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Service-Dominant Logic 2.0: A Balanced Perspective

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ABSTRACT

Although the S-D logic of marketing has been a useful perspective for framing current service science discourse, its current evolution, adoption, and application has ostensibly resulted in a marketing-dominant logic of service management. With few exceptions, the vast majority of the published debate about S-D logic is from the field of marketing. We seek to generalize S-D logic in a balanced way that accommodates other perspectives, particularly the Service Operations Management (SOM) perspective. We challenge the conceptual appropriateness of the definition of service articulated in the S-D logic of marketing and also critically examine its underlying assumptions, rhetoric and foundational premises (FPs). The ultimate purpose is to provide an adaption of S-D logic that is more consistent with the realities of Service Operations, thus facilitating the participation of Service Operations researchers in the S-D logic debate and evolution.

Keywords: Service-dominant logic, operations and marketing interface, service science, service strategy and systems; service value

INTRODUCTION

The Service-Dominant Logic (S-D logic) of marketing (Vargo and Lusch 2004) has had a tremendous impact both in and out of the field of Service Marketing. We have even seen hints of some convergence of S-D logic and the growing field of Service Science (Spohrer and Maglio 2008). This convergence was most explicitly and recently highlighted by Maglio and Spohrer (2008: 18), who note:

> "To make progress [in advancing the ability to design, improve, and scale service systems], we think service dominant logic provides just the right perspective, vocabulary, and assumptions on which to build a theory of service systems, their configurations, and their modes of interaction. Simply put, service-dominant logic may be the philosophical foundation of service science, and the service system may be its basic theoretical construct."

From our provider-oriented perspective, there are two troubling consequences of this convergence. First, the S-D logic of marketing has inexplicably evolved, through advocacy and application, into a *marketing-dominant* logic of service management. Second, and as a result of this advocacy and application, there appears to be an emerging trivialization—despite notable contributions as highlighted by Roth and Menor (2003), Metters and Marucheck (2007) and others—of the SOM perspective in the ongoing advancement of managerial understanding and scholarly theory on service management. This research critically examines the definition of service, assumptions, rhetoric and foundational premises (FPs) underlying the S-D logic of marketing (henceforth, S-D logic 1.0) and posits a more harmonized (i.e., balanced) view of service management (S-D logic 2.0) that also meaningfully and accurately incorporates more the SOM perspective into the current discourse and debate as notably suggested by Roth and van der Velde (1991), Karmarkar (1996), and Lovelock (2000). To illustrate the merits of this competing S-D logic, we articulate a revised set of FPs intended to advance a "theory of service strategy" view that (1) generates greater insights on how value vis-à-vis service offerings, systems, and encounters is

more aptly defined, designed, delivered and diagnosed and (2) motivates more interdisciplinary effort to further descriptive and normative insights into how best to align the service firm's "voice of the customer" with its "voice of the provider." These FPs, which are intended to form the basis for further interdisciplinary dialogue on a legitimate logic for service, also provide us the opportunity to gather within a single organizing framework the seemingly dispersed scholarly efforts to examine both traditional and novel SOM topics (see Roth and Menor 2003, Chase and Apte 2007).

One important question must be addressed before proceeding: Given the already abundant amount of discussion surrounding S-D logic 1.0, is there really a need for more elaboration on this generally accepted view of service? As aspiring and committed service scientists, we believe this need most certainly exists given S-D logic 1.0's conceptual and practical shortcomings. Vargo and Lusch (2008a: 1) note:

> "We have always claimed that we do not 'own' S-D logic but rather that it is more of an open-source evolution that we tried to identify, punctuate, and advance in our initial article and then elaborate and refine through subsequent work, while encouraging other scholars to do the same."

Hence, our S-D logic 2.0 should be viewed as a welcomed advancement and evolution of the originating authors' underlying intent. Vargo and Lusch have highlighted the criticality of using precise lexicon to improve the clarity of their original messages and intentions. Focusing mostly—and critically—on the validity of their observations and related managerial implications, our advances to their definition of service, rhetoric and FPs continue to further clarify lexicon issues and also offer a more balanced perspective that incorporates the "voice of the provider" in order to inform a service-oriented "theory of strategy" (i.e., why some firms persistently outperform others) as opposed to solely the "theory of the firm" (i.e., why firms exist) orientation that prevails in S-D logic 1.0 (see Vargo and Lusch 2006).

SERVICE-BASED LOGICS AND PARADIGMS

A logic represents "the underlying assumptions, deeply held, often unexamined, which form a framework within which reasoning takes place" (Horn 1983: 1), and is a critical component in the theorizing effort to ultimately generate an apt (i.e., descriptively accurate and prescriptively informative (1) framing of current understanding of a phenomenon and interpretation of observations, (2) highlighting of questions requiring examination and (3) suggestion for how such inquiries should be designed) paradigm of service management. Service scholars spanning multiple fields have periodically engaged in discussions about the need for such an underlying logic and defining paradigm to frame past, current, and future research. Although S-D logic 1.0 (Vargo and Lusch 2004, 2006, 2008a) has emerged as the latest and most prominent of overarching, or foundational, views on service, there have been other attempts to generate a meaningful logic or paradigm to advance scholarly and managerial insights. All of these efforts were generally focused around clarifying and crafting compelling insight into one or more of the four critical tasks in managing service quality and value: definition, design, delivery, and diagnosis (Cho and Menor 2009).

Kingman-Brundage et al. (1995) highlighted the need for articulating a "service logic" that delineated the organizing principles for service systems. They note that a service logic

> "describes how and why a unified service system works. It is a set of organizing principles which govern the service experiences of customers and employees. Only after the logic of a service system has been made explicit does the system become amenable to management control, mainly through the activities of service system design." (Kingman-Brundage et al. 1995: 21)

Their resulting service logic model functioned as an analytic tool that incorporated customer, employee, and technological logics in order to highlight strengths and weaknesses associated with the service firm's marketing, human resources, and operating decisions and activities vis-à-vis the creation and delivery of services.

Roth and Menor (2003) offered something akin to a SOM logic (i.e., description of

how a service system functions) in the form of their service strategy triad and architecture for service delivery systems. Building upon the service strategy concepts and frameworks offered by Sasser et al. (1978) and Heskett et al. (1990), the service strategy triad highlighted the criticality of managing apt quality at the service encounter level and, more specifically, of the need for providers to productively align target market requirements with service concept and service delivery choices. While that service management prescription seems conceptually straightforward, achieving that alignment—practically speaking—is complicated by the few million details that have to be managed. Roth and Menor's service architecture (see Figure 1) identified critical choices that have to be carefully managed in terms of the design and delivery of the realized service system and the resulting customer perceived value of the service encounter. Ultimately, a desirable service system (from the SOM perspective) should possess the same characteristics one associates with a healthy human body. It should function reliably and be responsive, robust, and resilient.

>>> Insert Figure 1 about here <<<

More recently, and consistent with the service systems arguments of Roth and Menor (2003), several noteworthy services marketing-based attempts to highlight the importance of linking customer and provider considerations in service. Moeller (2008) argued the criticality of managing customer integration—defined as the combination of customer and company resources to transform customer resources—across three distinct stages of service provision: facilities, transformation and usage. Each of these stages differ according to resource origins, decision-making autonomy and value—potential, value-in-transformation, and value-in-use. Managing design and delivery elements that impact how customers experience provision activities impacts in turn how firms can differentiate their service offerings, attract and retain customers, and generate profits (Sandström et al. 2008). Grönroos (2008) questioned the appropriateness of a service orientation that does not explicitly consider both consumption

and provision logics. Customer and firm/supplier roles in value creation differ depending upon whether a facilitation or fulfillment approach to service is pursued. He argued that a service logic that combined both roles allowed managers to become involved with customers' value-generating processes and offered ten overarching propositions to concretize the value creation and marketing consequences of a truly service-centric orientation. The specific service system requirements and implications of those value creation, market offering and marketing propositions were left unexamined.

While the previous service-based logics focused on service design and delivery issues, parallel scholarly activity focused on service definition and diagnosis issues has paradigmatic implications. Lovelock and Gummeson (2004) critically examined the validity and utility of one of the core paradigms of service management—that the characteristics of intangibility, heterogeneity, inseparability, and perishability (IHIP) define the core differences between services and goods. Services were traditionally defined as acts, deeds, performances or efforts, while goods were viewed in terms of articles, devices, materials, objects, or things (Rathmell 1966, Berry 1980). Lovelock and Gummeson found that the IHIP framework, which was for a long time a unifying view in services marketing and service operations management, was not generalizable across all service types. Specifically, considering that services generally encompass four types (i.e., physical acts to customers' bodies, physical acts to owned objects, nonphysical acts to customers' minds, and the processing of information) each of the IHIP characteristics were found to be misleading and/or applicable in only some instances, because exceptions existed in terms of their applicability to the differing service types. Lovelock and Gummeson then advanced an alternative paradigm for thinking about differences between services and goods based upon the concept of nonownership. Specifically, services allow for customers to obtain benefits through gaining the right—based upon rental or access, not ownership—to use a physical object, hire the

labor and expertise of personnel, or obtain the right to utilize facilities and networks. The validity of this nonownership paradigm still requires more rigorous empirical scrutiny and testing.

Sampson and Froehle (2006) offered, as a competing service definition paradigm, their Unified Services Theory (UST). At the core of UST is the view that "with service processes, the customer provides significant inputs into the production process" (Sampson and Froehle 2006: 331). In contrast to Lovelock and Gummeson's (2004) offering-based orientation to defining services, UST adopts a process-based focus on examining service. Per UST, the presence of customer input is a necessary and sufficient condition to distinguish a service provider from a goods provider. The managerial implications of UST include the recognition that customers act as suppliers for all service processes and, as a result, that they are often the root cause for "unique issues and challenges of services management" (Sampson and Froehle 2006: 334). This definitional focus on service input has distinct operational design and delivery implications for the management of capacity, demand, quality and service strategy.

This brief overview highlights previous scholarly efforts undertaken to generate legitimate insights on service. However, the need remains for further scholarly and managerial consensus on the apt management of service system design and delivery issues and challenges in addition to the prevailing effort to improve understanding of service definition and diagnosis approaches (Johnston 2005). What is clear is that scholarly efforts to articulate a meaningful foundation for service management understanding and theory are ongoing and, to date, there is no clear agreement on the substantive underpinnings of principles to improve the management and innovation of service systems (cf. Spohrer and Maglio 2008, IfM and IBM 2008, Buzacott 2000, Siferd et al. 1992). Pioneering scholars in services marketing have highlighted the need for future research in order to develop a valid

paradigm that addresses the many issues related to the nature and scope of services, while incorporating the salient issues associated with services and value creation (Grove et al. 2003). Similarly, SOM researchers in service operations who are attempting to identify the next "big idea" cannot ignore the current need for more scholarly thought and effort in articulating and examining a comprehensive framework for improved service design and management (Chase and Apte 2007).

Despite their individual merits, all of these highlighted attempts toward building a service logic and paradigm currently lack scholarly and practice legitimacy where legitimacy exists when "there is little question in the minds of actors that it [e.g., the rhetoric, logic or paradigm] serves as a natural way to effect some kind of collective action" (Hannan and Carroll, 1992: 34, see also Suddaby and Greenwood [2005] for related discussion on the interplay of rhetoric and logic in the development of legitimate and dominant organizational forms). S-D Logic 1.0 is the current dominant logic, one that appears to be gaining (cognitive) legitimacy in the service marketing and science communities. It is now almost taken for granted as the de facto basis for dialogue about and examination of—but not, as of yet, interdisciplinary debate on—scholarly investigations of services, despite its problematic elements. Does S-D logic 1.0 deserve such status and legitimacy, given its questionable rhetoric and applicability to academe and practice (e.g., not meaningfully informing the provider-view of service, using an indistinct definition of service, etc.)? Our effort here is to promote or raise awareness, inform/educate, obtain buy-in, and generate action by interested stakeholders. S-D Logic 2.0 is intended to provide some comprehensibility (i.e., generate and acquire some early-stage legitimacy through connecting innovative attributes of new views with prevailing logics) that is critical to the reshaping of the current dominance of S-D Logic 1.0 in order to provide a more harmonious (i.e., balanced) perspective on service management.

FROM S-D LOGIC 1.0 TO A BALANCED S-D LOGIC 2.0

Vargo and Lusch (2004), in their seminal *Journal of Marketing* article, have provided one of the most influential recent efforts to date at coalescing service management thinking. The S-D logic that they espoused within their marketing community attempted to break free of traditional goods-based logic and lexicon in order to highlight the distinctive nature of service vis-à-vis value creation. Specifically, S-D logic 1.0 was positioned as a redefinition of the fundamental nature of economic exchange, allowing for the integration of goods with services in order to provide "a richer foundation for the development of marketing thought and practice" (Vargo and Lusch 2004: 2). Vargo and Lusch (2006), in an effort to further delineate the specific contribution of S-D logic 1.0, note that it might be the basis for (1) a paradigmatic shift called for by the marketing community, (2) a new approach to defining a theory of the firm (e.g., see the ninth foundational premise in Table 2), and (3) a more robust science of economics and a building block for understanding the creation and development of societal value.

Our interest in furthering the scrutiny and evolution of S-D logic 1.0 is less comprehensive and lofty in terms of scholarly contribution and more practical in terms of managerial significance and scope. Specifically, and in keeping with the views of Spohrer and Maglio (2008), we believe that any agreed upon S-D logic should serve primarily as a basis for advancing both scholarly and managerial understanding by aligning disparate strategic, organizational, marketing, and operational (and other relevant interdisciplinary fields') knowledge and insights in order to improve and inform the apt management and innovation of service systems. Full appreciation of the need for a more harmonized (i.e., balanced) logic of service management requires careful scrutiny and consideration of Vargo and Lusch's (2004, 2006, 2008a) original/revised S-D logic foundational premises (FPs) and—less frequently discussed—derivative propositions on how service firms can compete

(Lusch et al. 2007) (see Table 1), as well as observations, which we offer in this and the next sections of the paper.

>>> Insert Table 1 about here <<<

The original FPs (i.e., version 1.0) were viewed by its authors as providing the basis for contextualizing what was both unique and generalizable in terms of the nature of value in service-based (i.e., all) economic exchanges. Those eight FPs focused largely on clarifying the nature of service vis-à-vis value creation and, in so doing, grappled with lexicological issues that have arguably constrained marketing thinking beyond the goods-dominant view. Subsequently, the authors added a ninth and tenth FP in order to specifically highlight that the S-D logic 1.0 could be a framework for a theory of the firm (Vargo and Lusch 2006) that also incorporates an experiential element into their conceptualization of service value (Vargo and Lusch 2008ab).

Before discussing S-D logic 2.0 FPs, we need to clarify our underlying definition of service noted above. Vargo and Lusch's S-D logic definition is posited to be universally applicable to a broad set of economic applications (i.e., extraction, manufacturing, etc.) and offerings since, as argued by Levitt (1972), all firms are engaged to differing degrees in service provision. However, the indiscriminant nature of the S-D logic 1.0 service definition is problematic because it provides little guidance about appropriate management in each distinct economic offering context. Therefore, any extension, advancement and evolution of S-D logic will require a more precisely applicable and discerning definition of service.

As mentioned earlier, Vargo and Lusch (2006, 2008b) define service as "the application of specialized competences (knowledge and skills) through deeds, processes, and performances for the benefit of another entity or the entity itself." From what we can tell, Vargo and Lusch do not differentiate among a deed ("act or action"), a process ("series of actions"), and a performance ("the execution of an action"). It is clear, however, that they are

primarily focused in their logic upon actions and a "process focus." Service, as they suggest, is a process based on "specialized competencies" underlying the execution of activities, which may be saying nothing more than service management requires knowledge and skills pertaining to the specific provisional process—an observation SOM scholars have held as a longstanding truism. However, service involves not just *any* process, but one that provides "benefit." The recipient of the benefit is unconstrained in S-D Logic 1.0, since it can be another entity or the entity itself. The fact that the process provides benefit implies that it is a "productive" process (see http://www.merriam-webster.com/dictionary/productive). Hence, the Vargo and Lusch service definition boils down to the realization that service is a "productive process," or, if we dare to speak the unspeakable in the worldview of S-D logic 1.0, simply a "production process." Therefore, it appears that Vargo and Lusch have discovered that somehow production processes are central to service. Their recent update (2008a) emphasizes their "critical shift from the use of the (plural) term '*services*' (reflecting a special type of *output*—intangible product) to the (singular) term '*service*' (reflecting the *process* of using one's resources for the benefit of another entity)" (p. 2; italics in the original).

Traditionally, management of a process, especially a production process, has been the central focus within the discipline of production and operations management (POM). That Vargo and Lusch (1) imply that "service" is a production process, and (2) emphasize that "all economies are service economies" would seem to suggest that everything is a production process (which the POM community has believed for many years). One might suppose that Vargo and Lusch would therefore hold production in high esteem, but the opposite is true. They are consistent in perpetuating traditional biases and stereotypes between marketing and operations.

For those unfamiliar with the traditional marketing biases against operations, the

following is a brief summary: “Operations, as a cost center, is concerned with efficient production, even if it means pushing products on customers that they do not want.” The stereotype of marketing held by operations, in turn, suggests that “marketing, as a revenue center, is only concerned with satisfying customers, even if it means destroying operating efficiencies!” Of course, neither stereotype is appropriate since profitability is based on drivers of both revenues and costs.

A further marketing stereotype about operations is that the latter’s interest is only in units of output. Vargo and Lusch (2008a: 7) uphold that stereotype: “Clearly, S-D logic is primarily about value creation, rather than ‘production,’ making units of output.” They are asserting that production is about “making units of output” and not “about value creation.” True, there are biases against mass production that focuses on commodity goods. Yet there is no S-D logical reason why “production” might not conversely focus on “the creation of utility” by satisfying customer (beneficiary) needs.

Perhaps the most suspect stereotype of operations is the oft-stated view that manufacturing is about products (“goods”) and not about processes. How in the world do manufactured goods come into being, if not through “the application of specialized competences (knowledge and skills) through deeds, processes, and performances . . .”? A major theme in operations management is the relationship between product characteristics and process requirements, as exemplified by Hayes and Wheelwright’s (1984) seminal “product-process matrix.” As Vargo and Lusch (2008b: 29) point out, to juxtapose “goods versus services” is misleading, since they coexist in various ways (cf. Roth and Menor’s 2003, Spring and Araujo 2009). Some services involve physical goods (auto repair) and other services involve intangible goods (computer software). Every service involves at least one operand resource—the paying, consuming beneficiary!

The more pertinent juxtaposition we believe is between a service and something we

may call a "non-service." Vargo and Lusch seem to claim that such a thing as a "non-service" does not exist—that everything is a service and should be appropriately managed as a service per their advocated definition. Yet, while it seems clear that work at both a sock factory in Datang, China, and an accounting firm in San Francisco involves "the application of specialized competences (knowledge and skills) through deeds, processes, and performances for the benefit of another entity or the entity itself", are those firms' operational processes founded upon similar management design and delivery principles? Araujo and Spring (2006) highlight that efforts to determine foundational differences between products and services are misplaced because the nature of the provider/customer interaction and structure of the operating system (e.g., processes, plant, people, parts, planning and control mechanisms, partners), rather than any essential feature, distinguish these economic offerings.

We suppose that the production, distribution, and value-extraction of socks are fundamentally different from that of accounting (e.g., auditing, consulting, financial advising). We would call the latter a service process, and the former a non-service process. The defining, distinctive element is not the underlying process, since both sock production and accounting production are delivered via processes. Nor is it the application of specialized competencies, since an accountant cannot make socks and a sock manufacturer cannot do accounting. Nor is it that the focus is on a beneficiary, since the success of the sock process is as contingent on the benefit to the wearer (in interaction with the socks) as the success of the accounting process is contingent on benefit to the paying client.

Our SOM perspective identifies that a fundamental difference between sock production and accounting report/opinion production, or between any non-service and service entity for that matter, is the latter's processing requirement of customer components (cf. Hill 1977, Gadrey 2000). A *customer component* is an element of production that comes from the customer. (In other writing we call customer components by their operations term *customer*

inputs, but the term *input* has other undesirable connotations that might be confusing or misconstrued outside of the operations application or lexicon, as highlighted by Vargo and Lusch [2004, 2008].) A component is a *resource* (operant or operand) used in production. The "customer" is any individual or entity that determines if the "provider" shall be compensated for production.

We realize that Vargo and Lusch are biased against the existence of distinct roles in service, instead referring to everyone as "actors" involved in the value-in-use effort. But we maintain that in operational systems—whether production-based or service-based—there are those (customers) who directly benefit from the production/service process and those (producers/providers) who receive non-specialized compensation (e.g., money) that can be used to get benefit from *other* production processes. (Money is non-specialized since a dollar from a sock customer is identical to a dollar from an accounting client, even though accounting does not keep feet warm and socks do not satisfy the tax authorities.) Hence, value can be realized both for and from customers. We also recognize that there are some who benefit directly and get compensation at the same time—consumer-producers, so to speak (or, as described by some, prosumers). Lastly, we emphasize that firms are service providers if customers pay them primarily for the execution of activities pertaining to their specific components.

Therefore, our first extension of S-D logic 1.0, and the definitional basis for our S-D logic 2.0 thinking, is to assert that *service* is "the application of specialized competencies by processing customer components in a productive (i.e., beneficial) manner." Conversely, *non-service* is "the application of specialized competencies through processes that are not reliant on customer components, but rather operate for the benefit of future customers." Some may suppose that this is one of many interesting discriminations, but we suggest that it is much more than interesting—it is meaningfully defining. The appropriate management principles

pertaining to operating systems reliant on customer components are dramatically different from the principles that govern successful management of non-service operating systems (cf. Araujo and Spring 2006). Indeed, process design and execution principles differ between distinct forms of services (e.g., the mass, customized, co-produced meals found at some restaurants such as Fogo de Chão, or batched, co-created experiences offered by performance organizations such as the Chicago Symphony Orchestra). These enumerations are beyond the scope of this paper, and the reader is referred to Sampson (2001), Roth and Menor (2003), Sampson and Froehle (2006), and Chase's (1978) pioneering work for additional operational insights.

TWO PATHS?

The S-D logic 2.0 service definition does have an admittedly operational bias, but it also answers the important Lovelock and Gummesson (2004) query: if not goods versus services, what is the subject matter of service marketing? Vargo and Lusch (2008b: 31) and Moeller (2008), in an insightful and contemporary paper that expounds upon that distinction, briefly answer that question: "…there does seem to be two somewhat alternative, though complementary, paths to value co-creation: direct and indirect (i.e., through a good) service provision." That, from our operational perspective, is an understatement. We agree with Vargo and Lusch's answer, but add with greater emphasis: There are two distinct value-offering paths, each with distinct management principles: (1) service processes that directly act on customer components and (2) non-service processes that create "appliances" (the term used by Vargo and Lusch [2004]) that indirectly allow production processes to meet customer needs. With the former, one markets the producer–customer process underlying co-created benefits while, with the latter, one markets the product–customer set of benefits.

This is a clarification of Vargo and Lusch's (2008b: 31) statement that "what is different is the manner in which the firm and the consumer interact—essentially, which party

is in control of which resources." Interaction is the key design and delivery principle. Control, too, is important but not defining. All service processes involve interaction with customers along a sometimes lengthy and complex consumption journey due to the requirement and incorporation of customer components in the value realization effort. With some service processes, such as retail, customers control their components. With other service processes, such as dry cleaning, providers control customer components. Many services, however, involve a mix of customer- and provider-controlled services, which complicates the process of service delivery and value co-creation. In our view, S-D logic 1.0 lacks substantive insights to meaningfully aid managers facing this service delivery and "value in use" complication. S-D logic 2.0, described in the following section, is meant to enhance the "theory of the firm" emphasis underlying S-D logic 1.0 (see Vargo and Lusch 2006) through the advancement of a "theory of strategy" perspective to service science.

FOUNDATIONAL PREMISES OF S-D LOGIC 2.0

In this section, we specifically identify possible manifestations of marketing biases and representative shortcomings of the S-D logic 1.0 FPs, and then propose, as a basis for generating further scholarly and managerial discourse (i.e., offer a "how to arm" contribution), enhanced S-D logic 2.0 alternatives that form the "theory of strategy" basis for our harmonized, and arguably more legitimate, logic. In addition to parsimoniously reviewing our ten revised FPs, we highlight how traditional (and novel) topics examined by SOM scholars—which individually constitute specific structural, infrastructural and integration system architecture design choices (see Figure 1)—align with these assertions. These S-D logic 2.0 FPs are built upon our SOM belief that the job of the manager is not to satisfy customers per se. Rather, a manager's primary mandate is to design and deliver apt, quality encounters and outcomes that hold the potential to satisfy customers. What is considered apt

depends on the value-based needs and considerations of both customers and providers. In contrast to Vargo and Lusch's (2004) marketing-based customer value *recognition* focus (i.e., definition and diagnosis), S-D logic 2.0's operational orientation is predicated upon the belief that providers must manage all facets of value *realization* (i.e., definition, design, delivery and diagnosis). From the provider's perspective, value realization considerations encompass facets of value recognition as well (cf. Grönroos 2008, Moeller 2008).

Value, generally defined as worth or utility to an entity, can be viewed from both the customer and the provider perspective. Value for the former is usually reflected in customer perceptions of low price, everything wanted in a service, quality received for the price paid, and what is gotten for what is given. However operationalized, customer value is a widely agreed-upon source for competitive advantage (Woodruff 1997). Value for the provider, in contrast, can be thought of in terms of returns to the firm in exchange for its offering (e.g., revenue, loyalty generating future cash flow, etc.). However measured, such "value determined by exchange remains an important component in the co-creation of value" (Vargo et al. 2008: 150). The realization of value, whether for or from customers, requires consideration of, and design for, potential value (i.e., value propositions reflecting the unique worth offered underlying why customers will do business with the firm), an important provider consideration and responsibility irrespective of the nature of the specific economic offering. Smith and Colgate's (2007) customer value creation framework related five specific sources of value (i.e., information, products, interactions, environment, ownership/possession transfer) with four distinct types of value (e.g., functional/instrumental, experiential/hedonic, symbolic/excessive, cost/sacrifice). The apt management of all five sources of value has distinct operational ramifications in terms of service system definition, design and execution. We illustrate some of these ramifications in the following discussion.

Exchange or Interaction?

FP1 (S-D logic 1.0): "Service is the fundamental basis of exchange."

Service allows providers to realize value for and from customers. S-D logic 2.0, in contrast to S-D logic 1.0, explicitly recognizes and accounts for the fact that value is realized for customers (customer value) and from customers (firm value) and that the exchange of value occurs in every interaction the provider has with a customer, even those in which no remuneration is exchanged. Hence, it is the interaction that is of key value concern for all service actors (Smith and Colgate 2007, Czepiel et al. 1985) and must be explicitly designed and delivered. The exchange construct is still critical in that it directly relates to value, which was missing in the rhetoric of the original FP1. Further, if the mandate of the service provider is to design and deliver apt, quality encounters and outcomes, then the provider must be cognizant of how all relevant choices are functioning at each "moment of truth" (see Figure 1) along the consumption journey (e.g., the pre-stay/stay/post-stay stages during the hotel experience). These observations are reflected in the following foundational premise:

> Harmonized FP1 (S-D logic 2.0): "Service is fundamentally an exchange of value through interactions along the consumption journey."

As such, SOM understanding of the content and approaches to effective service encounter design and execution is especially salient to appreciating the relevance of the harmonized FP1. Research inquiry on the use of service blueprinting (Bitner et al. 2008) and scripts (Tansik and Smith 2000), flow issues (Schmenner 2004), facilities location and layout decisions, among other relevant SOM topics, fall naturally within the boundaries of this FP.

Indirect or Direct?

FP2 (S-D logic 1.0): "Indirect exchange masks the fundamental basis of exchange."

This S-D logic 1.0 FP seems to be subtly biased against indirect exchange (i.e., exchanging benefits resulting from specific competencies for generic benefits [e.g., money]). This inferred bias may be interpreted to demean the importance of generic compensation that

is not based on specific competencies. The fact is, developed societies have benefited tremendously from the fluidity of indirect exchange. Imagine that a bricklayer has a sick child but cannot find a physician that needs brickwork; instead, the bricklayer lays brick for the plumber or the banker or the sock manufacturer in order to earn money he can then use to pay the pediatrician. It does not matter what the specialized competencies of the customers (beneficiaries) are; a plumber's money is as good as a banker's money or a sock producer's money. And the pediatrician does not care where the bricklayer has laid bricks to get the money to pay for the doctor's service. The point is, indirect exchange is important and central to developed economies irrespective of the nature of the interaction. Moeller (2008), for instance, emphasized that indirect exchange, such as that found in make-to-stock manufacturing, provides a great benefit to consumers even without the need for producers to have direct interaction with customers.

The importance of direct and indirect value exchange implies that managing partnerships is a critical service system consideration. Value realization through partnering can be direct or indirect in nature and requires the management of a network of service actors. Hence, the configuration of service participants, their specific functions, and the management of relevant throughput/quality flows are important provider considerations in any direct interaction to exchange value. These observations are reflected in the following premise:

> Harmonized FP2 (S-D logic 2.0): "Indirect value exchange may be important in that it allows the direct interaction of service among actors with a diverse set of competencies."

The emerging literature on service supply chains (Ellram et al. 2007, Sampson 2000, Youngdahl and Loomba 2000), buyer-supplier interaction (van der Valk et al. 2009), and related topics such as outsourcing (Allen and Chandrashekar 2000) and disintermediation (e.g., in healthcare, see Sinha and Kohnke 2009) exemplify the potential SOM contribution to the examination of the harmonized FP2.

The Role of Goods

FP3 (S-D logic 1.0): "Goods are a distribution mechanism for service provision."

The nature of goods and services continues to be a source of ongoing scholarly debate (Spring and Araujo 2009, Araujo and Spring 2006). As described earlier, research examining that distinction suggested a potential misspecification, since customers typically purchase a bundle of attributes during service consumption. Roth and Menor's (2003) service concept construct, for example, encompassed tangible and intangible elements such as the supporting facility, facilitating goods and information, and explicit and implicit services. Hence, goods (i.e., tangible offerings) may constitute a value-added consideration during service consumption, suggesting that the complementarities of the bundle of attributes underlying the service offering must be suitably defined and designed (cf. Corrêa et al. 2007). These observations are captured in the following foundational premise:

> Harmonized FP3 (S-D logic 2.0): "The consumption (use) of goods is often required for service provision; the production of goods may or may not be required for service provision."

The specific configuration/combination of the service bundle has been a concern of SOM scholars for several decades. Related investigations into service quality deployment (Behara and Chase 1993), service profiling (Johansson and Olhager 2004), and customer choices (Verma et al. 2001), for example, demonstrate how SOM-based considerations of the role of goods in realizing functional, experiential and cost forms of value for customers require broader perspectives than considering the distributional purpose of goods noted in S-D logic 1.0 alone.

Strategic Service Advantage

FP4 (S-D logic 1.0): "Operant resources are the fundamental source of competitive advantage."

Resources, irrespective of their form, are important sources of potential value, but on

their own—and in contrast to S-D logic 1.0—are insufficient for value realization to occur (Barney and Arikan 2001). From the operational perspective, competitive advantage is firmly rooted in how capably providers leverage those resources. This requires explicit management and leveraging of competitive capabilities, which are the realized, as opposed to intended, competitive strengths of the organization. Generally, such capabilities encompass processing-, systems coordination- or organizational level-based (i.e., learning and innovation, see Hayes et al. 2005) elements. From the service provider's perspective, knowing the type of resource to be managed (operand) or to manage with (operant) is not sufficient. An understanding of how the management of those service resources will yield valuable (i.e., beneficial) outcomes for all service participants is also necessary. Hence, we offer the following premise in recognition of these observations:

> Harmonized FP4 (S-D logic 2.0): "Operant resources are often fundamental sources of competitive advantage in service, as are established networks and capital assets (operand resources."

Examination of the role of resources and capabilities for improved performance falls under the heading of service operations strategy (see Roth 1996, Roth and Jackson 1995, Chase and Hayes 1991), a topic first discussed in the literature by Abernathy et al. (1971). Research in this area continues to this day, and opportunities to examine the operational performance implications of some of the focal operant resources emphasized in S-D logic 1.0, such as knowledge, would be highly useful in advancing service science understanding (e.g., applying Menor's et al. [2007] operational intellectual capital construct to the study of service capabilities and outcomes).

Pervasiveness of Service

FP5 (S-D logic 1.0): "All economies are service economies."

As in the definition of service in S-D logic 1.0, FP5 is indiscriminate. Part of the confusion comes from the fallacy of aggregation. As we have discussed previously, "service"

pertains to processes, specifically those that process customer components. Economies are not processes, but are composed of processes. More precisely, economies are composed of industries that are composed of companies that are composed of processes. Service processes, as well as non-service processes, exist throughout. As such, from a theory of the firm standpoint, we offer the following foundational premise to more accurately describe this realization:

> Harmonized FP5 (S-D logic 2.0): "All economies (and industries and companies) are composed of service provision, as well as non-service provision."

This premise emphasizes to the inaccuracy of suggesting that economies—or industries or companies—be described as "service," since each contains some service processes as well as some non-service processes (Levitt 1972). Granted, we might say that a single economy/industry/company is predominantly composed of service processes, but to say that it "is" a service is a secundum quid (i.e., overgeneralization).

What are of greater salience, in our view, are the specific process management implications for different economic forms (e.g., commodities, goods producers, service providers, etc.). Toward that end, we draw upon Pine and Gilmore (1999) in order to make the following distinctions regarding service and non-service firms:

- You are a commodities provider if people pay you primarily for "stuff."
- You are a goods provider if people pay you primarily for "distinguishably tangible output."
- You are a service provider if people pay you primarily for the "execution of activities."
- You are an experience provider if people pay you primarily for the "time they spend with you."

These distinctions, which are articulated from the "voice of the customer," highlight the fact that not every customer transacts *primarily* for service. What is common to each, however, is the process. The exact form and function of that process will likely differ depending upon the nature of the offering. For example, a key distinguishing factor of service (as opposed to non-service provision) is the criticality of managing the "execution of activities" vis-à-vis the

customers' needs and fulfilled expectations. Future SOM investigation on the issues of product/service distinction, servitization, and service modularity and mass customization would help to clarify the process design and execution implications underlying the process implications of this service and non-service distinction.

Customer Functions

FP6 (S-D logic 1.0): "The customer is always a co-creator of value."

The majority of scholarly services-marketing efforts to advance or clarify the meaningfulness of S-D logic 1.0 have focused on the value-in-use construct (e.g., Sandström et al. 2008, Vargo et al. 2008). As noted earlier, Moeller (2008) and Grönroos (2008) have begun efforts to adopt a more harmonized perspective in their conceptual discussions by describing the varied roles, whether as co-producers or co-creators, customers may play in the value realization process. Since service requires the processing of customer components, it is axiomatic that customers extract value through consumption just as value is only realized for/from customers if it is delivered. However, a key "voice of the provider" insight is that customers can play a more or less involved role during service provision. Understanding the nature of customer contact (Kellogg and Chase 1995, Chase and Tansik 1983, Chase 1981), customer efficiency (Xue et al. 2007) and the role of the customer during service provision (e.g., as a prosumer or through technology-mediated channels [see Froehle 2006]) are critical service system considerations that will continue to be important to SOM scholars. In recognition of this, we offer the following function-based foundational premise:

> Harmonized FP6 (S-D logic 2.0): "The customer always extracts value through service consumption."

Value Potential and Realization

FP7 (S-D logic 1.0): "The enterprise cannot deliver value, but only offer value propositions."

As highlighted by Sandström et al. (2008), the S-D 1.0 logic underlying this FP seems

to be biased against the use of the term *creation* (or design) or *deliver* when referring to value propositions coming from production, implying that value extraction (or realization) is the sole relevant factor worth considering. It implies that "value propositions" are not really beneficial, thus furthering the marketing bias that satisfying customers is the overriding goal, without regard for the associated costs of and requirements for providing the offerings. However, S-D logic 1.0 fails to explicitly acknowledge how critical value propositions are for service firms; in order for "value-in-use" to be extracted, such propositions serve as blueprints reflecting how providers first conceptualize value in terms of design for deliverability. Recognizing value opportunities is a critical antecedent to value realization. Therefore, we believe there is the need for a more harmonized FP7:

> Harmonized FP7 (S-D logic 2.0): "Some enterprises (e.g., service firms) provide an apt environment for value realization, and other enterprises (e.g., non-service firms) primarily provide value potential through appliances to be used by consumers for eventual value realization."

Harmonized FP7 holds both the design and delivery of offerings and the realization of value in comparable regard. It also recognizes the important service characteristic of "simultaneous production and consumption," which implies that in service processes it is not uncommon for needs to be filled at the same time the value offering is being produced because customers provide their needs as a component of production. That said, the effort to manage value potential and realization differs, as not all services are alike—by definition, design, or delivery. Some service systems require the presence of the customer during the service, while some do not (e.g., they require only the customer's possessions or information for a transformation to occur), leading Chase (1978), Schmenner (1986), and Wemmerlöv (1990), among other SOM scholars, to continue to ponder the perennial service-versus-efficiency challenges that need to be grappled with in the course of defining and designing an "apt environment for value realization." Managers must consider customer involvement, capacity

planning, the effects of learning, etc. when crafting a suitable value proposition that needs to be delivered—these are non-trivial considerations in the effort to realize value. These considerations certainly have ramifications for how growth in terms of the service firm life cycle (Sasser et al. 1978) is managed and, as a topic of more recent importance, for how new services are developed (Menor and Roth 2008).

Customer Orientation and Relational

FP8 (S-D logic 1.0): "A service-centered view is inherently customer oriented and relational."

Is the service provider always customer oriented and relational? Scholarly theory supposes that the provider be so inclined, since there is widespread belief that customer relationships are the key to succeeding competitively (Gutek et al. 2002, Garbarino and Johnson 1999) and realizing value (Fullerton 2003, Oliver 1999). However, in reality, while providers implicitly have to be customer oriented, by default they need not be relational (e.g., government services). Arkadi Kuhlmann, Chairman, President, and CEO of ING Direct USA, noted in his CUES Experience Podcast 03 address:

> "ING Direct earns the respect of our customers through repeated transactions, not by having kids run through wheat fields and by telling everyone we are into relationships. If you want a relationship, have it with a dog. Why you would want a relationship with a financial institution is beyond me."

This anti-relationship stance, while not widespread, is not uncommon in practice. Michael O'Leary, Chief Executive of Ryanair, is another manager who questions the value of forming customer relationships. As reported by Lyall (2009):

> [According to Michael O'Leary] "Our customer service is unlike every other airline, which has this image of, 'We want to fall down at your feet and you can walk all over us and the customer is always right,' and all that nonsense."
>
> By contrast, Mr. O'Leary continued, "Ryanair promises four things: low fares, a good on-time record, few cancellations and few lost bags.
>
> "'But if you want anything more—go away! Will we put you in a hotel room if your flight was canceled?' Mr. O'Leary asked rhetorically. 'No! Go away.'"

Hence, being relational is not always a competitive necessity. However, one inviolable service truism is this: if there is no customer, there is no service. From our perspective, and given the service provider's mandate, there will be customers if the provider can dependably execute his/her/its requisite tasks. Indeed, a customer orientation is important in that it ensures that service is provided as required (e.g., reliably, responsively, in a timely manner, etc.). We offer the following premise to concretize these points:

> Harmonized FP8 (S-D logic 2.0): "Service processes are inherently customer oriented and in most cases relational due to dependence upon customer components. Non-service processes are typically customer oriented, but have more flexibility in how they are relational (not being dependent upon customer components."

SOM examination of service quality (e.g., Stewart 2003, Soteriou and Chase 1998) is surprisingly sparse considering the spate of services marketing research on the topic (Parasuraman and Zeithaml 2002, Zeithaml et al. 2002). However, examination of this and other harmonized FPs (e.g., FP1, FP7, and FP10) may prove useful in better positioning future SOM efforts to advance understanding on how service quality is designed and delivered. Additional areas where further SOM research would be beneficial include service guarantees (Ostrom and Hart 2000), service recovery (Miller et al. 2000), and—from a relational standpoint—managing the B2B context (cf. Johnston 2005).

Roles and Responsibilities

FP9 (S-D logic 1.0): "All social and economic actors are resource integrators."

Vargo and Lusch (2008a: 7) noted that "the context of value creation is networks of networks," highlighting the role of social and economic actors (e.g., individuals, households, organizations, etc.) as resource integrators and determinants of service value. We believe that their motivation for FP9 was to avoid having to discriminate among service roles. If so, and without exploring in further detail the distinct roles that participants play in service provision,

then this motivation implies that all actors are the same, given that their sole purpose is to integrate resources. Although we do not dispute the supposition that distinct actors participate in the service, we do disagree with the belief that these entities have the same roles throughout the provision effort. For us, the relevance of this FP relates to the dynamic aspect of service provision (e.g., dealing with unusual requests, adapting to changes in process, etc.). Hence all participants during service provision need to understand their meaningful contribution to the value realization effort. For example, Moeller's (2008) framework provides a marketing perspective that accounts for whether providers or customers commence and/or control the interaction. Indeed, the ability to manage service dynamically opens up interesting opportunities for advancing research on service agility (Menor et al. 2001), flexibility (Dasu and Rao 1999, Malhotra and Ritzman 1994), and interaction quality (e.g., Bitran and Lojo 1993), as well as on the impact of psychology and behavioral science (Chase and Dasu 2001). Hence, the distinctions and dynamics highlighted here must be reflected in S-D logic 2.0.

> Harmonized FP9 (S-D logic 2.0): "All social and economic actors are resource integrators, but in different (yet beneficial) ways."

Provider Choices

FP10 (S-D logic 1.0): "Value is always uniquely and phenomenologically determined by the beneficiary."

Incorporating the distinct management of experiences was an important modification to the original S-D logic 1.0 FPs (see Vargo and Lusch 2008a). Indeed, the management of experiences is the one area in the literature where there has been equally keen marketing (Patrício et al. 2008, Bolton et al. 2006) and operations (Voss et al. 2008, Bitran et al. 2008) interest of late. Why? From the marketing perspective, all customers do, in fact, have an "experience" while engaged in service provision—whatever their specific role. This kind of

experience, which Bitner et al. (1997: 193) described as "the outcomes of the interactions between organizations, related systems/processes, service employees and customers," results in some perception (e.g., pleasurable, memorable, etc.) associated with what transpired. From the operations perspective, however, not all customers are provided with an "experience" (i.e., specifically designed and delivered memorable and unique encounters intended to engage customers during the time they interact with the provider [Cho and Menor 2009]). Not all organizations are designed to or desire to provide such experiences, as demonstrated by the ongoing efforts of service providers like Meijer Inc. or Starbucks, respectively, to trim labor costs (O'Connell 2008) or lean their systems (Jargon 2009). Being an experience provider, as described under our discussion of harmonized FP5, requires a different set of design and delivery choices than those used by service providers. Experience providers need to be more attuned through ongoing evaluation to the specific and changing expectations/perceptions of customers during service provision and must do what is necessary to appropriately engage them emotionally, cognitively, etc. throughout the consumption journey. Service providers, in general, do not have to be so involved in the ongoing management of customers and their engagement. Whatever the nature of the economic entity (i.e., service or experience provider), it is only going to be delivered if value can be extracted from customers. This condition for value realization must be incorporated into S-D logic 2.0.

> Harmonized FP10 (S-D logic 2.0): "Value is sometimes uniquely and phenomenologically determined by the beneficiary. Cost to realize value is mostly determined by the provider and is driven by accommodating customer requirements. Value is not realized unless the benefit is greater than cost, which requires aligning the service firm's 'voice of the customer' with its 'voice of the provider.'"

Overall, the ten illustrative S-D logic 2.0 FPs we have introduced here exemplify how S-D logic 1.0 thinking could be enhanced and advanced in order to offer both "theory of the firm" and "theory of strategy" descriptive and prescriptive insights. The balanced perspective underlying S-D logic 2.0, one that tries to align the "voice of the customer" orientation to

value identification underpinning S-D logic 1.0 with that of the "voice of the provider" view at the core of value realization, provides opportunities to improve understanding of critical service definition, design, delivery, and diagnosis issues which in our view represent "big ideas" that need more rigorous conceptual and analytical examination in future service management research (cf. Chase and Apte 2007). As noted above, current scholarly insights and future investigations on both traditional and novel SOM topics can be positioned within the context of each of these S-D logic 2.0 FPs, allowing for greater appreciation of how these provider-based FPs—in contrast to Lusch et al.'s (2007) generic (i.e., applicable to a multitude of economic offering types) derivative propositions offered from the customer perspective—can meaningfully inform the "what," "why" and "how" of competing through service. Hence, S-D logic 2.0 should provide SOM scholars with a platform to return to their roots in order to advance the management of service system value and innovation.

While recognition of this service alignment—which Barabba (1995:14) characterized as the "integration of the voice of the market with the voice of the enterprise" and Gummeson (2002) alluded to as a "balanced production-consumption centricity"—has been reflected in previous SOM research (e.g., Johnston 1999b, 2005, Verma et al. 2001), we believe that services scholars in general and advocates of S-D logic 1.0 specifically have not sufficiently advanced thinking on this critical topic, despite its conceptual underpinnings that apply to seminal work such as service blueprinting (Shostack 1984) or the more recent service transaction analysis (Johnston 1999a). The recent reframing of service blueprinting as a productive tool for service innovation that was offered by Bitner et al. (2008) suggests that the criticality of considering operational design and delivery issues is not forgotten by all services marketers. Indeed, we were encouraged by Berry and Seltman's (2007: 208) recognition of the importance of SOM for the development and sustenance of a strong services brand:

> "A common misperception in service branding is that the marketing department and its advertising create the brand . . . however, the brand heroes are those industrial engineers and other leaders who design the service processes, and the line employees who perform (often on the fly) their individualized service."

We highlight in Table 2 our illustrative set of S-D logic 2.0 FPs and provide as a basis for comparison those articulated in revised fashion by Vargo and Lusch (2008a).

>>> Insert Table 2 about here <<<

Like Vargo and Lusch (2008a), we view the evolution of a meaningful S-D logic as an open-source platform that allows for continued discourse, debate and refinement (see, by way of contrast, the integrated service design framework offered by Kwortnik and Thompson [2009] for a complementary view on the criticality of incorporating both marketing and operations for improved service outcomes). As with the already noteworthy advocacy, application and diffusion of S-D logic 1.0, we hope that S-D logic 2.0 serves a productive (in the beneficial sense) role in highlighting the continued importance and urgency for interdisciplinary agreement upon, and conceptual and empirical determination of, compelling rhetoric and logic to generate a meaningful service paradigm.

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FIGURE 1: A Service System Architecture
(adapted from Roth and Menor 2003)

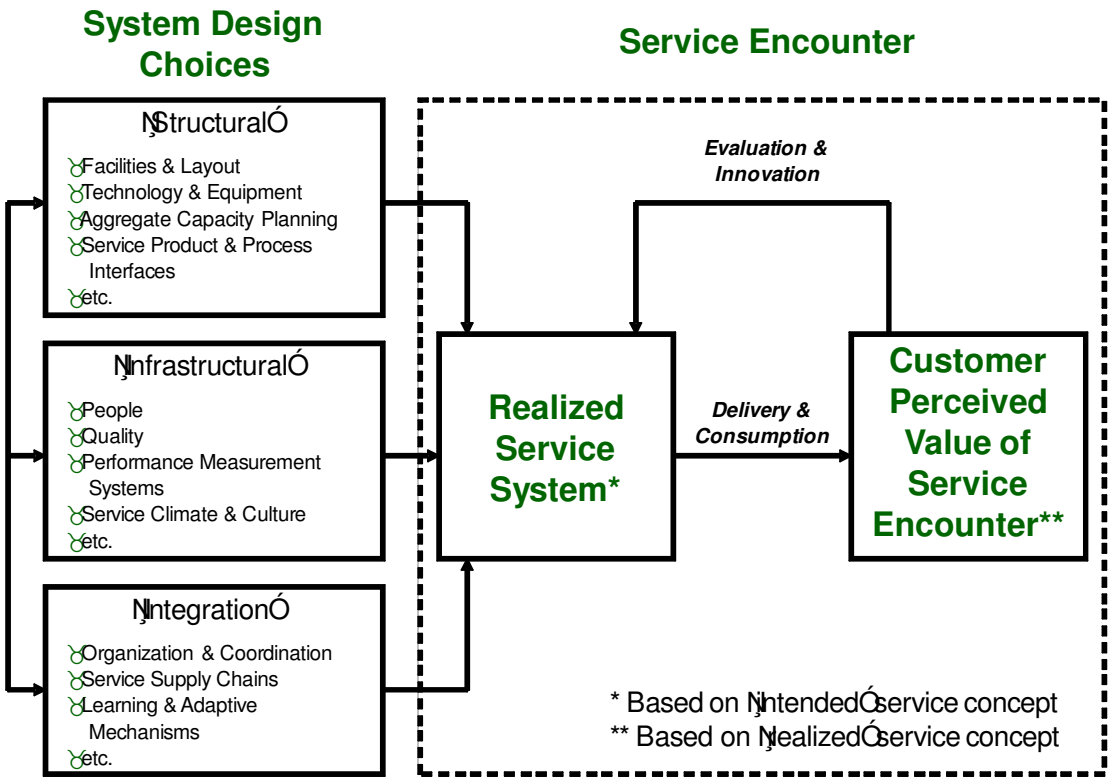

TABLE 1: S-D Logic 1.0 Foundational Premises (FPs), Modified Foundational Premises (MFPs) and Derivative Propositions (DPs)

Original FPs (2004)[a]	MFPs (2008a)[b]	DPs (2007)[c]
FP1: The application of specialized skill(s) and knowledge is the fundamental unit of exchange.	MFP1: Service is the fundamental basis of exchange.	DP1: Competitive advantage is a foundation of how one firm applies its operant resources to meet the needs of the customer relative to how another firm applies its operant resources.
FP2: Indirect exchange masks the fundamental unit of exchange.	MFP2: Indirect exchange masks the fundamental basis of exchange.	DP2: Collaborative competence is a primary determinant of a firm's acquiring the knowledge for competitive advantage.
FP3: Goods are a distribution mechanism for service provision.	MFP3: Goods are a distribution mechanism for service provision.	DP3: The continued ascendance of information technology with associated decrease in communication and computation costs, provides firms opportunities for increased competitive advantage through innovative collaboration.
FP4: Knowledge is the fundamental source of competitive advantage.	MFP4: Operant resources are the fundamental source of competitive advantage.	DP4: Firms gain competitive advantage by engaging customers and value network partners in co-creation and co-production activities.
FP5: All economies are services economies.	MFP5: All economies are service economies.	DP5: Understanding how the customer uniquely integrates and experiences service-related resources (both private and public) is a source of competitive advantage through innovation.
FP6: The customer is always a co-producer.	MFP6: The customer is always a co-creator of value.	DP6: Providing service co-production opportunities and resources consistent with the customer's desired level of involvement leads to improved competitive advantage through enhanced customer experience.
FP7: The enterprise can only make value propositions.	MFP7: The enterprise cannot deliver value, but only offer value propositions.	DP7: Firms can compete more effectively through adoption of collaboratively developed, risk-based pricing value propositions.
FP8: A service-centered view is customer oriented and relational.	MFP8: A service-centered view is inherently customer oriented and relational.	DP8a: The value network member that is the prime integrator is in a stronger competitive position.
FP9: Organizations exist to integrate and transform microspecialized competences into complex services that are demanded in the marketplace.	MFP9: All social and economic actors are resource integrators.	DP8b: The retailer is generally in the best position to become the prime integrator.
	FP10: Value is always uniquely and phenomenologically determined by the beneficiary.	DP9: Firms that treat their employees as operant resources will be able to develop more innovative knowledge and skills and thus gain competitive advantage.

[a]Vargo and Lusch (2004), [b]Vargo and Lusch (2008a), [c]Lusch et al. (2006)

TABLE 2: Illustrative S-D Logic 2.0 Foundational Premises (FPs)

S-D Logic 1.0 FPs (Vargo & Lusch 2008a)	Illustrative S-D Logic 2.0 FPs	Comments on Adjustments & Enhancements
FP1: Service is the fundamental basis of exchange.	FP1: Service is fundamentally an exchange of value through interactions along the consumption journey.	Value is realized for/from customers at multiple touch points, requiring the apt design (e.g., blueprinting, scripting and choreography) of each interaction.
FP2: Indirect exchange masks the fundamental basis of exchange.	FP2: Indirect value exchange may be important in that it allows the direct interaction of service among actors with diverse sets of competencies.	Providers and customers may be reliant on third-party entities in order for value exchange to occur through service provision.
FP3: Goods are a distribution mechanism for service provision.	FP3: The consumption (use) of goods is often required for service provision; the production of goods may or may not be required for service provision.	Service-based, as opposed to non-service-based, value typically results from the consumption of a bundle of system or outcome attributes.
FP4: Operant resources are the fundamental source of competitive advantage.	FP4: Operant resources are often fundamental sources of competitive advantage in service, as are established networks and capital assets (operand resources).	Strategic benefits in service emanate from the apt management of operant and operand resources as dictated by the nature and requirements of the interaction.
FP5: All economies are service economies.	FP5: All economies (and industries and companies) are comprised of service provision, as well as non-service provision.	Service provision may or may not be required depending on the value desired for/from customers.
FP6: The customer is always a co-creator of value.	FP6: The customer always extracts value through service consumption.	The value realized through service is customer dependent.
FP7: The enterprise cannot deliver value, but only offer value propositions.	FP7: Some enterprises (e.g., service firms) provide an apt environment for value realization, and other enterprises (e.g., non-service firms) primarily provide value potential through appliances to be used by consumers for eventual value realization.	How value through service (or non-service) provision is realized from customers differs according to the nature and requirements of the system (e.g., manufacturing, quasi-manufacturing, mixed-service, pure service).
FP8: A service-centered view is inherently customer oriented and relational.	FP8: Service processes are inherently customer oriented and in most cases relational due to dependence upon customer components. Non-service processes are typically customer oriented, but have more flexibility in how they are relational (not being dependent upon customer components."	All providers, irrespective of the nature of the economic offering (service or non-service), are required to be customer oriented in order for value to be realized. However, the potential for more relational interactions exist in service, given the nature of the inputs requiring transformation.
FP9: All social and economic actors are resource integrators.	FP9: All social and economic actors are resource integrators, yet in different (but beneficial) ways.	The specific roles and responsibilities of the provider and customer will vary during service provision.
FP10: Value is always uniquely and phenomenologically determined by the beneficiary.	FP10: Value is sometimes uniquely and phenomenologically determined by the beneficiary. Cost to realize value is mostly determined by the provider, and is driven by accommodating customer requirements. Value is not realized unless the benefit is greater than cost, which requires aligning the service firm's "voice of the customer" with its "voice of the provider".	There are distinct system requirements for service provision and experience provision. Irrespective of these differences, value is only realized for/from customers if the provider is able to productively deliver according to the requisite needs of all actors involved in the direct interaction during service.

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