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Empirical Evidence about the Service Dominant Logic

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Abstract

To date the discourse about the S-D logic has been largely theoretical with the main focus on providing a foundation for an integrating general theory of marketing. Little attention has been given to empirical evidence in theory development. This paper shifts the focus to the empirical arena by examining implications of the Contemporary Marketing Practices (CMP) programme. A synopsis of the S-D logic is provided which leads to a discussion about the use of middle range theory as a bridge between general theory and empirical findings. This is followed by an examination of the implications of the CMP research findings. The paper concludes by considering implications for further research.

Key Words: S-D logic, empirical evidence, middle range theory, general theory, marketing practice

1. Introduction

Since the 1980s a range of broader perspectives about the nature and scope of marketing have emerged which place more emphasis on relationships and networks with customers and other stakeholders. These process based approaches contrast with the traditional textbook marketing management approach that had its origins in the 1960s that focused on transactions. Recently, Vargo and Lusch's (2004) article "Evolving to a New Dominant Logic for Marketing" have proposed a unifying logic to bring the alternative perspectives together. What is now being referred to as the Service Dominant (S-D) logic has provided the stimulus for considerable academic activity involving international forums, special sessions at conferences, and faculty seminars around the world and has resulted in a number of special issues of journals. Within the S-D logic discourse Vargo and Lusch have published over a 20 academic papers and there is an ever-growing academic community taking interest in the area. For example a search on Google Scholar revealed over 300 articles using the phrase "service dominant logic". The website <http://www.sdlogic.net/> now serves as a hub for the continuing evolution of scholarly thought.

In parallel to the development of the S-D logic an industry based cross-disciplinary approach referred to as “Service Science Management and Engineering” (SSME) has emerged. This has been defined by Paulson (2006) as:

“A multidisciplinary field that seeks to bring together knowledge from diverse areas to improve the service industry’s operations, performance, and innovation. In essence, it represents a melding of technology with an understanding of business processes and organization.” (p. 18)

The SSME initiative provides a valuable ‘outside in’ practitioner view, contrasting with ‘inside out’ academic activity associated with the S-D logic. In reviewing the interface between SSME and the S-D logic, Maglio and Sphorer (2008) suggest that the S-D logic “may be the philosophical foundation of service science” (p. 18). Recently Maglio, Vargo and Caswell (2009) further explore how the S-D logic is foundational to SSME where they discuss the ‘service system’ as the basic abstraction of SSME.

At the 2nd S-D logic Otago Forum¹ held in December 2008 there was discussion about moving the “logic” beyond a pre-theory/paradigm level to develop a more formal general theory. However the discussion did not provide guidance about the most appropriate process for theory development. In particular little attention was given to the role of empirical research in this theorizing process. This paper responds to this issue by exploring the role middle range theory has in providing a theoretical bridge between empirical findings and general theory. This is achieved by examining the interface of the empirically based Contemporary Marketing Practices (CMP) programme and the S-D logic.

At the same time that Vargo and Lush were developing the S-D logic in the 1990s, a program of research emerged known as Contemporary Marketing Practices (CMP)² at the University of Auckland, New Zealand. Similar to the S-D logic, the research program addressed contemporary

¹ Otago Forum 2 (2008) <http://www.commerce.otago.ac.nz/Marketing/Events/OtagoForum>

² Further details about the participants, research philosophy and other aspects of the CMP research program are available at <http://cmp.auckland.ac.nz>

marketing issues. Over ten years, the CMP program grew to include a core group of researchers in New Zealand, the US, the UK and Argentina, and more recently a broader network of researchers throughout the world. Nearly 50 CMP-derived journal publications have been highly cited and as a corpus provide considerable insight to the theory and practice of marketing.

The paper proceeds as follows. The next section summarises how S-D logic provides a foundation for general theory of markets and marketing. In the following section the use of middle range theory is elaborated on. This is followed by an examination the implications of the CMP research findings. The paper concludes by drawing implications for further research.

2. S-D Logic as a Foundation for General Theory

The S-D logic provides a *shift in thinking* and integrates the diverse process based approaches that have emerged since the 1980s (i.e. market orientation, services marketing, relationship marketing, quality management, value and supply chain management, and network analysis). The basic tenet of the S-D logic is *service* (singular). Service is the process that applies competences for the benefit of another is the basis for all exchange (Vargo and Lusch 2008). Thus *service* is a *process* that should not to be confused with *services* (plural) that are the intangible units of output. The S-D logic focuses on *operant resources* that are intangible, dynamic resources that are capable of creating value. This contrasts with traditional Goods Dominant (G-D) logic that focuses on *operand resources* that are tangible, static resources that require some action to make them valuable.

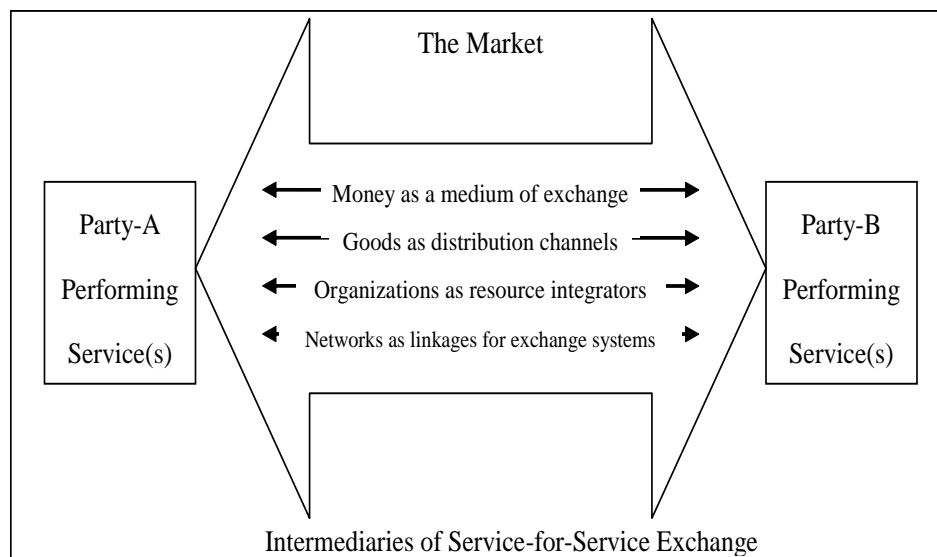
In their deliberations about the development of general theory, Vargo and Lusch (2008) recognise the priority of developing a higher order general theory of markets before developing a normative theory of marketing. The S-D logic portrays markets as networks of service systems which connect a network of parties (organisations, customers and stakeholders) performing

service (Vargo, Maglio and Akaka 2008). Within a service system there are the intermediaries of service-for-service exchange. These are:

- Money as a medium of exchange
- Goods as distribution channels
- Organizations as resource integrators
- Networks as linkages for exchange systems

This is illustrated by in Figure 1.

Figure 1: Service Exchanged for Service (Vargo and Akaka 2009).



Fundamental to the S-D logic are the foundational premises that elaborate on the nature of service system perspective of markets. The original eight premises presented in 2004 have now been modified and extended to ten (see Appendix). Of these, Vargo and Lusch (2008) suggest four are core to developing a general theory of markets. They are:

FP1: Service is the fundamental basis of exchange.

FP6: The customer is always a co-creator of value.

FP9: All economic and social actors are resource integrators.

FP10: Value is always uniquely and phenomenologically determined by the beneficiary.

FP1 highlights the need to focus on the application of operant resources (knowledge and skills), FP6 emphasizes the interactional nature of value creation, FP9 emphasizes the context of value creation are within networks, and FP10 recognizes that value is idiosyncratic, experiential and meaning laden.

In its pre-theory/paradigm stage the S-D logic provides a shift in thinking with new concepts and a new lexicon. This outlined in Table 1 where concepts from the S-D logic are contrasted with G-D logic concepts and transitional concepts (Lush and Vargo 2006 p. 286). The transitional concepts align with the services and other process based perspectives that emerged since the 1980s. This includes relationship marketing.

Table 1: Conceptual Transitions from G-D logic to S-D logic Concepts

| G-D logic Concepts | Transitional Concepts | S-D logic Concepts |
|---------------------------|-------------------------------------|--------------------------------------|
| Goods | Services | Service |
| Products | Offerings | Experiences |
| Feature/attribute | Benefit | Solution |
| Value-added | Co-production | Co-creation of value |
| Profit maximization | Financial engineering | Financial feedback/learning |
| Price | Value delivery | Value proposition |
| Equilibrium systems | Dynamic systems | Complex adaptive systems |
| Supply Chain | Value-Chain | Value-creation network/constellation |
| Promotion | Integrated Marketing Communications | Dialog |
| To Market | Market to | Market with |
| Product orientation | Market orientation | Service orientation |

3. Middle Range Theory as Bridge between General Theory and Empirical Research

General theories can be distinguished from “other” theories on the basis of scope and integration (Hunt 1983). The broader scope of general theories means they need to explain a larger number of phenomena, while the integrative nature of general theory means they serve to unify less general theories. Because they are broader in scope, general theories tend to be more abstract. Thus there is an inherent difficulty with the interface between general theory and empirical research. For example Hunt (1983 p. 12) notes:

“Theorists concerned with developing general theories should be alert to the problems involved in empirically testing their theoretical constructions. When key constructs in theory become highly abstract, in the sense of being too far removed from observable reality or in the sense that relationships among key constructs become too loosely specified, then empirical testability suffers, predictive power declines, explanatory impotence sets in.”

To overcome this inherent difficulty it has been suggested it is necessary to have an intermediary body of theory that serves as a bridge between empirical research and general theory. This has been referred to as middle range theory. The initial idea about the need for middle range theorizing in the social sciences was explored by Merton (1967) in sociology. He defines middle range theories as:

...theories that lie between the minor but necessary working hypotheses that evolve in abundance during day-to-day research and all-inclusive systematic efforts to develop a unified theory that will explain all the uniformities of social behaviour, social organization and social change. (Merton, 1967 p.39)

Thus the purpose of a middle range theory is not to attempt to explain everything about a general subject (e.g. how markets function, how to manage markets). Rather the theoretical focus is on a subset of phenomena relevant to a particular context. This means middle range theory can focus directly on empirical research questions. This involves developing explicit statements that can be investigated empirically (i.e. hypotheses and propositions about the relationships between specific variables).

Recently Saren and Pels (2008) and Brodie, Saren and Pels (2009) examine the use of a middle range theory approach to interface between general and empirical research in marketing.³ In their discussions they draw on the experience of other management disciplines, and in particular organizational theory. In common with the marketing discipline, these disciplines are concerned with the complexity of organizations and their management processes.

In his cornerstone article *Theory Construction as a Disciplined Imagination* Weick (1989) provide further reason for the use of middle range theory. He notes that general theories about organizations involve so many assumptions and such a mixture of accuracy and inaccuracy that virtually all conjectures remain plausible. Thus he states:

“It is argued that interest is a substitute for validation during theory construction, *middle range theories* are a necessity if the process is to be keep manageable” (p. 516).

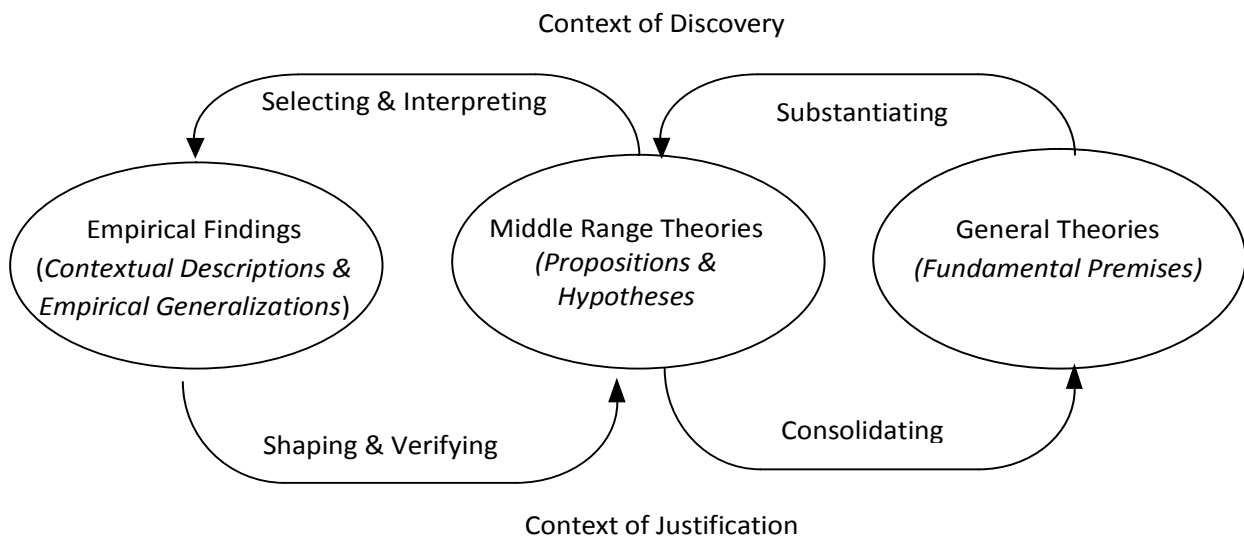
Pinder and Moore (1979) also draw attention to restrictions of working with general theory and the need for middle range theory. This led them to publish a book essays by leading scholars from organizational theory (Pinder and Moore’s 1980). The collection of essays provides an excellent debate about the nature, scope and role of middle range theory. It also provides examples of the application of middle range theorizing. These applications demonstrate how the middle range theory provides a bridge between general theories and empirical findings.

The middle range theorising process can commence either at the point of empirical findings, middle range theory, or at the general theory level. In all cases a process of refinement delivers more explicit empirical findings that broaden the scope of general theory. Brodie, et al. (2009) use the notions of the scientific circle of enquiry to explore the iterative and interactive nature of middle range theorising. This theorising process takes place in the context of discovery and justification (Hunt 2001). In the context of discovery general theories substantiate the propositions and hypotheses associated middle range theories. In turn the propositions and hypotheses associated middle range are used to structure empirical investigations. In the context

³ While middle range theory is implicitly used in most empirical research in marketing its first explicit use was explored by Leong (1985). Since then there has been very little reference to it.

of justification empirical findings are used to shape and verify middle range theories. In turn middle range theories consolidate general theories and expand their scope. It important to note both the discovery and justification phases of empirical research can involve both quantitative and interpretive research methods. The bridging role of middle range theory and the processes are illustrated in Figure 2.

Figure 2: Bridging Role of Middle Range Theories



In the next sections the interface between the S-D logic and the CMP research is examined in the contexts of discovery and justification.

4. The CMP Typology and the S-D logic

In contrast to the S-D logic research programme which has a focus on general theory development, the CMP research programme is empirically based focussing on describing practices of managers and organizations with an emphasis on practical problem solving. Thus

the need for middle range theory was initially driven by practice and empirical observation. A classification scheme or typology of marketing practices underpins the CMP research program and provides the basis for middle range theory. The typology was derived from an extensive content analysis of the marketing and broader management literatures. Thus the theoretical framework developed by the CMP research program draws on multiple higher level theories rather than a specific general theory or paradigm. This allows for multiple theoretical perspectives to develop middle range theory to investigate marketing practices.

In developing the typology, a distinction was drawn between concepts associated with market level activity (i.e. relating to a *theory of markets*), and concepts associated with normative management activities (i.e. relating to a *theory of marketing management*). The five concepts or dimensions relating to a theory of markets that are used to distinguish between different types of practice are:

- purpose of exchange;
- nature of communication;
- type of contact;
- duration of exchange; and
- formality of exchange.

The four concepts relating to normative theory of marketing management that are used to distinguish between different types of practice are:

- managerial intent;
- managerial focus;
- managerial investment; and
- managerial level.

Having identified the dimensions that distinguish between market and managerial practices the literature was then re-analyzed based on those dimensions to identify various types of marketing practice. For the initial classification scheme four types of marketing were subsequently identified (Coviello et al. 1997). Each of these provides the basis for a middle range theory of practice. The three most relevant to the S-D logic are⁴:

Transaction Marketing is defined as a practice using the traditional “4P” transactional approach to attract customers in a broad market or specific segment. This follows a practice that is consistent with the G-D logic concepts outlined in Table 1.

Interaction Marketing is defined as developing personal interactions between employees and individual customers. This follows a practice that is consistent with the transitional services (relational) concepts outlined in the second column in Table 1.

Network Marketing is defined as developing relationships with customers and firms within the network. This practice is intrinsically linked to the S-D logic. For example FP9 “where all economic and social actors are resource integrators” implies that the context of value creation is within networks. It recognizes the important intermediary role of “networks as linkages for exchange” in a service system (see Figure 1).

With the emergence of e-Business and the Internet in the 1990s, it became necessary to revise and expand the original CMP framework to include another type of marketing practice. This recognized the powerful influence that communication and information technologies (ICT) were having in facilitating changes in business and marketing. ICTs were providing platforms for interactivity within and among networks of organizations and customers. What was of particular interest was how ICTs were changing the nature of service systems and service practices. The role of ICT in facilitating these changes is highlighted by Rust (2004) in his commentary on the original 2004 S-D logic paper.

“In essence the service revolution and information revolution are two sides of the same coin. Information technology gives the company the ability to learn and store more information about

⁴ A fourth type of marketing practice Database Marketing was introduced in the original framework but is becoming subsumed by the other practices so it is not included in the discussion.

the customer, which in turn gives it the ability to customize its services, and to develop customer relationships. The result is the ability provided to the customer increasingly is based on more on information and less on physical benefits”. (Rust 2004 p. 24)

As with the development of the original CMP typology an extensive content analysis was undertaken of the marketing, management and information systems literature to conceptualize the emerging type of marketing. Particular attention was given to the five market-related dimensions and the four marketing or managerial related dimensions that would distinguish this type of marketing from other types. In particular Coviello, Milley & Marcolin (2001) drew on the conceptual work of Blattberg and Deighton (1991) and others about the nature of interactivity within and among networks of organizations, customers and other stakeholders. This led to a fifth theory of practice.

Interactive Marketing is defined as using the Internet and other interactive communication technologies to create and mediate dialogue between the firm and identified customers.⁵ This practice is closely aligned to with the S-D logic FP6 where “the customer is always a co-creator of value” and the intermediary role of “organizations as resource integrators” in a service system (Figure 1).

Details of how the five market-related dimensions (i.e. relating to a theories of markets), distinguish between four types of marketing practice (transactional, interaction, network, interactive) are presented in the 4 by 5 matrix in Table 2.

Table 2: CMP Classification Scheme for Market Related Perspectives

| Dimension | Transactional Practice | Interaction Practice | Network Practice | Interactive Practice |
|----------------------------|--|--|--|---|
| Purpose of Exchange | generating a profit or other “financial” measure(s) of performance | building a long-term relationships with a specific customers | forming strong relationships with a number of organizations in firms market(s) or wider marketing system | communication information-generating dialogue between a seller and many identified buyers |

⁵ Coviello, et al. (2001), used the term ‘eMarketing’ to avoid confusion of Interactive Marketing with Interaction Marketing.

| | | | | |
|--------------------------------|---|--|--|---|
| Nature of Communication | communicating to the mass market | individuals at various levels in the organization personally interacting with their individual customers | senior managers networking with other managers from organizations in the market(s) or wider marketing system | using technology to communicate “with” and “among” many individuals (who may form groups) |
| Type of Contact | impersonal (e.g. no individualized or personal contact) | interpersonal (e.g. involving one-to-one interaction between people) | interpersonal (e.g. involving one-to-one interaction between people) | continuous (but interactivity occurs in real-time) |
| Duration of Exchange | no future personalized contact with organisation | one-to-one personal contact with us | one-to-one personal contact with people in our organization and wider marketing system | interactive (via communication technology) |
| Formality in Exchange | mainly at a formal, business level | at both a formal, business and informal, social level | at both a formal, business and informal, social level | formal (yet customized and/or personalized via interactive communication technology) |

Details of how the four managerial dimensions (i.e. relating to a theories of marketing management), distinguish between four types of marketing practice (transactional, interaction, network, interactive) are presented in the 4 by 4 matrix in Table 2.

Table 3: CMP Classification Scheme for Marketing Management Perspectives

| Dimension | Transactional Practice | Interaction Practice | Network Practice | Interactive Practice |
|---------------------------|-------------------------------|--|---|----------------------------------|
| Managerial Intent: | attract new customers | develop cooperative relationships with the customers | coordinate activities between the organizations, customers, and other parties in the wider marketing system | creation of ICT-enabled dialogue |

| | | | | |
|------------------------------|---|---|--|--|
| Managerial Focus | product /service offering | specific customers in our market(s), or individuals in organizations we deal with | networks of relationships between individuals and organizations in the wider marketing system | managing ICT-enabled relationships between the firm and many individuals |
| Managerial Investment | product, promotion, price, and distribution activities (or some combination of these) | establishing and building personal relationships with individual customers | developing organization's network relationships within the market(s) or wider marketing system | creation of ICT-enabled dialogue |
| Managerial Level | functional marketers (e.g. marketing manager, sales manager, major account manager) | non-marketers who have responsibility for marketing and other aspects of the business | Managing Director or CEO | marketing specialists (with) technology specialists and senior managers |

While the four types of marketing practice (transactional, interaction, network, interactive) have distinctive characteristics, the CMP typology does not assume they are mutually exclusive. Hence empirical research allows as for the identification of combinations or a pluralism of practices. The S-D logic perspective also recognises the pluralism of practices with a focus on integration and synthesis leading to a “service logic”. For example in their original paper Vargo and Lusch state:

“the service-centered dominant logic represents a reoriented philosophy that is applicable to all marketing offerings, including those that involve tangible output (goods) and the process of service provision.” (p. 2)

Vargo (2007) further elaborates by stating:

“Service (singular) – the process of doing something for the benefit of another party – is the common denominator of exchange; goods represent mechanisms for service provision. Thus, S-D logic is inherently *dualistic* while resolving the paradox. Stated slightly differently, plurality is what the discipline has had with the separation of goods marketing and services marketing. In S-

D logic, that separation is not only unnecessary; it (arguably) is resolved – services and goods co-exist with a common purpose (service) in S-D logic.” (p. 106)

This leads to empirical question about the extent that the pluralistic practices that can be identified by the CMP typology typify a transformational “service logic” rather than the co-existence of goods and services logics.

In developing the updated version of the typology, Coviello et al. (2001) paid attention to how interactive marketing facilitates the changes business in business practice. In contrast to the other practices it is suggested that the practice can be transformational. The work of Orlikowski (2000) was particularly useful in providing a theoretical framework to conceptualise the nature of transformational change in practices. Orlikowski took the view that is consistent with the CMP perspective that “structures are not located in organisations or in technology but enacted by users” (p. 404). Thus a critical distinction is made between a practice that reinforces or enhances existing efforts, to a practice that becomes a transforming philosophy that fundamentally changes the organisation. It is suggested that Vargo’s (2007) view about the co-existence goods and services for the common purpose of “service” aligns with the transformational process outlined by Orlikowski (2000) and is facilitated by interaction marketing.

5. Evidence about Service Dominant Logic Practices

Two initial research questions are used to provide a preliminary assessment of the CMP empirical evidence and may be considered as necessary conditions for S-D logic practices. The first question is motivated by the observation that network marketing practices are intrinsically part of the S-D logic.

1a: To what extent is there a predominance of network marketing practices?

The second preliminary question is motivated by observation that service practice involve configurations of pluralistic practices (i.e. co-existence of goods and services).

1b: To what extent is there a predominance of pluralistic marketing practices?

The original CMP typology allowed for the investigation of these questions. For example research by Coviello et al. (2002) examined 308 firms in the US and four other Western countries and showed approximately a third of the firms practiced a high level of network marketing. With regard to question 1b, the research identified three groups of firms: those whose organisational practices were predominantly transactional, those whose organisational practices were predominantly relational/network based and those whose organisational practices were pluralistic being both transactional *and* relational/network based. The pluralistic group made up approximately a third of the sample so potentially up to a third of the firms in the sample may have S-D logic practices.

With the introduction of interactive marketing practice into the expanded CMP typology there could be further investigation the nature of the pluralistic practices and the extent they align with the S-D logic. Two CMP empirical surveys studies provide particular insight into this issue. The first by Coviello et al. (2003) involved data collected in 2000 and 2001 with a sample 149 firms in New Zealand (n = 48) and the UK (n = 101). This study offers evidence to answer two further research questions.

2a: To what extent is there a predominance of interactive marketing practices?

2b: To what extent is there a predominance of pluralistic practices that are transformational?

Question 2b examines whether firms with pluralistic practices don't merely involve the co-existence of separate "goods" and "services" practices but these practices are integrative and hence transformational resulting in a "service" logic.

With regard to question 2a, the Coviello et al (2003) study provides some evidence about the prevalence of interactive marketing practices. 60% of the firms reported medium or high levels of interactive practices but only 5% had high levels. Further analysis revealed four combinations

or clusters of marketing practices (Traditional Transactional practice, Traditional Relational practice, Interactive Marketing /Transaction Marketing practices, Pluralistic practices). For the cluster of firms with Pluralistic practices, 35% had a transformational business philosophy (see Table 4). Firms with pluralistic practices made up approximately a third of the total sample so it can be concluded that 10% of firms have practices that align with the S-D logic practices.

Table 4: Marketing Practices and Organisational Change

| | Traditional Transactional Practice | Traditional Relational Practice | Transactional Interactive Practice | Pluralistic Practice |
|-------------------------------|---|--|---|-----------------------------|
| Reinforces existing practices | 67% | 62% | 44% | 34% |
| Enhances existing practices | 17% | 29% | 44% | 31% |
| Transforms existing practices | 16% | 9% | 12% | 35% |
| <i>Total</i> | 100% | 100% | 100% | 100% |

Source: Coviello et al (2003 Table 7)

The most recent study by Brodie et al (2007) analyzed survey data from US firms collected in 2002 (n=212) and 2005 (n=139). When compared to the 2001/2002 UK NZ study there was an increase in the intensity of use of interactive marketing. In the 2001/2002 UK NZ sample 5% of firms reported high levels use of interactive marketing compared to over 20% for the US sample. The US sample included performance measures which allowed for the investigation of a final research question.

3: Are S-D logic practices associated with superior performance?

The study provides evidence that that the intensity of use of the interactive and network marketing practices was positively associated with firm performance. Because the S-D logic closely align with integrative and network marketing practices this suggest there is preliminary evidence to show S-D logic practices are associated with superior performance. However further analysis is needed

6. Conclusion and Further Research

The purpose of this paper has been to explore the role of empirical research in theorizing about the S-D logic. A synopsis of the S-D logic was provided followed by a discussion about the use middle range theory as a bridge between general theory and empirical findings. This was followed by an examination the implications the CMP research findings about S-D logic practices. While the CMP typology was developed independently from the S-D logic it was broad enough to provide measures that could examine S-D logic practices.

The earlier CMP research provides evidence for a significant proportion of firms have network marketing practices and practices that were pluralistic. With the inclusion of Interactive Marketing into the CMP typology the more recent research provides further insight about the S-D logic practices. In the latest US study it can be concluded approximately 10% of firms have practices that align with the S-D logic practices (i.e. pluralistic and transformational). Finally the study of US firms provides preliminary evidence that firms' practices that align with the S-D logic tended to have superior performance.

Even in its current form the CMP typology has provided useful empirical insight about the S-D logic. Thus a useful avenue for research would be to undertake further analysis of the CMP data sets. The 2002 and 2005 US study found preliminary evidence about S-D logic practices having superior performance so this provides a starting point. Further analysis could develop separate market and managerial measures of practice. In addition, because of the core of the S-D logic is associated with network and interactive practices the development of more specific S-D logic practice measure could be used in the analysis. The CMP research also includes interpretative research about marketing practices so the further analysis could also revisit the qualitative data sets. Of particular relevance is the study by Brookes et al (2004) which examines the transformation of marketing practices.

In conclusion it is suggested that the middle range theorizing process illustrated in this paper provides the framework to guide the development of a research agenda to provide further insight about S-D logic practices and lead to the further development of general theory about the S-D logic. Of particular importance is the bridging role of middle range theory within both the context of discovery and justification. Also of importance is the recognition that both quantitative and interpretative methods play important roles in this empirically based theorising process. Thus there are many avenues for future empirical research about S-D logic. Finally in developing r agendas for further research it needs to be recognised the important role of SSME in providing a broader industry based “outside in” perspective.

Appendix 1: Foundational Premises 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. |
| FP2 | Indirect exchange masks the fundamental basis of exchange. | Goods, money, and institutions mask the service-for-service nature of exchange. |
| FP3 | Goods are distribution mechanisms for service provision. | Goods (both durable and non-durable) derive their value through use – the service they provide. |
| FP4 | Operant resources are the fundamental source of competitive advantage. | The comparative ability to cause desired change drives competition. |
| FP5 | All economies are service economies. | Service (singular) is only now becoming more apparent with increased specialization and outsourcing. |
| FP6 | The customer is always a co-creator of value. | Implies value creation is interactional. |
| FP7 | The enterprise cannot deliver value, but only offer value propositions. | The firm can offer its applied resources and collaboratively (interactively) create value following acceptance, but cannot create/deliver value alone. |
| FP8 | A service-centered view is inherently customer oriented and relational. | Service is customer-determined and co-created; thus, it is inherently customer oriented and relational. |
| 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. |

(Source: Vargo and Lusch 2008)

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