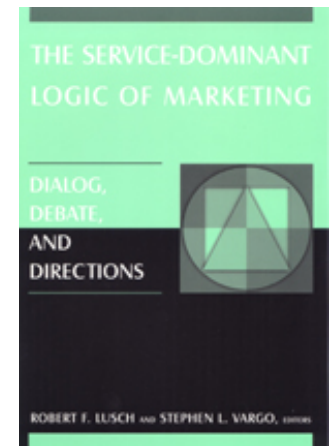
For More Information on S-D Logic visit:

[sdlogic.net](http://sdlogic.net)

We encourage your comments and input. Will also post:

- Working papers
- Teaching material
- Related Links

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# Goods-dominant (G-D) Logic

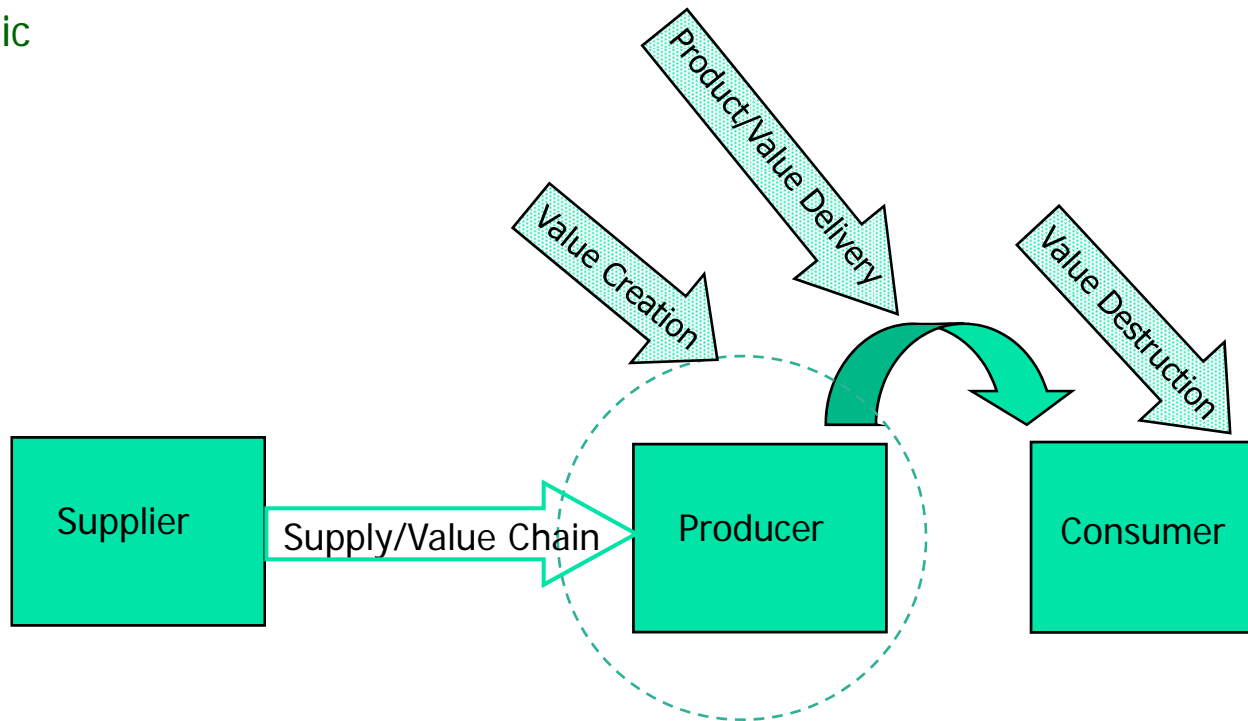
- Purpose of economic activity is to make and distribute units of output, preferably tangible (i.e., goods)
- Goods are embedded with utility (value) during manufacturing
- Goal is to maximize profit through the efficient production and distribution of goods
  - goods should be standardized, produced away from the market, and inventoried till demanded

**Firms exist to make and sell goods**



# Value Production and Consumption

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# Services: The G-D Logic Perspective

- Services are:
  - Value-enhancing add-ons for goods, or
  - A particular (somewhat inferior) type good, characterized by:
    - Intangibility
    - Heterogeneity (non-standardization)
    - Inseparability (of production and consumption)
    - Perishability



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  - Service: the application of competences for the benefit of another entity
    - Service (singular) is a process—distinct from “services”—particular types of goods
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# Problems with Goods Logic

- Goods are not why we buy goods
  - Services they render
  - Benefits are generally intangible (brand, image, meaning)
- Goods are not what we fundamentally “own” to exchange with others
  - Applied knowledge and skills (our services)
- Customer is secondary or missing
  - What exchange partners need must be added
  - “Consumer orientation” does not help
- Focuses on efficiency of output rather than effectiveness of resource application (inputs)



# Background

- Smith's Bifurcation
  - Positive foundation of exchange:
    - specialized knowledge, labor (service), Value-in-use
  - Normative model of (national) wealth creation:
    - Value-in-exchange and "production"
      - Creation of surplus, exportable tangible goods
- Say's Utility:
  - Usefulness (value-in-use)
  - Morphed into a property of products (value-in-exchange)
- Bastiat (1848):
  - "Services are exchange for services"
- Development of Economic Science
  - Built on Newtonian Mechanics
    - Matter, with properties
    - Deterministic relationships
  - The science of exchange of things (products), embedded with properties ("utiles")

# Sub-disciplinary Divergences and Convergences



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- Business-to-Business Marketing
  - From differences
    - Derived demand, professional buyers, flocculating demand, etc
  - To emerging new principles
    - Interactivity, relationship, network theory, etc
- Service(s) Marketing
  - From differences:
    - Inseparability, heterogeneity, etc.
  - To emerging new principles:
    - Relationship, perceived quality, customer equity, etc.
- Other Sub-disciplines
- Other Intra-marketing initiatives
  - e.g., interpretive research, Consumer culture theory, etc.
    - From deterministic models to emergent properties
    - From products to experiences
    - From embedded value to individual meanings and life theme



# Reflections of the Product Model

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- Marketing is:
  - The “creation of utilities” (Weld)
    - Time, place, and possession
    - “production function”
  - Concerned with value distribution
- Orientations
  - Production and Product
    - distribution vs. value-added
  - Consumer Orientation
    - Evidence of problem vs. correction
  - Marketing management and Consumer Behavior
- Alderson’s admonition:
  - “What is needed is not an interpretation of the utility created by marketing, but a marketing interpretation of the whole process creating utility.”
- Disconnect between marketing theory and marketing practice
- Sub-disciplinary division



# Difficult Conceptual Transitions

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## Goods-Dominant Concepts

Goods →  
Products →  
Feature/attribute →  
Value-added →  
Profit maximization →  
Price →  
Equilibrium systems →  
Supply Chain →  
Promotion →  
To Market →  
Product orientation →

## Transitional Concepts

Services →  
Offerings →  
Benefit →  
Co-production →  
Financial Engineering →  
Value delivery →  
Dynamic systems →  
Value-Chain →  
Integrated Marketing  
Communications →  
Market to →  
Market Orientation →

## Service-Dominant Concepts

Service  
Experiences  
Solution  
Co-creation of value  
Financial feedback/learning  
Value proposition  
Complex adaptive systems  
Value-creation network/constellation  
Dialog  
Market with  
Service-Dominant Logic  
(Consumer and relational)