



S-D
Logic

Service-Dominant Logic, Market Theory, and Marketing Theory

Otago Forum 2

Dec 10, 2008

Stephen L. Vargo, University of Hawai'i at Manoa
Robert F. Lusch, University of Arizona



Marketing's Inverted Foundation

Normative marketing theory
(Prescriptive knowledge)

- is (should be) built on positive market/marketing theory

Positive market/marketing theory
(Propositional Knowledge)

- is built on positive economic theory

Positive economic theory

- built on a normative theory national wealth creation



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)



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



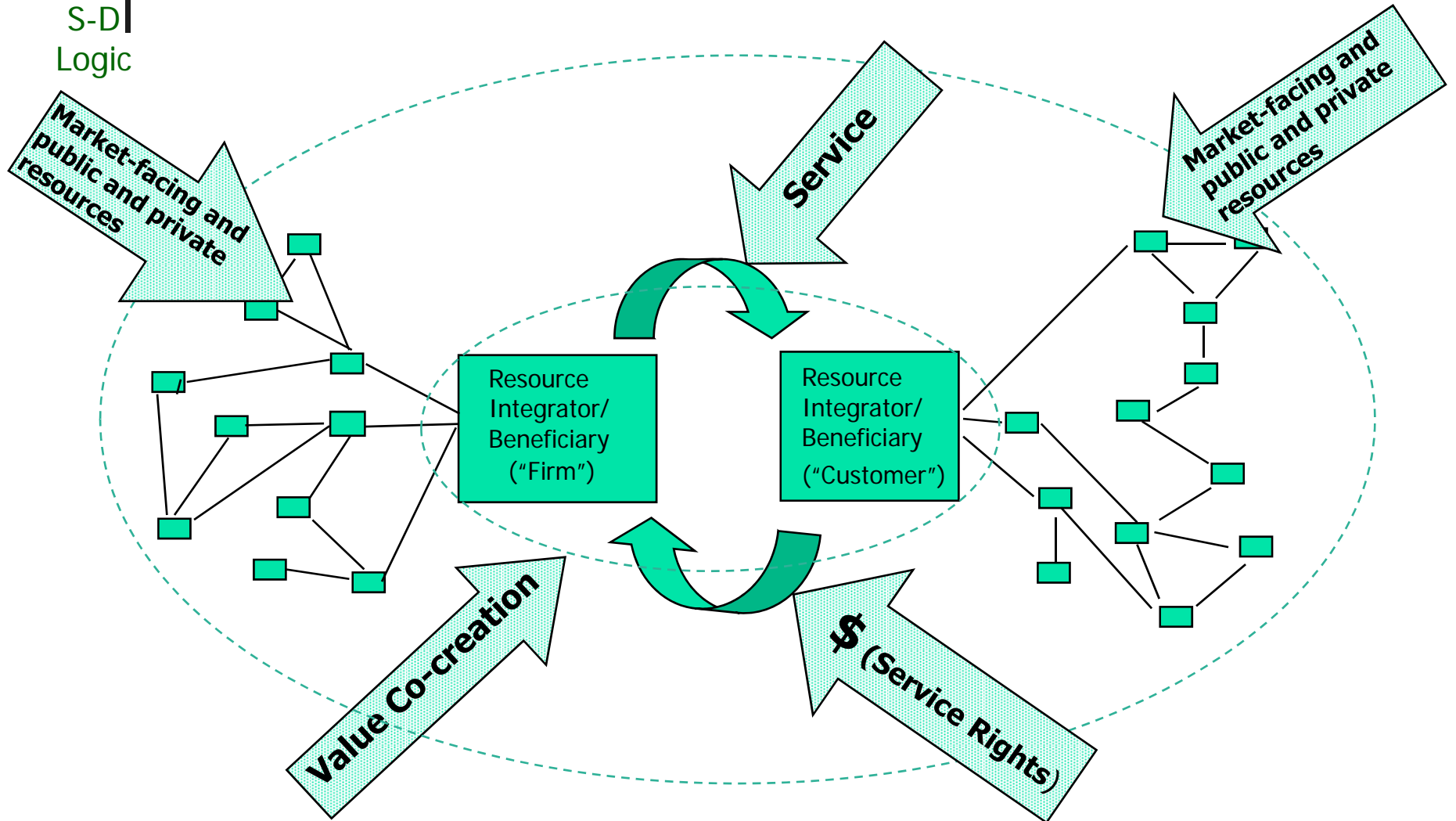
S-D
Logic

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.

Service Exchange through Resource Integration and Value Co-creation



S-D
Logic





What is needed

- Foundations for Positive theory
 - Shift from products as unit of analysis to collaborative value creation and determination
 - B2B, service, and relationship
 - Refocus on operant resources as source of value
 - Resource-based theories of the firm; resource advantage theory
 - Elimination of producer/consumer distinction
 - B2B marketing/network theory
 - Inframarginal analysis
 - Models of emergent structure and processes
 - Complexity theory
 - Interpretive research
- Theory of resource integration and exchange
 - Theory of the market to inform normative marketing theory



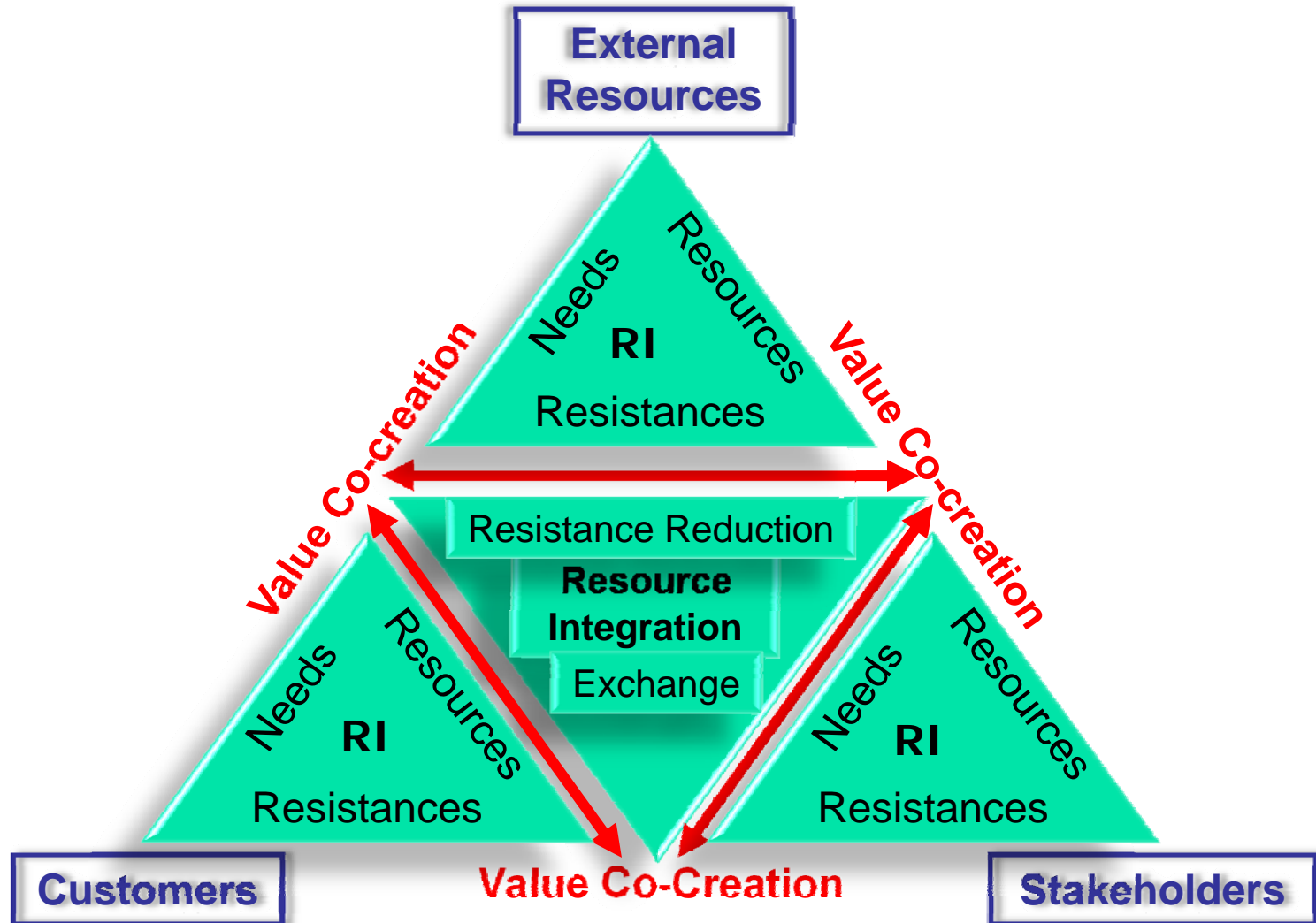
An Extended Pedigree

- 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)
- Stakeholder Theory
- Service Science

The Fractal Geometry of Market Exchange?



S-D
Logic





S-D
Logic

Central Market Concepts

S-D Logic

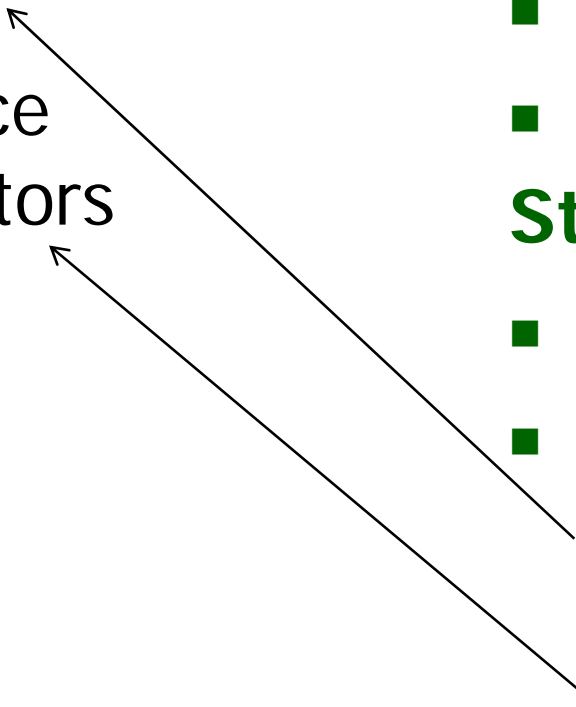
- Resources
- Service
- Resource Integrators

IMP Group

- Resources
- Activities
- Actors

Storbacka

- (Resources)
- Practices
 - Establish relationships interactions – inputs to resource integration
 - Equal resource integration





S-D
Logic

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

Steve Vargo: svargo@sdlogic.net Bob Lusch: rlusch@sdlogic.net

