Marketing Evolution: The Time and Place for Service-Dominant Logic?

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Abstract

Purpose

This paper reviews issues surrounding the debate on Service-Dominant Logic.

Approach

Following Vargo and Lusch's introduction of Service-Dominant Logic (S-DL) in 2004 there has been considerable, largely positive, discussion on its value in the development of marketing thought. This conceptual paper assesses its impact and the claims made on its behalf.

Findings

The paper notes the influence of resource advantage theory, core competence theory and relationship marketing in its inception and that a key to S-DL's widespread acceptance is that it implies reorientation rather than reinvention. It welcomes its reiteration that marketing is so much more than a functional area, its promotion of the value co-creation concept and recognition of the importance of service-centred view of exchange. The paper, however, suggests a note of caution in the assumption that marketing has room only for a single dominant logic in a pluralistic marketplace of contradictions and multi-paradigms. It suggests marketing is an evolutionary process determined by its time and place. Whatever the value of continuing research in S-DL it challenges that this should not be at the expense of other avenues of enquiry.

Value

This paper is designed to widen the S-DL debate and introduce a note of caution to the adoption of generalisable theories in marketing.

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Introduction

The ideas and conceptions around Service-dominant (S-D) logic appeared, to quite considerable fanfare, half a decade ago in Vargo and Lusch's (2004) *Journal of Marketing* article with follow-up in papers in the period since (e.g. Lusch and Vargo 2006, Vargo and Lusch 2006a, 2006b, 2008, Vargo 2008). At the basis of their thinking was the question whether, with so much fragmentation in marketing thought, the discipline was evolving towards a new, dominant, service logic having been dominated by a goods-dominant (G-D) agenda for much of the proceeding century. The service-centred view was, according to Vargo and Lusch (2004) the identification and development of core competences and other entities (potential customers) that could benefit from these competences. Goods, it was argued, should no longer be seen as the common denominator of exchange but rather the application of specialist knowledge, mental skills and physical skills. Goods were but the physical representation of these skills and techniques. S-D logic further argued that value can only be created and determined by the user in the consumption process and through use (so-called 'value-in-use') either directly or mediated by a good. Consequently the enterprise does not deliver value in the exchange *per se* rather they make value propositions. Importantly it reiterates the holistic nature of marketing and that it is so much more than a functional area.

In the period since the original *JM* article a number of concepts have been clarified and its basic tenets modified and extended to ten 'Revised Foundational Premises (FPs) of Service-dominant Logic' (Vargo 2008:213). As the authors themselves concede S-D logic is not yet fully formed and is 'very much a dialogical and collaborative work in progress, one that is both evolving and developing' (Vargo 2008:211). It has, however, stimulated considerable discussion and received generally favourable responses from marketing academics. This paper is designed to widen further the S-D logic debate. In doing so, however, it introduces some notes of caution regarding the adoption of service-based theory as a generalisable theory of marketing and highlights several perceived weaknesses.

Service-dominant Logic in Context

Undoubtedly S-D logic has been well received by many in the marketing world. It has been described as 'brilliantly insightful' (Rust 2004:23), 'finely crafted… and logically sound' (Hunt 2004:22). It has stimulated journal special editions, conferences and workshops around the world and placed its authors high on conference most-wanted lists. Although said to operate at a paradigmatic level (Vargo 2008) claims for S-D logic's adoption as marketing's new paradigm have not yet been widely made. However, it is perhaps (given the marketing fraternity's past practice) inevitable. What is particularly interesting, and to an extent reassuring, is that very little of the theory is actually new. S-D logic, without demeaning its significance, is rather more a restatement of ideas from earlier phases of research in such areas as services marketing, relationship marketing (RM), marketing orientation, network perspectives, integrated marketing communications and the resource-based theory, than marketing novelty (Aitken *et al* 2006). As its creators acknowledge in leading marketing toward a service-centred model the implication is that this will be achieved though reorientation rather than reinvention (Vargo and Lusch 2004).

Echoes of earlier research, therefore, pervade the S-D logic literature. For example as early as the 1970s Levitt (1972) was putting forward the idea that every exchange was a service (FP1) and this has been regularly reintroduced into the literature ever since (e.g. McKenna 1991, Pels 1999). The notion that goods are but distribution mechanisms for service provision (FP3) echoes Kotler's (1988:5) speculation that 'a physical object is a means of packaging a service'. The Nordic School of Service Management also saw goods and services as part of a holistic, continuously developing service offering (Grönroos 1999) and in Strandvik and Storbacka's (1996) vision of service management, goods were seen as frozen services only unfrozen when used. That value is determined by the beneficiary (FP10) was suggested previously by Gordon (1998) and co-production of value (FP6) by Buttle (1997) amongst others. More generally much of the relational rhetoric comes from concepts developed by relationship marketing researchers. Both, for example, lay claim to a pre-industrial revolution heritage (Vargo and Lusch 2004, Sheth & Parvatiyar 1995) As Grönroos (1996:11) noted some years ago 'successfully executed relationship marketing demands that the firm defines its business as a service business.' All in all Vargo and Lusch's contribution, therefore, is not so much discovery *per se* but the bringing together of ideas in one conceptual place.

Dominant Theory

Whereas its authors should rightfully be congratulated for their approach to changing business perceptions there is always considerable dangers when new ideas claim a 'dominant' position. Unlike theories in the physical sciences social science theory tends to be self-fulfilling and if it gains sufficient currency changes behaviours (Ghoshal 2005). Blind adoption of any theory or concept can seriously damage financial health. Anyone who recognises the complexity of marketing thought may be disturbed by the implication that, at any one time, there are claims for one dominant logic (Brown 2007). Even if we accept (with some grave doubts given the current financial crisis) the proposal that we are moving inexorably towards a position where all economies become service economies (FP5) there is no guarantee that service-dominant logic always leads to more efficient marketing. If customer contact is only ever with a physical product and the organisation's marketers have no way of interacting with the customer does an approach based on service logic fit (Grönroos 2006)? This is further confused if the goods are passing through other hands either in the distribution chain or between consumers themselves.

There are other anomalies especially in relation to earlier research. At the heart of relationship marketing, for example, is the recognition that you cannot describe what relational strategies are without consideration of its nemesis, transactional marketing (Harker and Egan 2006). Not only is its existence recognised but it is seen as appropriate strategy in certain, definable, circumstances. Progress in marketing theory-building comes about not by abolishing the differences but by highlighting them (Stauss 2005) and there is value and insights from acknowledging (in a positive sense) G-D logic. In addition academic marketers are rightly criticised at times for not embracing the multiple, complex details of real-world markets (Gummesson 2007) which invariably includes contradiction as well as logic (otherwise everyone would be doing the same thing). Part of RM's strength is that it recognises that relationship-building is not a universal panacea and that other, often highly successful, strategy models exist. When some authors (notably Parvatiyar and Sheth 2000 and Smith and

Higgins 2000) sought to apply RM across the board embracing FMCG goods as well as services this was rightly criticised for trying to create one-size-fits-all, lawlike generalisations and ignoring the widely held view that RM was more applicable to the latter than the former (Egan 2003). Broadening the understanding of relationships so that they included discreet transactions would have effectively seen the abandonment of differentiated relationship-orientated insights.

Lewin (1945:129) said there is 'nothing as practical as a good theory'. Practicality, however, can only be judged at the micro-marketing level. However well-fitting a theory might seem to be at the macro level the devil is in the detail. Any concept that tries to generalise or is framed in universal terms runs the risk of blurring the detail, narrowing the agenda and curtailing the debate. As Stauss (2005:222) notes 'a general definition of service that includes virtually everything defines virtually nothing'. Vargo and Lusch (2004) suggest that a 'world-view' or dominant logic is never clearly stated but seeps into the individual and collective minds of scientists in a discipline. Dominant ideas are, however, a function of time and place. As the economic centre shifts from service economies to the largely production-based economies of Brazil, Russia, India and China is a service-based theory necessarily relevant for these markets? Even in first-world markets the growing use of technology has reduced considerably personal interaction. Is S-D logic appropriate for these industrialised (or production-line) services?

There is, therefore, a cogent argument for adopting multiple (and sometimes contradictory) paradigms as part of marketing's theoretical armoury. Indeed research by Brodie *et al* (1997) on marketing practices suggested most companies use a portfolio of strategies rather than necessarily that (or those) most in vogue. What Lowe *et al* (2004:1062) calls 'paradigm crossing' involves recognising and working with multiple paradigms, accepting the co-existence of multiple truths and the expectation of truths coming from apparently opposite positions. Progress in marketing comes from the sharpening of differences between viewpoints and not from abolishing those not currently in-vogue (Stauss 2005).

Despite the undoubted insights that the service-dominant approach may bring declaring victory and abandoning the notion of separate fields of research is not a satisfactory option (Lovelock and Gummesson 2004). In most FMCG companies, for example, the sheer number of disparate customers, the physical distances involved and real issues concerning efficiency and (above all) cost considerably inhibit attempts to integrate customers in to the production process (Stauss 2005). Indeed one important lesson from relationship marketing research is that relationship-building is expensive and not suited to all organisations (Egan 2008).

Weaknesses in S-D Logic

As well as losing out on valuable research insights are we also in danger of getting into a scholarly straitjacket over S-D logic? Whatever its undoubted strengths weaknesses are also visible. S-D logic is predicated upon relationships. Relationship marketing research has shown that only customers can decide whether or not they want a relationship and/or whether a current relationship exists (Grönroos 2006). That the customer is sometimes active and sometimes passive challenges the notion (RF6) that the customer is always the co-creator because customers are not always anything in particular (Schembri 2006). In RM research a position of non-relationship

is acceptable (indeed termination is also a viable option). In S-D logic a relationship is seen to exist whether or not it is wanted or required. Lessons from the past suggests that any definition of marketing must allow for both relationships and non-relationships (Grönroos 2006).

Co-creation of value is another foundation principal easy to advocate for services but not so easy for goods without reference to considerable poetic licence. It is easy to observe, for example, the differences in value outcomes between two different people on the same holiday dependent on how they personally co-created their own experiences. When looking at goods, however, the variability of value outcome is considerably reduced because of the known benefits (albeit a result of skills and competences) imbedded in it. Contrary to much marketing rhetoric the consumer of goods has limited control on the outcome of their choice (Shankar *et al* 2006) and, therefore, have limited power to create value other than what is offered to them. Simply broadening the understanding of co-creation (or co-production) to include everything leads to a loss of these goods-specific and service-specific insights (Stauss 2005).

Other insights that may be lost are in the industrial or business-to-business (B2B) markets an area that has had so much influence on service research in general and relationship marketing in particular. Under S-D logic it appears to play a secondary role as a series of value propositions operating to and from supplier/customers seeking an equitable exchange (Ballantyne and Varey 2006). Reducing B2B to the provision of operand resources loses much of the insight and colour that prior research had uncovered. Trying to incorporate every aspect of the consumption process inside one paradigm may be a journey too far.

There is also something inherently dangerous in the proposition that the organisation provides nothing other than value propositions (FP7). The implication of this is that any blame for an unsatisfactory outcome is (wholly or partly) the responsibility of the consumer. In abdicating the value creation process in favour of the customer and only accepting responsibility for suggesting what they might achieve as a result of the experience goes a long way to absolving marketers and businesses from any guilt, responsibility or negative consequence of their actions (Shankar *et al* 2006). The concept of co-creating value has another theoretical flaw. If we take customer satisfaction as an indication of value creation (Anderson *et al* 2008) does dissatisfaction mean the destruction of value and what are the consequences of this for S-D logic?

Another perceived weakness of S-D logic is that under its influence the 'time logic of marketing becomes open-ended' (Ballantyne and Varey 2006:336). S-D logic sees marketing as having a role at all stages of the consumption process including planning, selection, purchase consumption and disposal (Flint 2006). Although this allows for environmental claims to be made how many goods marketers, in reality, are involved (or care) about those stages after purchase (beyond trying to sell over-priced warranty agreements)? Even where local legislation insists on recycling (and/or a price levy to pay for it) this rarely envisages it as the responsibility of the original supplier. There are a number of products in use where the original company no longer exists (e.g. Rover Cars). Who then assumes this responsibility under S-D logic? With other products they may pass through several hands over a considerable number of years. Does a company still have an interest in its eventual demise?

Conclusion

It is undoubtedly true that since evolving their dominant logic for marketing Vargo and Lusch have provided a vehicle for developing new ideas and a platform from which to critique much existing practice. However, any definition which is phrased in universal terms risks narrowing rather than widening the overall debate. Acceptance of the idea of multiple, rather than dominant, paradigms offers, potentially, a more fruitful way forward. Rather than vilify G-D logic its recognition as an existing perspective in marketing acts as a marker and any value that emerges from the contrast may be valuable. There is also no worth in losing sight of prior research nor demoting B2B, industrialised or product line services and service/goods characteristics to the sidelines. Moreover, weaknesses at the practical level need confronting and debating. No theory/concept is without flaws so we should embrace rather than hide them. Vargo and Lusch have undoubtedly drawn our attention to the urgency of rethinking marketing but this should not be at the expense of past or future insights.

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