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## Value in services – a service dominant logic perspective

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### Abstract

Along with the changing logic of marketing from goods-dominant view to service-dominant view, the services marketing which has long been sharply separated from the marketing of goods is directly influenced. With the change in the logic to the understanding that the core of an exchange is the service provision rather than products (Vargo & Lusch 2004a), the services literature has entered into a crisis time for which Lovelock & Gummesson, (2004) suggested that a re-evaluation of some concepts of services marketing is of utmost importance. Accordingly, the purpose of this paper is to re-evaluate the value concept in services marketing. Specifically, an evaluation of how the term value has been defined and utilized within different marketing and consumption patterns from the goods dominant to service dominant logic eras is provided and an integrative value approach encompassing multiple levels of value creation process is proposed.

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### 1. Introduction

In recognition with its distinguishing characteristics from goods marketing, the field of services marketing emerged as a distinct subfield of marketing with its own core paradigm (Lovelock & Gummesson, 2004). Thus far, the services marketing scholars have focused on how marketing management and strategy is differentiated in services based on its distinctions. Recently, the controversy regarding the core paradigm of services, which Lovelock & Gummesson (2004) referred to as services marketing crisis has received more attention. Schneider (2000), Grove et al. (2003), Lovelock & Gummesson (2004) pointed to the inapplicability of the existing paradigms of services literature to the radically

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different services environment of today. This change stems from the shift from goods-centric view to the service-centric view in marketing. The paradigm debate in services literature is in juxtaposition with the paradigm debate in the overall marketing field. Vargo & Lusch (2004a, 2004b) suggested that a new dominant logic is emerging in marketing in which the core concept of exchange is service provisions rather than goods. With the new logic emerging in marketing and having a significant impact on services marketing, the sharp distinction between goods and services get blurred. Lovelock & Gummesson (2004), correspondingly, submitted that services should be re-evaluated under the new dominant logic of marketing. Accordingly, the purpose of this paper is to shed a light on the value concept with the perspective of service-dominant (SD) logic.

The concept of value has been at the heart of all human activity. In all kinds of exchange, the worth of what is obtained is evaluated by the value gained. Thus, value has been a critical concept both for marketers and consumers. Meanwhile, marketing scholars have dealt with the topic from several perspectives in order to define it better (e.g. Gale, 1994; Christopher, 1996; Woodruff, 1997; Zeithaml, 1998), utilize it in various marketing contexts (e.g. Teas & Agarwal, 2000; Baker et al., 2002; Cretu & Brodie, 2007), and provide it as a critical strategic factor for marketing practitioners (e.g. Brandenburger & Stuart, 1996; Sargeant, 2000; Ward & Ryals, 2001). During all this endeavour, both marketing and services marketing fields have witnessed radical changes stemming from social, cultural, and technological developments each having direct or indirect effects on what value meant for the parties involved (e.g., consumers, marketers, intermediaries). Therefore, the rest of this study provides an assessment and evaluation of the changing nature of the term value from the consumers' point of view and proposes a typology.

## 2. Service and the service dominant logic

Vargo & Lusch (2008a, 2008b) make a distinction between the terms “*service*” – the singular form and “*services*” – the plural form. In this new marketing perspective, the SD Logic, they utilize the term “*service*” to reflect the “*process of using one's resources for the benefit of another entity*” (Vargo & Lusch 2004b, 2006; Lusch et al. 2007). The “*goods and services*” are combined under the term “*service provision*” with the proposition that goods are the distribution mechanism for the service provision (FP3) (Vargo and Lusch 2004b, 2006). It is different from the traditional use of plural term “*services*” which reflects “*a special type of output – intangible product*” (Vargo & Lusch, 2008a). Under the traditional interpretation, though deliberated differently, all the views were based on a common grounding which was the attempt to differentiate services from goods (Schneider, 2000). These views can be categorized as the following (Lusch et al., 2007): First, services are regarded as a supportive drive to the production of goods (Converse 1921; Fisk et al. 1993); second, they are viewed as activities that are done in combination with products as a value-added tool (Dixon 1990); third and most frequently, they are seen as an intangible type of product (Kotler, 2003).

In the pre-1950's era, the firms' main focus was the transactional relationships which create immediate cash flows. Moreover, in the classical view, the customer was seen as a passive recipient of value created by companies (Deshpande, 1983). A radical shift of paradigm occurred in 1950's with the emergence of the buyer behaviour school (Sheth et. al., 1988). Marketing shifted its focus from the product-centric to the customer-centric view and from aggregate markets to individual customers, as a unit of analysis. However, the view which sees customers as the value recipients has not changed until recently. In recent years, the perspective in relationship marketing has shifted from a “*marketing-to*” view to a “*marketing-with*” approach (Vivek, 2009). The marketing-with approach is symbolized by the SD logic and claims that value is always co-created with the collaboration of the consumers, whereas in the traditional view of goods-dominant (GD) logic, consumers are provided with the value created by the firms (Lusch, 2007). According to the SD logic of marketing, firms are not selling goods and services, but offering value propositions as a service to the customers (Gummesson, 2007). Customers are the co-creators of value. The value can only be actualized in the usage process not in the production phase of the product. It is concerned with “*the evolution, interaction, and reciprocal co-creation of value among service systems*” (Maglio et al., 2009; Spohrer et al. 2008).

The transition to the SD logic emphasizes the value and the networks through a shift to “*understanding exchange in terms of value rather than products and networks rather than dyads*” (Vargo & Lusch, 2008). The value creation

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