SERVICE-DOMINANT LOGIC (SDL): A ROAD MAP FOR A SUCCESSFUL MARKETING MANAGEMENT

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ABSTRACT
Different schools and approaches have appeared in marketing management since the beginning of the twentieth century due to customers’ attitudes, needs, expectations, and market conditions. Emerging schools generally included some features of the previous theories. Following the emergence of services marketing as a sub-discipline, some scholars believe in the fragmentation of the marketing thought and the obsolescence of the traditional division between goods and services during the last quarter of the previous century. The service-dominant logic (SDL), which mainly focused on the customer value creation concept, was developed by Vargo and Lush in 2004. This conceptual study aims to broadly review the previous works on the service-dominant logic and related subjects, which are customer-centric view, value creation concept, relationship marketing, and promise management, for the last two decades. The service-dominant logic approach and its components being the critical components of the marketing’s future, were also strategically evaluated to guide organizations as a roadmap. This integrated compact study will contribute to the marketing management literature to catch permanent success.

Keywords: service-dominant logic, customer-centric approach, value creation, relationship marketing, promise management

INTRODUCTION
Marketing scholars started to discuss the insufficiency of the 4 Ps to respond alone to new market conditions and customer demands through the end of the twentieth century. According to Day and Montgomery (1999, p. 3), the 4 Ps do not recognize “marketing as an innovating or adaptive force.” Achrol and Kotler (1999, p. 162) contributed to these discussions by stating that “the very nature of network organization, the kinds of theories useful to its understanding, and the potential impact on the organization of consumption all suggest that a paradigm shift for marketing may not be far from over the horizon.”

Sheth’s and Parvatiyar’s (2000, p. 140) suggestion of “an alternative paradigm of marketing is needed, a paradigm that can account for the continuous nature of relationships among marketing actors” was also illuminating service-dominant logic.

On the other hand, service-dominant logic is different from the services marketing that had started to be discussed by marketing scholars (Norris, 1941; Kotler, 1977; Hollander, 1979; Prahalad and Hamel, 1990; Gummesson, 1995). Vargo and Lush (2004, p. 2) explicated services as “the application of specialized competences (knowledge and skills) through deeds, processes, and performances for the benefit of another entity or the entity itself.”

Vargo and Lush (2004, p. 9) referred to Gutman’s (1982, p. 60) statement that saw products as “means” for reaching “end-states” or “valued states of being such as happiness, security, and accomplishment” and they declared that people purchase goods to own, display and experience.
They also consistently stated, “goods as the provision of satisfaction for higher-order needs.” Furthermore, they supported Gummesson’s (1995, p. 250) statement claiming that “customers do not buy goods and services. They buy offerings that render services that create value. The traditional division between goods and services is long outdated. Activities render services; things render services. The shift in focus to services is a shift from the means and the producer perspective to utilization and the customer perspective.”

Vargo and Lusch (2004, p. 2) especially noted by declaring the service-dominant logic (SDL) that the service-centered view does not consider “a tradition non-tangible good;” instead, this approach is based on “something offered to enhance a good (value-added services),” in other words, “an interactive process of doing something for someone (Ballantyne and Varey, 2008, p. 11). Moreover, in SDL “service is the undeniable core of every marketing interaction” (Ballantyne and Varey, 2006, p. 336). All these statements and the definitions point out that “the basis of the marketing has moved from the goods-dominant logic to the service-dominant logic in which intangibility, exchange process, and relationships are the main constructs, and there is no more traditional division between goods and services” (Ballantyne and Varey, 2006, p. 343). There is no more the exchange of goods; instead, there is the exchange of relationships (Vargo and Morgan, 2005).

This conceptual study aims to review the service-dominant logic’s last two decades and its components and implementation in company management as a roadmap.

The service-dominant logic approach, which is the composition of a customer-centric view, value creation concept, relationship marketing, and promise management, is broadly evaluated, including the strategic planning and marketing perspectives to take the attention of businesspeople that all business transactions and relationships are requested to be conducted via service-dominant logic, to catch and to remain the success.

**SERVICE-DOMINANT LOGIC (SDL) AND CUSTOMER-CENTRIC APPROACH**

Core competencies and organizational processes generally compose the primary resources of the service-dominant view. In SDL, “there are no ‘services,’ there is service, the act of doing something for another party, directly or through a good. We can serve, but we cannot make services. There is no new service economy, service has always been the basis of exchange” (Vargo and Akaka, 2009, p. 39). In SDL, there is a shift from thinking about value in terms of operand resources which are usually tangible, static resources that require some action to make them valuable, to operand resources being usually intangible, dynamic resources that are capable of creating value” (Vargo and Lusch, 2008a, p. 3). Knowledge and skills, and customers are operand resources that are active participants in relational exchanges and coproduction (Vargo et al., 2004, p. 7). Constantin and Lusch (1994) defined operand resources as “on which an operation or act is performed to produce an effect, and operand resources “are resources that produce effects and employed to act on operand resources.” In SDL, “service is exchanged for service. Goods are appliances for service provision and conveyors of competencies (knowledge and skills)” (Vargo and Lusch, 2008a, p. 3). Day’s (1994) description of the competitive advantage as “market-sensing, customer-linking, and channel-bonding capabilities or skills of a company,” had been supporting the emerging SDL.

The learning process, which has a valuable contribution to the improvement of operand resources, is also outstanding in SDL. Meanwhile, continuous market feedback gathering does provide not only a positive contribution to the value proposition but also the financial
performance of a company, which is also vital for the presence of an organization. According to Dickson (1992), companies with a high learning capacity would do their best in a dynamic and evolving market environment.

“Value is always co-created. If goods are used as vehicles of service, they might be coproduced, but the co-creation of value is not optional” (Vargo et al. 2009, p. 39). Möller, Pels, and Saren (2010, p. 161) broadly explained the SDL approach: “All value creation is service-based and grounded on the co-creation of value between the marketer and the customer. Marketers can only provide value propositions embedded in offerings, and it depends on the motivation and capability of customers to render benefits.” In SDL, “customers are not isolated entities anymore; they are evaluated in the context of their networks. Moreover, a customer is primarily an operant resource instead of being a target” (Vargo et al. 2008a, p. 5). Resources used, the role of the firm, goods, and customers are summarized in Table 1.

Davis and Manrodt (1996, p. 6) widely explicated the customer-interaction process in the service-centered view as “the customer-interaction process begins with the interactive definition of the individual customers’ problem, the development of a customized solution and delivery of that customized solution to the customer. The solution may consist of a tangible product, an intangible service, or some combination of both. It is not the mix of the solution (be it product or service) that is important, but that the organization interacts with each customer to define the specific need and then develops a solution to meet that need.” Glynn and Lehtinen (1995) emphasized that intangibility, inseparability, and heterogeneity features of services necessitated being focused on interaction and relationships.

Vargo and Lusch (2004) stated that the service-centered view is inherently both consumer-centric and relational. Grönroos (2009, p. 397) claimed that “services are inherently relational and relational marketing requires the adoption of a service logic.” Harker (1999, p. 16) exposed slightly modified Grönroos’s definitions of 1994 and 1995 as the broadest coverage of the relationship marketing, which defined “relationship marketing is to identify and establish, maintain, and enhance and when necessary, terminate relationships with customers (and other parties) so that the objectives regarding economic and other variables of all parties are met. This is achieved through a mutual making and fulfillment of promises.” Harker’s (1999) comprehensive definition also gave way to the coming SDL approach.

**Value Creation**

In SDL (Vargo et al., 2004), there is a shift from products to value creation, and operant resources that purposefully act on other resources, are the essential drivers of the value creation (Vargo and Lusch, 2008a; 2008b). In SDL, the producer-consumer distinction was removed, and “one party does not produce value while the other consumes value. They reciprocally ‘co-create value,’ with each party bringing their unique resource accessibility and integrability into that process. This is a process of assisting customers in their value-creation processes” (Vargo et al., 2008a, p. 4).

Sheth and Uslay (2007) suggested aiming the value creation for customers. Despite ‘value’ was not a newly discovered concept in marketing, they have launched a silenced subject in marketing. Previous studies on the value concept, such as Holbrook and Schindler (1994), stated the value concept is the fundamental basis for all marketing activities. Rust and Oliver (1994, p.74) claimed that “value attracts a customer or lures away a customer from a competitor.” Grönroos (1997, p. 411) explained that “marketing in a relational context is seen as a process that should support the creation of perceived value for customers over time.”
Ulaga and Eggert (2006, p. 322) pointed out that “offering superior value to customers is essential for creating and maintaining long-term customer-supplier relationships.” AMA’s definitions of 2004 and 2007 also emphasize the importance of value creation.

We also witness the value-in-use concept in Alderson’s study of 1957 under the functionalist marketing theory, in which it was pointed out that the interpretation of the whole process of creating value is the request of marketing. Moreover, goods have utility when possessed by the ultimate user, indicating the prominent role of value-in-use. Grönroos (1979) supported this approach with the claim that “consumers purchase a good and subsequently initiate and implement activities to transform the potential value (utility) that the purchased good includes a real value for him.”

Grönroos (2009, pp. 398-400) also mentioned the similarities in services. “Value is not created in the service provider’s processes of designing, delivering, and pricing services but in the customer’s value-generating processes where services and goods are consumed and used.”

Grönroos (2009, p.398) posited two types of values as “value-in-exchange,” in which “the value is embedded in the product (goods, service activities, ideas, information, or any type of solutions) which is delivered to customers for their use” and “value-in-use” in which “the value is not produced by the supplier, but instead by the customers when using goods and services and when interacting with the suppliers. Values are not embedded into goods and services; it is what customers get out,” and this kind of value “brings long-term success adverse to value-in-exchange. Value is created by the customer, either in isolation with the service provider or in interactions with the service provider. Hence, value propositions are developed in the service provider’s processes whereas; real value for customers is created in a customer’s value-creating processes” (Grönroos, 2008, pp.304-305).

“A value proposition is a suggested value that has not been realized yet,” whereas “customer value is a perceived value” (Gummesson, 2007, p. 6). Customers can independently produce value for themselves with suppliers’ help (Storbacka and Lehtinen, 2001). Instead of the “exchange concept,” marketing scholars have proposed the “interaction concept as a generator of service experience and value-in-use to develop and maintain relationships” (Ballentyne and Varey, 2006, p. 336).

Grönroos (2008, p. 306) explained suppliers’ roles in value creation as follows:

A supplier gets an opportunity to directly influence the customers’ creation of value, something that is not possible without such interactions. In ongoing relationships with customers, the exchange still takes place as a basic transaction-oriented concept, but the focus is on interaction which makes possible relationship development and maintenance and value creation as a value in use. Suppliers do not deliver value to customers; as ‘value facilitators,’ they support or ‘assist customers’ value creation and possibly get involved in the co-creation of value with customers by providing them with resources such as service processes with service employees, goods, and other tangible items as well as with ideas, information, call-center advice, service recovery, payment and invoicing procedures, a whole host of various resources needed by customers.

Table 1 includes value creation details besides resources and shifting roles of the marketing components and actors in SDL.

Vargo and Lusch (2016, p. 8) updated the firm’s role in Table 1 as “actors cannot deliver value but can participate in the creation and offerings of value propositions.” They also updated their claims as “a service view is inherently beneficiary (instead of the customer) oriented and relational” (Vargo and Lusch, 2016, p. 8).
Table 1. Value Creation in Service-Dominant Logic

<table>
<thead>
<tr>
<th>Value driver</th>
<th>Service-Dominant Logic</th>
</tr>
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<tbody>
<tr>
<td>Creator of value</td>
<td>Firm, network partners, and customers</td>
</tr>
<tr>
<td>Process of value creation</td>
<td>Firms propose value through market offerings, customers continue the value creation process through the use</td>
</tr>
<tr>
<td>Purpose of value</td>
<td>Increase adaptability, survivability, and system wellbeing through service (applied knowledge and skills) of others</td>
</tr>
<tr>
<td>Measurement of value</td>
<td>The adaptability and survivability of the beneficiary system</td>
</tr>
<tr>
<td>Resources used</td>
<td>Primarily operant resources, sometimes transferred by embedding them in operand resources-goods</td>
</tr>
<tr>
<td>Role of firm</td>
<td>Propose and co-create value, provide service</td>
</tr>
<tr>
<td>Role of goods</td>
<td>Vehicle for operant resources enables access to benefits of firm competences</td>
</tr>
<tr>
<td>Role of customers</td>
<td>Co-create value through the integration of firm-provided resources with other private and public resources</td>
</tr>
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Relationship Marketing and Promise Management

As relationships are one of the main constructs of the service-dominant logic and the value creation approach, reviewing the relationship marketing and even with a promise management view will help us overlook the subject in a broader context.

Relationships present interaction between two or more parties (Ballentyne et al., 2006). Marketing phenomena comprise interactions within networks of relationships (Gummesson, 1998). Grönroos (2009) explicated two central concepts related to relationship marketing which focus on customer-company interactions and objecting to support customers’ value creation and the promise management on which the relationship marketing is constructed. Grönroos (1997) and Saaksjarvi and Samiee (2007) pointed out that all customers do not want to be in a relationship with their service provider companies. “Customers can be in transactional modes as well as in relational modes, even the same customer may shift from one mode to another depending on the type of products or suppliers, or situation” (Grönroos, 1997, pp. 409-410). Hence there is not a generic approach in relationship marketing to manage customers depending on their changing modes.

The goal of marketing is to assist customers’ value creation. Meanwhile, the traditional marketing-mix elements are no longer sufficient to achieve the goals. In this case, the promise concept takes the stage. The seller makes a set of promises concerning physical goods, services, financial solutions, information, interactions, and a range of future commitments. Then if a relationship is expected to be maintained and enhanced, these promises must be kept. Berry (1995), Bittner (1995), and Grönroos (2000) are some scholars who emphasized the importance of promises. Bittner (1995) pointed out that “promises cannot be expected to be successfully kept unless the organization is prepared to do so. Therefore, enabling promises is an integral part of making and keeping promises.” Grönroos (2000) explained promises as follows:

Enabling promises also means those resources other than employees such as goods, IT and other systems, physical resources, and information and including as a resource external people such as the customer and network partner employees must be developed in ways that support the fulfillment of promises. Some marketing activities are mainly promising and performed by a marketing function and full-time marketers whereas others are mainly promise-keeping and performed by other organizational functions and part-time marketers. Making and keeping promises is not a straightforward issue. Promises made are creating expectations in customers to be met by a company.
Ojasalo (2001, pp. 202-203) grouped expectations as “explicit, implicit, fuzzy, unrealistic expectations. Explicit expectations are conscious assumptions or wishes about the service in the customer’s mind who knows clearly what went wrong if they are not met.” Customers have “implicit expectations” besides explicit ones and expect to be default responded to. In addition, “fuzzy expectations” which customers expect a change without certainly knowing the kind of change, are not transformed into explicit ones until customers experience the product. Moreover, some expectations are “unrealistic which are impossible or highly unlikely for any service provider” and make customers disappointed because of not reaching them. Grönroos and Helle (2010) additionally stated that; helping customers to participate in customer-company interactions in ways that has a favorable marketing impact on them is also required to be successful. It should be kept in mind that “communicating value propositions and making promises set expectations and the way such expectations are met by the valuable support provided has a decisive impact on the success of marketing” (Grönroos, 1989, p. 57).

Vargo and Lush (2010, p. 174) recommended: “The collaboration with customers to develop mutually beneficial value propositions.” Grönroos realized several studies on SDL, relationship marketing, and promise management. Finally, he (2009, p. 405) concluded that in a large context, “marketing is a customer focus that permeates organizational functions and processes and is geared towards making promises through value proposition, enabling the fulfillment of individual expectations created by such promises and fulfilling such expectations through assistance to customers’ value-generating processes thereby supporting value creation in the firm’s as well as its customers and other stakeholders’ processes.” He especially excluded relationship management from this context because customers do not always volunteer in having relationships with companies; hence, they do not always be considered during the foundation of the best possible business strategy.

**Transcending Organizational Borders**

Service-centered view and relationship marketing transcend organizational borders. A “marketing function and marketing department cannot support anymore the customers’ value-creating processes or even develop solutions and take total responsibility for the fulfillment of value propositions, by themselves” (Grönroos, 2006). Other processes that are not under the responsibility of the marketing department or function, such as service interactions, repair, maintenance, logistics, call centers, service recovery, and complaint handling, often have critical responsibility for supporting customers’ value creation (Grönroos, 2009).

Vargo and Lusch (2004) stated that core competencies take place at the center of the integration of business functions and disciplines. They also referred to Prahalad and Hamel’s (1990, p. 82) suggestion that “core competencies are communication, involvement, and a deep commitment to working across organizational boundaries. In addition, they are also collective learning in the organization, especially how to coordinate diverse production skills.” Regardless of which function or department they belong to, employees, systems, and processes that impact the return of customers must make sure that these customers perceive such a value in their processes that they are satisfied enough and prefer to buy again. Hence, everyone involved in communicating value propositions and providing valuable support to customers’ processes should always be customer-centric (Grönroos, 2009). Gummesson (1991) called people belonging to other departments than marketing functions but involving customer value creation as ‘part-time marketers.’ Grönroos (2009, p. 403) defined customers as a ‘marketing resource’ within the organizational context and continued, “customers participate in interactions with the company’s resources and therefore influence the customer orientation of these interactions, they actively
participate in marketing as well. Hence, customers’ role as a marketing resource, in addition to their roles as buyers and consumers and users, must be recognized in marketing.”

Vargo and Lusch (2004, p. 6) emphasized “inter-organizational boundaries of vertical marketing systems or networks. Channel intermediaries and network partners represent core competencies that are organized to gain a competitive advantage by performing specialized marketing functions. Organizations should learn in conjunction with and be coordinated with other channel and network partners to maintain long-term viability.”

SDL AND STRATEGIC MARKETING PLANNING AND MANAGEMENT

According to Mintzberg, Lampel, Quinn, and Ghoshal (2003, p. 10), “strategy is the pattern or plan that integrates an organization’s major goals, policies, and action sequences into a cohesive whole. A well-formulated strategy helps to allocate an organization’s resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents.” Biggadike (1981, p. 621) stated that; “marketing has contributed more to the choice of strategy than to the choice of structure. Marketing concepts and techniques such as market segmentation, positioning, and perceptual mapping help define the environment and frame strategic choices in customer terms.” Value creation and participants’ roles during that value creation are also the key components of strategic planning and management for successful forecasting and driving. SDL explains strategy as “finding unique, valuable and sustainable ways of linking together a firm’s knowledge and skills with customers who have jobs that will benefit from them” (Bettencourt, Lusch and Vargo, 2014, p. 61). Moreover, technological and social skills, strengths/weaknesses, personal values, competitiveness skills, employee behavior, information, control, evaluation and compensation skills, and performance measurement skills serve not only the strategic management but also affect the service-dominant logic.

Strategic planning is a process that defines the overall objectives of the company and how these objectives are to be reached (Greenly, 1989). As it has been already explicated within the customer-centric approach, all functions of an organization should target to respond to customers’ needs, satisfy them and make them volunteer to buy the product or the service of this company again. Hence, in the customer-centric view, the organizations should be managed strategically by preparing and implementing the strategic plan with the same contribution of all departments to serve customers with their best efforts to make them happy and satisfied with the company permanently.

Strategic planning is an effective way to ensure a secure future by using the best available information upon making decisions (Day, 1984). Information gathering and feedback are principal in SDL, relationship management, and customer orientation to be able to respond to customers’ needs and expectations and to dynamically manage an organization to have both commercially and financially successful long-life in the market.

In strategic marketing planning and management, positioning means the decision to serve a particular segment with a program tailored to those specific customer needs. As SDL is a customer value creation concept, both SDL and the strategic management aim to meet customers’ particular needs and expectations as value propositions or facilitators.

On the other hand, the “product life cycle concept enables marketers to think dynamically. It helps predict the likely future bases of competition and how a strategy may have to be modified
and helps understand the evolution of a broader market” (Biggadike,1981, p. 629). Since SDL requests ongoing feedback and performance controlling about value expectations and satisfaction of customers, the strategic management also supports the implementation of this approach.

“Marketing strategy is defined as an activity that organizes marketing mix efforts and resources relative to strategic references, such that the resource allocation, in the long run, enhances the value of the firm to all stakeholder groups” (Aaby et al., 1989, p. 23) including customers. Thus, a well-developed marketing strategy and its proper application are considerably requested in SDL and a customer-centric approach where the resources and competencies must be used effectively to be competitively advantageous. Operant resources are the fundamental source of strategic benefit (Vargo and Lusch, 2016, p.8). Furthermore, “marketing strategy must be moved above the business level and concerned with corporation-wide, value-creating responsibilities. Marketing strategy must be applied to goals as well as objectives, and marketing must make its tools relevant to corporate concerns” (Aaby et al. 1989, p. 24). In SDL, four traditional tactical marketing mix elements have been transformed as a largely strategic manner, from “product to co-creating service(s),” from “price to co-creating value proposition,” from “promotion to co-creating conversation and dialogue,” and from “distribution to co-creating value process and networks,” “strategic marketing becomes largely focused on the collaborative co-creation of value with customers and partners in a dynamic marketing system comprising social and economic dynamic flows and processes” and “all these SDL ‘four strategic building blocks’ should be co-created with customers and partners” (Lusch and Vargo, 2014, pp. 407-408, 413) and value co-creation has become the purpose of society rather than a subset of social activity (Vargo and Lusch, 2017, p. 63).

According to SDL, “knowledge which is dispersed throughout the marketing system and society instead of being centralized, is the fundamental source of competitive advantage. Consequently, SDL recognizes that all entities must collaborate with other entities and integrate resources. Marketing is how organizations and societies can create value by the voluntary exchange of knowledge and skills” (Lusch et al., 2014, pp.407-408).

The SDL view sees the markets as “dynamic and ever-changing, as innovative firms and customers continually integrate new resources to help get jobs done better; this approach encourages a company to anchor strategic planning around how we might help before what we can do and brings continuous learning and reshaping value propositions over time” (Bettencourt, Lusch and Vargo, 2014, p. 60).

Greer, Lusch, and Vargo (2016, p. 8) offered strategic insights from SDL as follows:

In the dynamic market environment of SDL, firms continually integrate existing and new resources to serve customers. Strategy becomes more emergent, incremental, and demand-oriented in SDL and strategy emerges as the firm uses its dynamic resources, draws upon its relationships with firms, and develops processes and capabilities to reshape and sometimes develop new value propositions. With SDL, strategic planning is iterative as the firm takes actions to create markets and the future. Control is focused on gathering feedback to monitor success (as well as markets) and on making incremental adjustments to better serve the customer and hence enhance firm performance. Resources are anything that can be drawn upon to support a company’s mission.

Vargo and Lusch (2017, p. 60) recommended “to bring middle-level managers and other ecosystem actors(suppliers) into the strategy-development process,” and suggested finding out the way of “co-creation of strategic planning and implementation with multiple stakeholders” and also clarifying “the impact of these co-creation processes on the firm and its stakeholders.”
CONCLUSION AND DISCUSSION

Since the end of the twentieth century, marketing management has tried to break its traditional boundaries due to the insufficiency of the traditional frame and variables related to increasing customized demands of open, dynamic, global, and well-developed and digitalized markets customers. Therefore, the good-centric view has left its place to the customer-centric view in which primarily customers and competencies (knowledge and skills) are operant resources that play active roles in value creation and relational exchanges.

Service-dominant logic as a road map for successful marketing management focuses on the customer-centric view and relationship exchange, value creation, and promise management. These components will bring constant progress in both customer’s portfolio and the financial results of any organization.

Acting with service-dominant logic is not only the subject of the marketing department, but holistically, all other functions of an organization are either under the responsibility of the marketing department or not. All staff of an organization should be behind any promise that has been already declared to customers. The marketing people are full-time marketers and promise makers, while members of other functions are part-time marketers and promise keepers.

Strategic marketing planning and management are contemporary methods to gain competitive advantages and obtain and retain commercial and financial successes. In service-dominant logic, strategy is the way of finding unique, valuable, and sustainable ways of linking operant resources together, an organization’s knowledge and skills with customers, who play and benefit in value creation.

In conclusion, service-dominant logic, which is strategically well planned, managed, acted and applied correctly, will bring long-term success to any organization.

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