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Logicscapes:

Critical analysis of value creation in service-dominant logic, service logic, and customer-dominant logic

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A logic is a mental model or framework that guides an approach to marketing and management. Marketing's logic since the 1980s has been going through a transformation in academic literature and practice. A goods-dominant logic (GDL) which conceived value as deliverable through goods or services and readily managed by firms has given way to a service-oriented, process-based view of value creation.

This thesis is a literature review and critical analysis of service-dominant logic (SDL/ S-D logic), service logic (SL), and customer-dominant logic (CDL). It explains the emergence and development of a service-centred dominant logic of marketing, criticisms to this perspective, and the alternate views put forward by the Nordic School of Service. SDL, SL, and CDL will be compared based on their conceptions of value creation, differing semantic values, and implications for a marketing logic.

This paper concludes that SDL is a broad view of service ecosystems and actor networks which can provide a lexicon and foundation for a theory of market but is not substantial in its strategic marketing or management implementation. SL is a managerial framework based on service which provides an interactive and relational view of marketing and management. CDL is the most robust perspective, which is centred on the customer's logic in their well-being goals and activities within their idiosyncratic customer ecosystem. It guides firms towards observing and adapting to customer-dominant realms of value creation, particularly in digital environments.

Keywords	Service-dominant logic, service logic, customer-dominant logic, value, service, marketing, Nordic School of Service

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Glossary

AMA	American Marketing Association
C2C	Customer-to-customer
CCT	Consumer culture theory
CDL	Customer-dominant logic
FP	Foundational premise
GDL	Goods-dominant logic
SDL	Service-dominant logic
SL	Service logic

1 Introduction

"Yeah? Well, you know, that's just like uh, your opinion, man."

—The Dude in *The Big Lebowski* (1998)

The researcher began this thesis curious about customer experience. The most straightforward titles resulting from the search term "experience" in the library database were *The Experience Economy* (Pine and Gilmore 2011) and *Consuming Experience* (Carù and Cova (eds.) 2007). The first book provides a Disneyesque view of marketing, urging businesses to theme their premises, costume their employees, script humorous and entertaining dialogues with guests, toss in a dash of education, and—of course—be sure to have memorabilia available to take home. Cherrypicked examples like flagship retail outlets, toy stores, birthday party arcades, and themed restaurants, as well as parables like the janitor who sweeps the grounds of Cleveland Municipal Stadium just for show (2011: 165) all make up the competitive environment known as the "experience economy". These businesses are no longer in the service sector—they are experience providers. The authors provide a helpful table (253) that describes the differences between service and "experience": offerings are not intangible, but *memorable,* the buyer is not a client, but a *guest,* the supply method is not delivery, but *staging*.

Consuming Experience (2007), on the other hand, is a collection of scholarly essays unified under a postmodern Euro-Mediterranean approach to consumption research. While the first edition of *The Experience Economy* (Pine and Gilmore 1999) is mentioned on the first page of chapter one, the essays categorially treat experience as something which is not "simple and can be readily managed by firms" (2007: xv). The case studies found in these essays address far more subtle and nuanced gradients of experience, such as the intrinsic consumption characteristics of pasta, clothing irons, and sofas; the sensorial dimension of museums and malls; and the meaning extracted from social gatherings, be they historical street festivals or Burning Man.

The cognitive dissonance inspired by these two works leads to some interesting questions: if we are in a consumption experience whenever we interact with any man-

made creation—or social configuration—what are the logical boundaries of this field of study in relation to *business*? Why should experience be considered a business strategy at all, when the very sense of life itself seems to indicate we *make our own* experiences? Is experience shaped by the things a business or product does, or the way we consumers perceive them? Furthermore, what is marketing according to the "experience economy"? Is the man who *sweeps up nothing* marketing? What is the product? It has no price. Is it a form of promotion? The stadium is not a cleaning service—and the manager who thought that was a good idea probably didn't consult with the marketing advisors. These questions seem to ask for a different meaning of marketing, one that accounts for the sensorial and emotional perceptions of the customer; the fact that even mundane commodity goods bring experiences; the fact that social configurations also bring experiences; the fact that janitors can shape those experiences too; and all the while treats those experiences as unmanageable.

The purpose of this thesis will be explaining how different logics—or ways of thinking—of marketing have developed to account for these factors. Marketing will grow to mean a company-wide philosophy of value creation. Although experience will play a large part in determining that value, this thesis will not be about *experiential marketing.* Instead, service and customer value will be the central topics of discussion. Like marketing, service will take on a meaning far more expansive than the bland solutions-delivery firms described by Pine and Gilmore (2011). Service-dominant logic (SDL), service logic (SL), and customer-dominant logic (CDL) are different *perspectives* of the marketing function, which can all be contrasted with goods-dominant logic (GDL). The perspective which a firm chooses to adopt will have significant ramifications on their strategic choices and mental-management framework. This paper has found the CDL is the most robust and relevant perspective. However, this thesis will also paint the picture of a science in distress. Marketing practice and theory will not always align; definitions of basic terms will have many interpretations; and the use of language and inherent ontological presumptions will have to be factored in. The researcher has been reminded of the universal dilemma of theory. That is, in business no one can be right all the time—either it works, or it doesn't. The perspectives presented here are interesting but are only dim reflections of a far more complicated and nuanced world.

1.1 Methodology

This thesis will be an extended literature review, critically analysing marketing theory, service marketing, and management literature primarily from the 21st century. The literature will represent the cutting-edge developments in marketing science. The critical analysis will be heavily based on Nordic School of Service literature. The goals of this thesis will to be provide comprehensive explanation, contextual meaning, and comparative analysis of these topics.

1.2 Contents

"Section 2. Literature review and Analysis" will aim to describe the state of marketing before and after the introduction of SDL. It will introduce the main thesis and foundational premises of the perspective, briefly describe how it has changed over the years, and reflect on its main criticisms. A section dedicated to the key thinkers in the Nordic School of Service will describe their methodology, history, and main contributions to service marketing.

"Section 3. Logicscapes: SDL, SL, and CDL" will explore what a *dominant logic* implicates. Next, the idea of *value* will be explained in detail. Then, it will review key literature related to SL and CDL. While the focus will be on the unique features of SL and CDL, they will be compared to SDL frequently. The end of this section will provide a summary of each logic and how they can influence a *marketing logic*.

1.3 Limitations

The researcher will primarily focus on Nordic School contributions, as well as US-based marketing theory. Other European schools and international research will serve as a backdrop to the conversation but require further investigation. Also, being conceptual in nature, this thesis will not delve into case study or present data—although, managerial implications will be discussed throughout.

1.4 Originality/value

Search results on Theseus.fi at the time of writing (Fall 2019) reveal no papers containing the keywords "service-dominant logic", "service logic", AND "customer-dominant logic" at the bachelor's or master's level. While SDL has been utilized on a couple of occasions as a theoretical framework, no bachelor's thesis has significantly explored its developments, or relation to the other logics. Hopefully, this thesis will provide a solid overview of SDL, SL, and CDL that may assist in future marketing or service research for AMK students.

2 Literature review and analysis

"Even the innovators stand on the shoulders of those who came before them."

—Sidney J. Levy in "How New, How Dominant?" (2006: 57)

2.1 Goods and services

Ideas in science do not have a finite origin point and are in fact part of a continuum. The following two works, while seminal in their own rite, are just snapshots in an ever-changing field, but will provide referential checkpoints in this discussion of a vast body of research. The first is "The Experiential Aspects of Consumption: Consumer Fantasy, Feelings and Fun" (Holbrook and Hirschman 1982), and the second, "Evolving to a New Dominant Logic for Marketing" (Vargo and Lusch 2004) (henceforth: "Evolving…"). In the most concise summary possible, the former demonstrates we don't understand the consumer, and the latter we don't understand marketing.

In the two-decades between their publication the theory/practice dichotomy was becoming more pronounced. Two factors—the growth of the service sector and technology—challenged many of the formal marketing and management theories inherited from previous generations. Holbrook and Hirschman (1982), wondered whether the passive, logical model of consumer behaviour still was applicable (see: Hirschman and Holbrook 1982). They invited us to think about the "experiential view" of consumption, which ushered in a subset of research dedicated to consumer experience (Hwang and Seo 2016; Jain et al. 2017; Palmer 2010; Tynan and McKechnie 2009; Verhoef et al. 2009).

Marketing techniques—based mostly on the production and selling of consumer commodities—were designed to segment populations, not individuals. While consumer experience research revealed deep wells of meaning in product use, this did not factor into the inherited economic frameworks driving marketing theory. Advertisers of course understood how to appeal to emotion and self-image when enticing customers, but the

enactment of those values was not within the scope of the marketing concept. By application of the dominant marketing framework (e.g. Porter 1985) during the 1980s:

> The role of the marketer is to create programmes and activities that persuade customers to buy this ready-made value […] marketing's active responsibility ends with sales and a preferably positive purchasing decision (Grönroos 2007: 196).

Interest was growing in a companywide, relational view of marketing that didn't end with sales (e.g. Gummesson 1987, 1991). This was especially relevant for service firms. However, marketing for the service-sector was a separate issue, an interesting phenomenon, perhaps even a separate field, but couldn't overturn the manufacturing-marketing principles. There wasn't a clear set of tools for the marketing of services (Grönroos 1978). The inherent connection between goods, experiences, and services was perhaps common sense but not integrated into a cohesive view of marketing, which largely emphasized *goods*. Recognised in the 1950s by Lawrence Abbott (1955: 40):

> What people really want are not products but satisfying experiences. Experiences are attained through activities. In order that activities may be carried out, physical objects or the services of human beings are usually needed. […] People want products because they want the experience-bringing services which they hope the products will render.

As the service industries became a larger part of developed economies, the division of goods and services made less sense. Levitt (1972) wrote for the *Harvard Business Review,* "there are no such things as service industries […] everybody is in service". Yet, many businesses struggled to apply marketing management principles to their process-oriented services. Former vice-president of Citibank, G. Lynn Shostack, in the *Journal of Marketing* (1977: 73) put it succinctly: "Can corporate banking services really be marketed according to the same basic blueprint that made *Tide* a success?" In the words of Harvard professors John Deighton and Das Narayandas: "the marketplace has more to teach scholars than scholars have to teach the marketplace" (Day et al. 2004: 20).

Arriving at the new millennium, there was psychic pull towards reinvention, recalibration, and rebirth. Many popular business books of the time (e.g. LaSalle and Britton 2003; Normann 2001; Pine and Gilmore 1999; Schmitt 1999, 2003; Shaw and Ivens 2002) would position themselves as guides for this 'new economy.' The common thread between them all was the experience of the customer, as framed by Holbrook and

Hirschman (1982; Hirschman and Holbrook 1982), which involved more sensory, emotional, and experiential qualities than encapsulated in the offering's features and benefits. As Schmitt pointed out (1999: 13):

> Marketers are fond of saying, "Pay attention to the changing environment". Yet they themselves have mostly ignored the changes that directly impact their discipline.

The climate of marketing—in the academic writings, practitioner literature, and business world—were all indicating that was a need to redefine the foundational meaning of exchange. Many business thinkers from the 1980s onward were interested in what the *experiential view* could tell us about customer value and how the concept of *service* pervades all elements of business.

2.2 Defining marketing

Stephen L. Vargo was a "stubborn" doctoral candidate who was particularly driven to address the meaning of service, heavily inspired by the works of Grönroos and Gummesson of the Nordic School of Service. He began working with professor Robert F. Lusch on what would become the paper "Evolving…" (2004). Lusch believed in the article so much, he stepped down from his position as editor of the *Journal of Marketing* in order to have the work published (Helle 2009). Vargo and Lusch (henceforth: V&L) (2004: 2) proposed marketing and management theory was emerging into a new "dominant logic", or "worldview […] which is never clearly stated but seeps into the individual and collective mind-set of scientists in a discipline" (cf. Prahalad and Bettis 1986). That new dominant logic was service-centred and had the potential to reshape the foundational premises of marketing as they were commonly understood.

V&L began to build—by what has been called "academic branding" (Hietanen 2018: 103)—a large body of work expounding upon their "service-dominant logic" (SDL), later establishing dedicated conferences and academic positions. While the authors referred to the process as an "open-source evolution" (Vargo and Lusch 2008: 1), SDL was not entirely supported by all marketing researchers, especially those who were being overwritten in marketing dogma. But the majority could agree that the imperative to

update marketing's underlying logic deserved careful consideration. They were making a "tall claim that inspires tall expectations and invites tall scrutiny" (Achrol and Kotler 2006: 321). V&L's "Evolving…" was highly lauded, earning them the AMA/ Harold H. Maynard Award for Best Theoretical Contribution in Marketing, and subsequently becoming the most-cited article published in the *Journal of Marketing* since 2000 (*Publications* 2019). The AMA's definition of marketing would go through two monumental revisions in 2004 and 2007 (Table 1).

Table 1. AMA definitions of marketing from 1935-2007 (Source: American Marketing Association 2008).

Year	AMA definition of marketing
1935	Marketing is the performance of business activities that direct the flow of goods and services from producers to consumers.
1985	Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives.
2004	Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.
2007	Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

Unchanged for nearly three decades, the 1985 definition of marketing represented the manufacturing-centred mindset of what we can call "traditional marketing" (Schmitt 1999). Purchases "satisfy" objectives, largely through the marketing mix framework (4Ps) developed my McCarthy (1960) (Anker et al 2015: 537). The 2004 definition introduced "value" delivery and "managing customer relationships" but thought-leader Christian Grönroos (2006b: 400) would still argue the definition "promotes the idea that customers are people *to whom* something is done with ready-made value" (emphasis in original). Yet, by 2007, having undermined the agents of marketing in omitting the organizational actor and by broadening the class of beneficiaries, the final definition was fundamentally different than the previous iterations (Anker et al 2015: 538).

2.3 A new dominant logic

SDL was introduced (though originally called "service-centred dominant logic") in "Evolving…" as a meta-analysis of marketing thought based on the history of economic and management schools. V&L (2004: 3) present a timeline of influential schools of thought which have impacted marketing's underlying logic: classical and neoclassical economics from 1800-1920, early/formative marketing from 1900-1950, marketing management from 1950-1980, and the new paradigm from 1980-2000 on. The authors generalize the extant marketing literature prior to the 1980s as prescribing to a goods-dominant logic (GDL), greatly influenced by the foundational arguments of microeconomics (1). GDL focuses on the economic value of commodities. Goods are embedded with value through manufacturing and production, and the good's value is realized in exchange; services are intangible assets (production units) or add-ons which may increase the value of a good (ibid. 2004, 2008).

They describe the developments in the fields of service marketing and relational marketing (e.g. the Nordic School), customer and marketing orientation, quality management, value and supply chain management, resource management, and network analysis as "disparate literature streams" unifying into the new paradigm (2004: 3). The emerging SDL of marketing "implies value is defined by and co-created with the customer rather than embedded in output" (2004: 6). The authors also distinguish those resources which are acted upon (operand) and those which produce effects (operant) to further distinguish the "core-competences" of competitive advantage in the new paradigm—SDL is a shift towards the "primacy of [operant] resources" (3) such as knowledge and skills. Customers and producers are, in fact, exchanging their knowledge, skills, and service provisions—sometimes through goods. "Service" will become the basis of all exchange—and service is to mean a "perspective on value creation rather than a category of marketing offerings" (Edvardsson et al. 2005: 118). "Service" is defined by V&L (2004: 2) as "the application of specialized competences (knowledge and skills) through deeds, processes, and performances for the benefit of another entity or the entity itself". The developments to date of the foundational premises (FPs) of SDL are shown in Table 2. Future references to FPs will be quoted in-text. Axioms denoted in 2008 and 2016 summarize and encapsulate all other FPs.

Table 2. Developments of Vargo and Lusch's FPs and axioms of SDL (Source: adapted from Vargo, S.L and Lusch, R.F. (2016) Institutions and axioms: An extension and update of service-dominant logic. *Journal of the Academy of Marketing Science, 44*(1), pp.8).

Foundational Premise	**2004**	**2008** (* = axiom)	**2016** (* = axiom)
FP_1	The application of specialized skills and knowledge is the fundamental unit of exchange.	*Service is the fundamental basis of exchange.	**Service is the fundamental basis of exchange.*
FP_2	Indirect exchange masks the fundamental unit of exchange.	Indirect exchange masks the fundamental basis of exchange.	Indirect exchange masks the fundamental basis of exchange.
FP_3	Goods are distribution mechanisms for service provision.	Goods are distribution mechanisms for service provision.	Goods are distribution mechanisms for service provision.
FP_4	Knowledge is the fundamental source of competitive advantage.	Operant resources are the fundamental source of competitive advantage.	Operant resources are the fundamental source of strategic benefit.
FP_5	All economies are service economies.	All economies are service economies.	All economies are service economies.
FP_6	The customer is always the co-producer.	*The customer is always a co-creator of value.	** Value is co-created by multiple actors, always including the beneficiary.*
FP_7	The enterprise can only make value propositions.	The enterprise cannot deliver value, but only offer value propositions.	Actors cannot deliver value but can participate in the creation and offering of value propositions.
FP_8	A service-centred view is customer oriented and relational.	A service-centred view is inherently customer oriented and relational.	A service-centred view is inherently beneficiary oriented and relational.
FP_9	-	*All social and economic actors are resource integrators.	** All social and economic actors are resource integrators.*
FP_{10}	-	*Value is always uniquely and phenomenologically determined by the beneficiary.	** Value is always uniquely and phenomenologically determined by the beneficiary.*
FP_{11}	-	-	** Value co-creation is coordinated through actor-generated institutions and institutional arrangements.*

The publicity and fame garnered by the authors and the general acceptance of their thesis roused a heated debate. For example, John O'Shaughnessy and his son, Nicholas O'Shaughnessy, would author a pair of scathing critiques, "The Service-Dominant Perspective: A Backwards Step?" (2009) and a subsequent rejoinder (2011). Their core complaint rests on the notion of "one best perspective" (2009: 791) and the vague definition of service. They (2011: 1317) state:

> […] The radical claims made by V and L for their S-D logic approach rely not on information but on the assertive language about things these authors hold to be self-evident. But the packaging of the idea—the erudite language and the obscurantism—cannot disguise the limitations of ["Evolving…"]. We believe that the conceptualization of service marketing has not been measurably advanced by V and L since they have taxed it with a function it can never fulfil, that of becoming the key and governing paradigm of an academic discipline.

SDL has faced two oft repeated criticisms, both consistently acknowledged and addressed by V&L: it is not new, and it is too metaphorical and not actionable. As for the first, the authors are presenting an analysis of marketing thought, and suggesting a better explanatory framework, therefore it must rest upon all other preceding literature in the field. The authors, for example, cite Shelby D. Hunt's resource-advantage (R-A) theory as a grounding framework of their perspective (2004: 5). Hunt was thanked in the original publication, and in his commentary (Day et al. 2004: 22) calls the work "historically informed, finely crafted, properly interdisciplinary, and logically sound". Hunt has written further on R-A theory and its place in SDL (see: Lusch and Vargo (eds.) 2006: 67).

In fact, they trace their ideas back to the writings of Bastiat (1860) who over one hundred years ago wrote on "service-for-service" exchange (Lusch and Vargo 2011: 1302). Furthermore, the Nordic School has greatly influenced V&L's conception of the primacy of service. One of its founders Evert Gummesson had this to say: "there is little integrative marketing theory on a higher level of abstraction and generalization," and "the more marketers dare to recognize the complexity and ambiguity of marketing phenomena in this theory, the more useful it will be," giving his "full support" (Day et al. 2004: 20-21).

The second criticism concerns being metaphorical, such as in its conception of value and co-creation, i.e. "everything is value creation and everyone co-creates value" (Grönroos

and Voima 2013: 144). While value creation was already being discussed in experiential terms (Carù and Cova 2003; Prahalad and Ramaswamy 2000, 2004), others have examined it in more interactive contexts (Grönroos 2011a, b; Grönroos and Gummerus 2014; Grönroos and Ravald 2011; Grönroos and Voima 2013); some have examined its opposite, co-destruction (Plé and Cáceres 2010; Echeverri and Skålén 2011); and its manifestation between customers (Heinonen et al. 2010, 2013, 2018; Heinonen and Strandvik 2015; Voima et al. 2010, 2011); however, SDL would later turn towards more generality by analysing value through service ecosystems (Akaka et al. 2015; Lusch and Vargo 2014; Vargo and Lusch 2011b). Naturally by attempting to describe all markets, there must be generality in the foundational premises. As Steven M. Shugan remarked, "generality is a traditional holy grail of academic research" (Day et al. 2004: 25).

Considering the development of FP_6 relating to co-production/co-creation—which V&L cite as the most misunderstood (Vargo and Lusch 2016: 8)—it demonstrates a willingness to acknowledge this contemporary research, drawing from many-to-many marketing (Gummesson 2006, 2008a, b) and consumer culture theory (CCT) (Arnould and Thompson 2005) to give the most complete picture. The result is the axiom "Value is co-created by multiple actors, always including the beneficiary" which is the super-definition of value creation. If one could criticize V&L of something, it would be the consistent retooling of their ideas in the "transcending" SDL (Vargo and Lusch 2016: 10), which may also be described as "moving the goalposts" (Brown and Patterson 2009: 529).

Returning to O'Shaughnessy and O'Shaughnessy's criticisms, the use of language can and should be examined—although they claim to not have read more than the first article "Evolving…", considering the additional works irrelevant when examining the main thesis (O'Shaughnessy and O'Shaughnessy 2011: 1310). Observation of the "classic story arch" (Miles 2014: 747) in "Evolving…" reveals the persuasive rhetoric employed by V&L. Adopted and "unusual" terminology such as "operand" and "operant" carry with them their own connotative baggage from parallel sciences. Likewise, the conflation of "paradigm", "dominant logic", and "worldview" preys upon the prejudices of the reader and their academic biases. Consider, for example, the marketing professor's vested interest in increasing the scientific stature of marketing and promoting its dominance

over other neighbouring departments. GDL is the "antagonist" in their narrative of marketing, and this binary opposition serves to satisfyingly set up the "pay-off" when marketing is re-framed (ibid. 2014: 747-750).

Other notable critiques include Campbell et al. (2013), who question the segregation of operand and operant resources, proposing an object-oriented philosophy; Hietanen et al. (2018), who critique the political notions of SDL based on its "commodity fetishism" (102) and neoliberalism through Marxist and post-Marxist literature; Williams and Aitken (2011) who examine ethics in SDL and call for an explicit commitment to ethics in the FPs; and Brown and Patterson (2009), who present an entertaining exposé of the generality of SDL by applying it to the *Harry Potter* franchise:

> […] Although SDL can be "successfully" applied to a marketing phenomenon like Harry Potter, the application process necessitates all sorts of linguistic acrobatics – a book becomes an operand resource, reading translates into use value, fans are co-creators and so forth – in order to make SDL "work" (529).

They conclude: "…if anything, SDL will reinforce the belief that academic research is no use to anyone…" (530). Along these lines, Holbrook's (2006: 221) tongue-in-check acronym for the FPs of SDL, ROSEPEKICECIVECI ("Resource-Operant, Skills-Exchanging, Performance-Experiencing, Knowledge-Informed, Competence-Enacting, Co-producer-Involved, Value-Emerging, Customer-Interactive") is compared with his (1999) concept of customer value (CCV) which "encompasses and encapsulates the epiphanies" of the former. Holbrook (2006: 221) concludes by stating "I have gone and gotten it for you wholesale", however, reflecting: "we have discovered at last […] why I ain't rich".

O'Shaughnessy and O'Shaughnessy's worry that SDL's "conceptualization of service marketing" cannot fulfil the role of "key and governing paradigm of an academic discipline" (2011: 1317) is ultimately a moot point. With the correct framing, perspective, and lexicon, SDL can do just that. By the very act of naming it so V&L have effectively corrected course for marketing, bringing the story to resolution like a "well-structured *bildungsroman"* (Miles 2014: 747):

> This resolution is even more dramatically satisfying because it requires no *deus ex machina*, no new and alien theory. Instead, the solution is found to be already

> within marketing […] rather than the disparate voices of modern marketing being seen as evidence of fragmentation, they are re-framed as evidence of hidden unity.

One cannot claim V&L have been silent in the academic debate (see: Lusch and Vargo 2011; Vargo and Lusch 2011a for their pointed responses to O'Shaughnessy and O'Shaughnessy) or staunchly opposed to editing their thesis in light of new information. They have demonstrated a willingness to engage in dialogue and prop-up alternate views. Their first compilation of essays on SDL after "Evolving…", *The Service-Dominant Logic of Marketing: Dialog, Debate, and Directions* (Lusch and Vargo (eds.) 2006) includes a full section, "Alternative Logics", where grounded analysis and challenging insights are presented from eminent marketing voices—its biggest critic being Achrol and Kotler (2006: 332), who conclude:

> To suggest that only "services are exchanged for services" and that that is the core logic of marketing science is as true of the barter economy as it is of the information economy, but it also trivializes everything that has happened in between.

The authors have stood by their claim that they do not own the ideas of SDL, reiterating in a recent paper, "Service-Dominant Logic 2025" (Vargo and Lusch 2017: 47), from the beginning, it was more about the "identification and extension of apparent coalescence in the ongoing development of marketing thought […] than a radically new idea". The authors see the future of SDL research leading towards a general theory of market, empirical and practical "midrange theory", and diverse disciplinary influence, in which "all are welcome" to contribute (2017: 64). SDL is not a theory of marketing itself but aims to "provide a pre-theoretic foundation for a revised and transcending logic about exchange in society" through a new lexicon (Lusch and Vargo 2011: 1305).

Invited commentaries were included in the original printing of "Evolving…" intended to stimulate discussion and debate (Day et al. 2004). Many would mention the—then yet to be fully understood—role technology had to play in customer relationships and connectivity. The scholar Roland T. Rust (24) perhaps most presciently observed:

> The service revolution and the information revolution are two sides of the same coin. […] For the foreseeable future, the service/ information parts of every business will continue to increase in importance because of inevitable advances in information technology, and the marketing paradigm as V&L describe will become even more dominant as time passes.

The technological and socio-economic shifts known as the "fourth industrial revolution" (Schwab 2017) point to dynamic changes across all business sectors (see: Redlich et al. 2019). These include technological horizons such as AI and nanotech, nascent technologies such as safe and affordable self-driving cars, and global thresholds of connectivity and internet use, to name a few. Customers used to operate in closed-off spheres of the market, such as the household or local community. The internet—propagated through widely accessible smart phones—presents new marketing challenges as consumers are engaged with a global community. Furthermore, technologies such as 3-D printing have the potential to bring service, in a more literal sense, to manufacturing. Cheap and fast automated manufacturing will increase the need for firms that relied on material quality to consider how to improve the service aspects of their offerings when production factors may become increasingly obsolete. For example, a marketer would not position a self-driving car by its functional performance features, but rather by the service of giving the user an entirely new amount of leisure or work time they never had before. Marketing the self-driving car revolves less around the features and benefits of the material vehicle, as it has largely been for manual cars, but the value-in-use and service of not having to drive. In this case, a "benefit" of the car (being self-driving) seen through a GDL lens is the *embedded value* of the product. For SDL, marketers can see the process, *new free time,* as the service emerging from the resource. This distinction may be semantic, but has the potential ensure marketing's relevance in a changing business paradigm.

In summary, SDL has been a landmark idea, much talked about and academically respected, drawing from many disciplines, acknowledging history, and attempting to synthesize a pre-theory for marketing. Although a service-centred dominant logic was proposed in "Evolving…" (2004), it had a long lineage before it: service-for-service exchange was discussed in economics over a century ago; by the 1970s, many forward thinking academics and practitioners were building the service marketing field from the ground up; and by the turn of the century, marketing practice was already being rebranded by popular business books and demonstrated by new markets and business models. V&L came in at the perfect time to present a well-organized conceptual argument for a paradigm shifting logic that looked to the future. To quote Holbrook—who arguably brought this conversation to life—he grounds his research on the premise

that "all *products* provide *services* in their capacity to create need- of want-satisfying *experiences",* and in this sense "all marketing is 'services marketing'" (emphasis in original, 1999: 9). The next section will introduce those founding thinkers of service marketing and demonstrate how they paved the way for the service discussion.

2.4 The Nordic School of Service Management

In the introduction to his collection of essays, *In Search of a New Logic for Marketing: Foundations of Contemporary Theory* (2007: 4-5), Christian Grönroos recounts the origins of the Nordic School of Service. Both he and Evert Gummesson were invited to speak at the first AMA special conference on the marketing of services in 1980. He claims, "we got the impression we did not honour the marketing 'truths' such as the marketing mix paradigm enough". While their research methods were considered "anecdotal" and "quite foreign", the two would return to the second conference in 1982—this time with Grönroos giving the keynote speech. Being the only representatives from the Nordic countries, they considered a label for their approach, and in a sauna no less, they dubbed themselves with their now internationally recognized moniker. Richard Normann and Bo Edvardsson also during this period established significant contributions to the foundational Nordic School methods in consultancy and practice. Normann founded the Service Management Group (SMG) in 1980 and Edvardsson, The Service Research Centre (CTF) in 1986 (Gummesson and Grönroos 2012: 486-487).

Grönroos was particularly motivated by Lynn Shostack's (1977) desire to 'break free' from the goods-centric view of marketing. Grönroos (2007: 2) recounts: during Philip Kotler's first lecture visit to Finland in 1978, when asked to respond to Shostack's question ('should marketing for goods be the same for services?'), he responded 'if marketing fails in a service firm, it is not because there is something wrong with marketing, but because it is badly implemented'. Since then, Kotler has provided numerous glowing endorsements for Nordic School books and acknowledged their contributions to service marketing (Grönroos 2017: 285).

The foundational methods of Nordic School research may be said to have originated in the doctoral programs of Hanken School of Economics and Stockholm University. In 1979

Grönroos defended his PhD thesis—concerning a service-centred approach to marketing founded on original theories not yet established in the literature—which was used as a text book in the Nordic countries for the next ten years (Gummesson and Grönroos 2012: 483). Gummesson's PhD thesis in 1977 compared the marketing and purchasing practices of twenty B2B firms, and concluded relationships, networks, and word-of-mouth were far more influential than the techniques for marketing B2B services found in canonical texts of the time (2012: 485).

In the same vein, a French School was also forming with the writings of Eiglier and Langeard (1976), equally interested in service perspectives of marketing (Grönroos 2006a, 2007). Nordic School research has always been characterized by a yearning quest for explanatory and conceptual theory to better address complexity and ambiguity in favour of validity and relevance, whether it fit into the prescribed models or not (Gummesson and Grönroos 2012). The concept of "management action research" is fundamental to their methods, where the actors are the researchers, continuously reflecting on process and progress (483).

Main concepts in the literature include the relationship marketing (Gummesson 2008b); service marketing and management (Grönroos 2015); service logic (Grönroos 2011b, Grönroos and Ravald 2011; Grönroos and Voima 2013; Grönroos and Gummerus); customer-dominant logic (Heinonen et al. 2010, 2013; Heinonen and Strandvik 2015; Voima et al. 2010); part-time/full-time marketer (Gummesson 1991); moment-of-truth (Normann 1984); many-to-many marketing (Gummesson 2006); and interactive marketing (Grönroos 1982). In their own words:

> Conceptual work and thinking out-of-the-box are key characteristics of the Nordic School. Research is not constrained by mainstream norms regarding what marketing is or what makes research scientific (Gummesson and Grönroos 2012: 490).

As for the founding contributors, Grönroos, Gummesson and Edvardsson have received the AMA's Christopher Lovelock Career Contributions Award (2012: 493). Richard Normann passed away in 2003 but is remembered for his excellence and innovation in the service and consultancy fields. Grönroos has received many recognitions over the years, the most telling being that he was the first scholar outside North America to be

selected *Legend in Marketing* by the Sheth Foundation in 2011 (Grönroos 2017). Gummesson has equally been equally prolific in both academic publishing, consulting, and teaching—the AMA awarded him 'The Year 2000 Award for Leadership in the Services Field' (Gummesson 2008b).

Key organizations tied to Nordic School service research are the Centre for Relationship Marketing and Service Management (CERS), Centrum för tjänsteforskning [Service Research Centre] (CTF), IBM's service science program, and the Industrial Marketing and Purchasing (IMP) Group. Notable educational institutions include Gothenburg University, Hanken School of Economics, Karlstad University, Stockholm University School of Business, Stockholm School of Economics, Tampere University, and Uppsala University (although Nordic School research can be found in schools around the world).

3 Logicscapes

"The life in researchscapes is shaped by not only a drive to add scientific knowledge, but also a desire for recognition, position, power, and wealth—sometimes even crossing the line of scholarly decency. These human features contribute to explain how concepts and theories are developed and disseminated, and even systematically marketed through both unobtrusive modesty and hard-pressure sales techniques".

—Evert Gummesson (2006: 340)

3.1 A new NEW dominant logic

Though the word "logic" usually implies the Aristotelian meaning: "reasoning conducted or assessed according to strict principles of validity" (Oxford Reference 2019), the meaning popularized by V&L is better defined as a perspective, viewpoint, or framework governing a way of thinking. For example: a *customer logic* describes their reasoning and sense making in achieving their goals, a *provider logic* the same, but for the firm's goals, and a *profit logic* the framework dictating what factors are significant in determining profit (Grönroos 2015; Heinonen and Strandvik 2018). A *marketing logic* will provide a framework for business strategy, planning, and action in the market interface.

"Dominant" is meant to imply which mindset is guiding the perspective (logic) most, be it the general phenomenon of 'service' permeating all actor exchange (SDL), or the motivations driving a single customer unit (CDL). Prahalad and Bettis (1986: 492-493) introduced "dominant logic" in an analysis of corporate management strategy, drawing from Kuhn's (1970) work on scientific paradigms and Allison's (1971) study of governmental actions during the Cuban missile crisis. They thought of dominant logic in management terms, as "a knowledge structure and a set of elicited management processes" (1986: 490) and "a conceptualization of the business and the administrative tools to accomplish goals and make decisions" (491). This is similar to V&L's use of the term, although they prefer to the invoke Kuhn's (1970) meaning as the paradigm of a science. Confusingly, SL has chosen to discard the term *dominant* because "it is a logic

of service, not a logic *dominated by service"* (emphasis in original, Grönroos 2011b: 284). Further explained:

> Because it is a perspective on business and marketing that is not only dominated by service but also based on service, we prefer the term service logic […] Service is the mental model or dominant logic [as put forth by Prahalad and Bettis] that guides the use of this perspective. The expression "service-dominant logic" confuses service as a perspective and the dominant logic concept (Grönroos and Voima 2013: 133).

Therefore, SL aims to be guiding framework for managers with service functioning as the "dominant logic" (Prahalad and Bettis 1986), while SDL exists at the societal, aggregate level—describing service as a mode of viewing social exchange (Grönroos and Gummerus 2014: 221). SL is meant, quite simply, to be a more straightforward term. V&L have admitted they have a "proprietary" interest in the "S-D logic" label (it is always written by the authors as "S-D logic", though often written by others as SDL) in order to distinguish it from "similar nuanced orientations" (Vargo and Lusch 2011a: 1320).

The concept of *service* put forth by the Nordic School and canonized by V&L is intertwined with the meaning of value and encompasses both goods and service-industries. Within SDL and SL, *Service* is the act of a customer, user, or beneficiary employing resources in a personalised physical, mental, or virtual practice which renders value for them; service is a processes rendered from resources (goods, information, infrastructures, people, systems), which through reciprocity between actors, generates value; service is the facilitator of value creation (Grönroos 2006a; Grönroos and Gummerus 2014; Vargo and Lusch 2004, 2008).

According to SDL's framework, service has been described in terms of operant resource exchange—sometimes through goods—beginning with their foundational definition of service: "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 Lusch 2004: 2), which can be extrapolated to mean all exchange is service-for-service (Vargo and Lusch 2008: 7). SL similarly observes the processes inherent in service but clarifies the roles of the customer and the firm: "Service is support for an individual's or organisation's everyday processes in a way that facilitates (or contributes to) this individual's or organisation's value creation". Users integrate resources into their

everyday processes and the firm facilitates or contributes to that value creation—that is service according to SL (Grönroos and Gummerus 2014: 208). CDL has focused on service through the eyes of the customer; by the *customer's logic*, they are the ones who define what service is (Heinonen et al. 2010). CDL defines service as the activities of customers done "for the benefit of themselves, in relation to their relevant ecosystem, […] to support the formation of experiential value" (Voima et al. 2010: 3). Critically, there is no mention of the provider entity, or the organization's processes. Service in CDL is based on what customers are doing to achieve their own life goals.

CDL (Heinonen et al. 2010) from its inception, was strongly positioned against SDL. The seminal paper "A Customer-Dominant Logic of Service" for the *Journal of Service Management* was wholly a Nordic School composition. It was made through CERS at Hanken School of Economics, CTF at Karlstad University, and the (formerly named) Centre for Information and Communications Research (CIC) at Stockholm School of Economics. Its authors were Kristina Heinonen, Tore Strandvik, Karl-Jacob Mickelsson, Bo Edvardsson, Erik Sundström, and Per Andersson. They state (531-532) that the debate surrounding the underlying logics of managers and researchers has stayed on a conceptual level, been based on philosophical reasoning without substantial empirical data, and primarily been aimed at distinguishing service in terms of process versus outcome (SDL vs. GDL). Their argument suggests (532):

> Even though the SD logic has widened the scope of understanding the function of marketing, the view on SD logic is still very production- and interaction-focused, i.e. service provider-dominant (provider-dominant logic), not customer-dominant (CD).

Heinonen et al. (2010) argue CDL is not a subset of SDL but a completely different perspective, in which the customer is the central focus instead of service, the provider/producer, or the service ecosystem. Unlike the traditional notions of customer-orientation, CDL does not focus on what the firm can do for customer, the focus is on "what customers are doing with services and service to accomplish their own goals" (534).

3.2 "Value town"

SDL, SL and CDL all are united in their differentiation from GDL—that is, they view value formation as a process that cannot be embedded in the product offering. However, each conceptually places the nexus of value in different position (Heinonen and Strandvik 2018). Service is accepted as a philosophy of value creation, but interactions, co-creation, and service ecosystems will take a more central role in SDL and SL, whereas CDL will focus more on independent customer activities. From Heinonen et al. (2010) we can distinguish SDL and SL as provider-dominant logics, in that the emphasis is placed on the abilities and opportunities of the firm/provider to relate with customers, as opposed to a perspective in which the customer's abilities and opportunities to create value are the focus. SDL's later emphasis on actor networks does not distinguish between firms and customers, inadvertently remaining provider-dominant.

The best way to define value—in a way that conforms to SDL, SL, and CDL—is this: *Value* is the emergent benefits, desired outcomes, or positive results of use of a good or service overtime that leaves the customer/user/actor better off; it is entirely determined by the beneficiary's *value-in-use* (Anker et al. 2015; Grönroos and Voima 2013; Grönroos and Gummerus 2014; Vargo and Lusch 2016). Value for the firm is less straightforward, as it can exist at the macrolevel (e.g. growth, learning, and revenue) or microlevel (e.g. employee satisfaction), though these are usually difficult to balance. By most measure, financial value is considered the primary value for the firm.

Although *value-in-use* is accepted as the key component of understanding value for the customer, each logic has gravitated towards a different understanding of the "locus of value" (cf. Prahalad and Ramaswamy 2004). SDL has determined that value is *always* co-created through the systems of service exchange permeating economies. Because all exchange is seen as service exchange, and service leaves beneficiaries better off, value is always co-created. The "actors" can be customers, groups of customers, organizations, and even states, but when two or more actors exchange their knowledge and skills, co-created value must emerge (provided the beneficiary is left better-off). SL implores value-creation can be indirectly facilitated or directly interactive (co-created) and is always determined by the user's *value-in-use*. CDL supposes neither service systems or

interaction as the locus of value, but the direct value-forming activities of the customer or customer unit in their ecosystem. CDL is particularly focused on the value-formation occurring outside of the firm's control. These differences are also demonstrated by the preferred term used to describe the "consumer": SDL has adopted the generic term *actor* and CDL the business-oriented *customer.* SL will use customer or user, depending on the connotation of the product*.* Another way of defining *value* is an "interactive relativistic preference experience" (Holbrook 1999: 5), which critically addresses both the situational wants of the consumer at the point of consumption, and the experiences before, during, and after the situation that warp the perception. It has been long understood that the customer experiences value subjectively and experientially (Hirschman and Holbrook 1982; Holbrook and Hirschman 1982).

Yet, this subjective view of value is treated with different gradients of provider-involvement across marketing logics. GDL, on the one hand, has assumed the degree to which subjective value is experienced by the customer is directly influenced by the processes of the firm, i.e. customers are a passive receiver of firm value. The co-creation model as put forth by past iterations of SDL determined that subjective value was influenced by the firm through value propositions and the operant resource exchange process (service). SL defined value absolutely as *value-in-use*, which is facilitated by the firm through promises that are made and kept within the service interaction but extends as independent or social value-in-use (Grönroos and Gummerus 2014). SDL under the service ecosystems orientation (Akaka et al. 2015; Vargo and Lusch 2011b) determined that subjective value was not only influenced by *one* firm, but by the networked system of service exchanges that make up an actor's social/cultural context within institutional arrangements (Vargo and Lusch 2016: 11). Finally, CDL states that a customer will experience idiosyncratic value within their ecosystem, and they may choose the level of influence the firm will have on that value. There is the provider-dominant logic (Heinonen et al. 2010) of value-creation, in which value emerges through and by the activities supported, managed, or facilitated by the firm, and the *customer-dominant logic*, which places the focus on the customer's inputs in the value-generating process, prioritizing them over products, service, cost, or growth (Heinonen and Strandvik 2018: 4).

Value-in-use is the most theoretically useful model of value, because it reflects how the value/utility of a good or service exists in the consumer's use, temporally independent from the firm's processes, and in concert with the customer's own resources; value-in-use can encompass ownership, functional use (i.e. utility), experience, and/or memory; value-in-use *is* value, determined solely by the user (Grönroos and Gummerus 2014; Grönroos and Voima 2013). Value-in-use can exist in ways that are *impossible* for the firm to manufacture or materially construct. Holbrook (1999, 2006: 214-215) characterizes these value-in-use typologies as *efficiency, excellence, status, esteem, play, aesthetics, ethics,* and *spirituality*. This will be contrasted with the GDL meaning of value: *value-in-exchange*, or *exchange value*.

Value-in-exchange is a GDL perspective of value creation originating in economics and labour theory which suggests a good is embedded with value through the firm's processes of production and manufacturing and realized by the customer during transfer of resources in the marketplace (*exchange value*). By this logic, value is controlled by the firm until the point of sale, at which that value is transferred to the customer, and destroyed upon use; services are treated as commodities that provide solutions for customers or add-value to a good, but do not represent the opportunity for two-way value co-creation (Vargo and Lusch 2004; Grönroos 2006a; Grönroos and Gummerus 2014). According to GDL, experiential components of value which cannot be controlled by the firm and may differ from the product's intended use are not controllable by the firm, and thus irrelevant to a discussion of value. Value traditionally was categorized as the features and benefits (F&B's) of a product/service rather than the immaterial experiences (Schmitt 1999).

3.3 SL value spheres

The SL model of co-creation emphasizes interaction, as proposed by Grönroos and Voima's (2013) Value creation spheres (Figure 1). The roles of the actors and their power and influence are unique in each sphere. The terms "potential value" and "real value" illuminate the necessity of the consumer in formulating value. "Value facilitator" is used to describe the firm, which provides potential value-in-use. Although the model presents a seemingly linear order of events (provider sphere, joint sphere, customer sphere), the

authors state (136) value-in-use is "customer driven and accumulates over time", and that it is created in "different spatial and temporal settings". Also, co-creation may occur in the provider sphere (e.g. crowdsourcing product development or engineering, sometimes referred to as co-production).

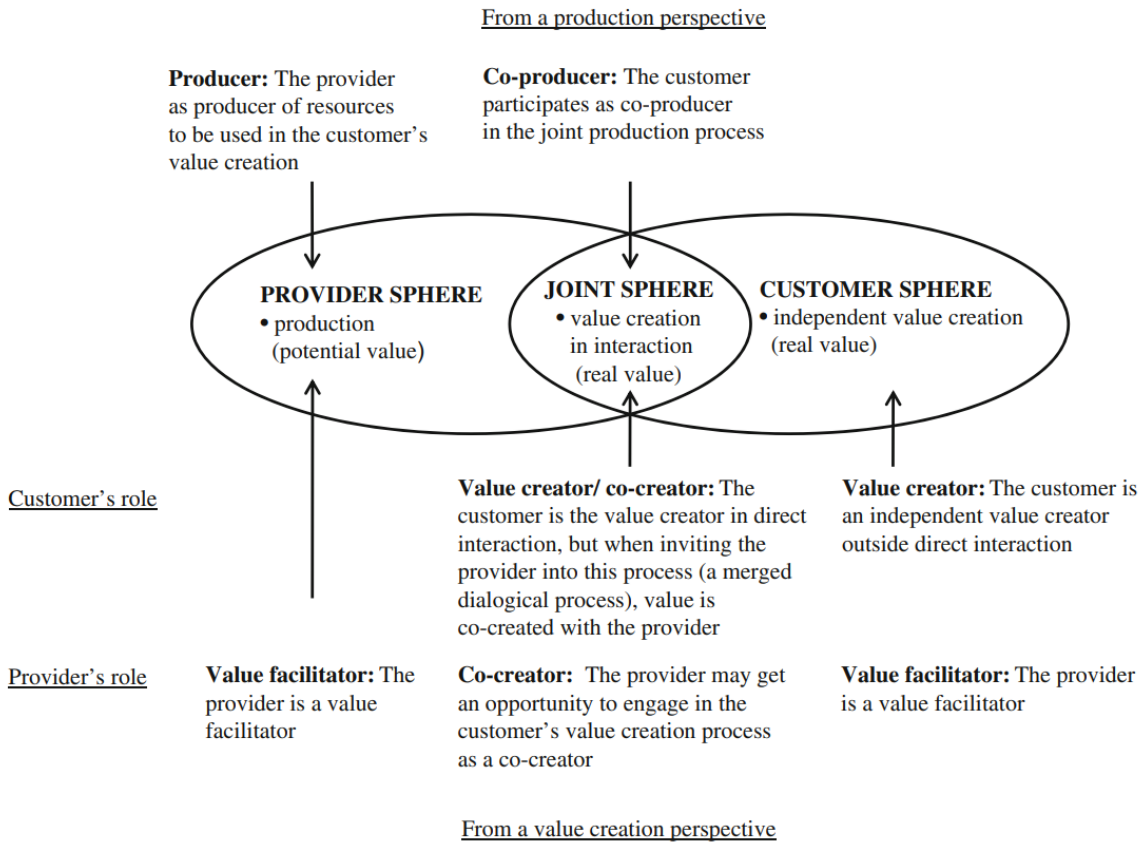

Figure 1. Grönroos & Voima value creation spheres. Source: Grönroos, C. and Voima, P. (2013) Critical service logic: Making sense of value creation and co-creation. *Journal of the Academy of Marketing Science, 41*(2), p.141.

In the *provider sphere*, potential value is generated. The goal of the provider is to facilitate the customer's value creation, and so functions—material or virtual—are performed in order to generate future value. It is emphasized that unlike GDL, value cannot be fabricated by the firm. Once the customer has decided to initiate contact, the actors are in the joint sphere. In the *joint sphere*, a producer may create a *platform* for co-creation. Only in this act of contact may a firm influence the consumer's value-in-use. By "understanding the customer's practices and how the customer combines resources, processes, and outcomes in interactions" (141) the firm may transition from a facilitator to a co-creator. In the *customer sphere,* real value-in-use may be derived from the firm's

materials and resources, be they "physical, virtual, mental, or imaginary" (142), but not in interaction with the firm's processes. Furthermore, value creation may encompass the individual and collective level, and span mental, temporal, and/or spatial dimensions (138).

The firm may initiate an interaction by either *direct* or *indirect* process. *Direct interactions* occur in the joint sphere, where the firm's intelligent resources and processes interact with the customer's in a dialogue (e.g. a family booking a vacation through a tour operator). *Indirect interactions* occur in the producer sphere or customer spheres when the customer interacts with the firm's non-intelligent resources or processes in an independent way (e.g. a customer looking at a brochure dreaming about a vacation or looking fondly at pictures from the vacation). The authors conclude that "through the creation and use of direct interactions with customers, firms can access an otherwise closed customer value sphere" (144). The concept of the customer sphere will help support CDL. But CDL will instead focus on customer-to-customer interactions that are nether directly or indirectly facilitated by the firm, and only tangentially interacting with the firm's resources (Anker et al. 2015: 547).

SL was put forth in order to make sense of co-creation with emphasis on interaction and by spheres of value—a managerial approach to co-creation, addressing the 2008 version of FP_6 ("the customer is always a co-creator of value"). Grönroos and Voima (2013: 145) issue their own FPs for SL, and qualify co-creation thusly:

> Provided that the firm can engage with its customer's value-creating processes during direct interactions, it has opportunities to co-create value jointly with them as well.

Other papers discussing value-creation in SL (Grönroos and Gummerus 2014; Grönroos and Ravald 2011) indicate that SDL is fundamental metaphorical in its conception of co-creation and value. Grönroos and Gummerus (2014) contend SDL resembles GDL in its emphasis on the firm's role in co-creating value, in that they are the drivers of value creation. The authors suggest (210) "promise management"—or the extent to which firms promise potential value-in-use and that value is realised by customers—is a more fruitful view than *value propositions* (see: FP_7 (2008): "The enterprise cannot deliver

value, but only offer value propositions"). Vargo and Lusch (2016: 9) responded to these developments of SL with the following assertion:

> We find the conceptual difference between "co" and "facilitate" essentially incomprehensible and are thus unaware of any useful, actionable way that it informs academics or practitioners (or others).

Continuing (9-10):

> Furthermore, to invoke what appears to be an "inseparability" (i.e., face-to-face) condition […] seems to be partially reclaiming the "IHIP" [intangibility, heterogeneity, inseparability, perishability] characteristic distinctions between goods and services, which thus makes it difficult to see how it constitutes a "service-logic" at all, but rather, something that we would term a "services logic", with a commensurate boundary condition […] In the "service logic" that we call "service-dominant logic," there is no boundary condition, since S-D logic is transcending; goods logic is integral to and nested in S-D logic, rather than distinct from it. […] If some prefer to argue that "value is always co-facilitated" rather than "co-created" we see it as an inconsequential, semantic exercise and consider there to be many important, scholarly issues more worthy of debate.

With the most recent iteration of the FPs of SDL, V&L once again widened their view. The result is a systems orientation also referred to as a "service ecosystem", defined as a "relatively self-contained self-adjusting system of resource integrating actors connected by shared institutional logics and mutual value creation through service exchange" (Lusch and Vargo 2014: 24). Observe the 2016 version of axiom/FP_{11} ("Value co-creation is coordinated through actor-generated institutions and institutional arrangements"). This consistent "zooming out" of SDL has now incorporated institutions ("humanly devised rules, norms, and beliefs that enable and constrain action and make social life predictable and meaningful") into the philosophy of value creation (Vargo and Lusch 2016: 11); "value-in-use" was modified to "value-in-context", to "value-in-social-context" (5), and also "value-in-cultural-context" (Akaka et al. 2015). V&L have chosen to adopt the generic term "actor" in describing complex service systems made up of actors exchanging operant resources. V&L believe that SL is not useful in its conception of facilitated value and has fallen back to traditional division of goods and services because of its necessitation of direct interaction. V&L remain convinced that SDL can account for exchange at all levels of interaction under their definition of service. They claim that the spheres model places too much emphasis the face-to-face interaction,

implying the traditional IHIP distinctions of "services" as they were understood in contrast to goods.

3.4 CDL value formation

Meanwhile, director of CERS, Kristina Heinonen, and company were developing their own brand of logic: CDL (Heinonen et al. 2010, 2013; Heinonen and Strandvik 2015, 2018). The researcher can find no mention of CDL in the SDL literature presently. The central thesis of CDL proposes SDL and SL are still fixated on provider-dominant value creation, rather than customer-dominant value *formation.* However, the key distinction between these perspectives is not necessarily their validity, but the problems they wish to address. According to Heinonen and Strandvik (2018: 1-2), two general observations of the changing business landscape can illuminate the differing starting points of provider/ customer-dominant perspectives:

> The first is the observation of increased complexity and transparency, whereby customers become influenced by multiple sources and interactions, consequently leading to increased dynamism of business. The second observation is that customers are active subjects who are embedded in their own contexts and are subjectively striving to achieve their well-being goals.

The first observation is responsible for providers taking an "active and conscious stance", hence a logic oriented around the strategies of the firm. The second observation opens the door to studying customer-logic, which is applicable to a wider range of managerial contexts and chooses to focus on the "customer", not the generic actor. Instead of conceptualizing networks of service systems (service ecosystems), it prefers to understand *customer ecosystems*, which reflect customers in their personalized environments related to the specific service (Heinonen et al. 2013; Heinonen and Strandvik 2018; Voima et al. 2010). CDL, therefore, has redirected the conversation back to the root definition of *value*. It encompasses value formation outside of interaction or co-creation, which is mostly invisible to the provider, and is better suited to explain customer-to-customer (C2C) value formation. SDL and SL have chosen to place the nexus of value on the concept of service, either in service ecosystems made up of networks of actors exchanging operant resources as it is in the super-framework of SDL,

or through direct interactions of service described by the manager-oriented SL. CDL places the nexus directly in the customer's world.

Anker et al. (2015) in their paper "Consumer Dominant Value Creation: A Theoretical Response to the Recent Call for a Consumer Dominant Logic for Marketing" compare the ontology and semantics of GDL, SDL and SL—which they refer to as a redefined SDL—with CDL, and find the need for a distinct study of consumer-dominant logic in support of Heinonen et al. (2010). Their methodology is to use the reference and mentalist ontological processes (a theoretical framework not previously used in marketing, borrowed from the analytic philosophy of language) to compare semantic value by three dimensions—the value creation process, relational status between provider and consumer, and the replication of product and service qualities and properties. They also present five case studies which demonstrate customer-dominant value creation. The ontological processes and case studies indicate three substantial domains in which CDL differs from GDL or SDL (as represented by the 2008 iterations of the FPs).

Conception of value: GDL considers value as an objective concept, based on the product or service's imbued properties; SDL [and SL] understand value-in-use and co-creation as provider facilitated and inter-subjective (requiring mutual inputs of customer and producer); CDL intuits that value may be created *subjectively* or inter-subjectively, and within customer-dominant realms. They provide the case (Fournier and Avery, 2011) of *Coca Cola* and *Nutella* customers creating and cultivating popular public *Facebook* pages without ties to the organizations themselves—in 2009, before brand pages were obligated to be verified. The subjective value-in-use of the products was experienced by many customers. By utilizing the networking platform *Facebook*, a community formed where inter-subjective value was experienced in a customer-dominant realm—the companies or marketers themselves had no control over the content or moderation of the pages. These customers were now "part-time marketers" for the firm (Gummesson 1991).

According to the SL concept of the *customer sphere,* independent value creation is still related to the firm's unintelligent resources, as in the example of remembering a vacation, or getting complimented on your suntan (Grönroos and Voima 2013: 143). It

could be argued the mental attachment to the brand or memory of use constituted an indirect value facilitation. In this case, though, the *Facebook* page is about the brand, but *dominated* by C2C value formation—for example, in the social gratification of sharing a popular post for the entertainment and education of the other community members. SDL also would struggle to describe this customer dominant value creation within the framework of co-creation, unless of course it was referring to *Facebook* co-creating with its users. However, due to *Facebook* policy changes, the brands were required to take over the pages, but continued to let the customers play an active part. Here, because the companies have entered a relational status, there is the opportunity for SL or SDL to better explain interactive value creation.

Relational status: GDL is principally concerned with market exchanges, and providers can influence passive consumers; SDL [and SL] rely on reciprocal dialogue and co-creation, and direct or indirect brand facilitation is necessary; CDL offers that consumers may choose whether to involve brands in their subjective and inter-subject value-in-use. An example provided is the novel *50 Shades of Grey,* which originated as a fan-fiction of the *Twilight*-franchise (Kellogg 2012). It was developed in a consumer-dominant realm, an independent fan-fiction sharing website, not linked to the *Twilight* publishers, brand, or any of the corporate agents. *50 Shades of Grey* was not co-created value, it entirely transformed the offering into a new product. Relating to Brown and Patterson's (2009) case of the *Harry Potter* craze, customers adapt brand meanings to their own situational lives so idiosyncratically, that they escape the conceptual firm relationship suggested by the dyadic co-creation model. As was the case with *50 Shades of Grey,* the *Twilight* brand may have captured the value of a few book sales, but the customer-driven value—the position as the highest earning adult fiction author (Guinness World Records 2019)—emerged in a customer-dominant realm outside of firm facilitation, and by transformation of the original product offering. SL would suggest that the *Twilight* publishers look for opportunities to support their customers' value-generating processes—perhaps by creating their own fan fiction publication platform. SDL can explain the operant resource exchange between actors but cannot adequately describe manipulation of the offering when value is co-created in customer-dominant realms (with no service-provider input).

Replication of product and service properties: GDL considers products and services to be homogenous and replicable, and deliver on a stated value promises; in SDL [and SL], value is co-created, heterogenous, and dependent on the input of actors; CDL suggests consumers have the ability to remake products and create wholly new ones and redefine brand meanings in socially significant ways disconnected from the brand's intent. The authors provide the case (Ro 2005) of *Run-D.M.C.*, the rap group who famously wore *Adidas* shoes, significantly boosting sales and popularity before receiving an endorsement deal. The group inadvertently associated the brand with rap culture—and later prison inmate culture, as they wore their sneakers without laces—changing the brand's image in a way not controlled by the company. Anker et al. (2015) also argue brands may gain a new semantic meaning in reference to customer-dominant activities (e.g. in the UK in the 1990s, a social group of men and women colloquially known as "chavs" adopted Burberry clothes as a fashion staple in their culture. Violence and football hooliganism led the brand image—and its signature beige check—to gain new meaning). Because provider-dominant logics tend to assume co-creation exists within the service paradigm, or through and with firm-dominant processes and resources, there is less explanatory power or managerial insight into the customer-dominant activities that have significant impact on financial or perceived value for the firm. The authors conclude that the ontological and semantic differences between GDL, SDL [SL], and CDL necessitate the study and managerial practice of consumer-dominant logic; firms should blend observatory and participatory involvement in C2C value creation, respecting customer integrity and avoiding strategies of control.

The sociology of brand-meaning and brand-relationships is a wide area of study (see: Arnould and Thompson 2005; Carù and Cova (eds.) 2007)—mostly outside the scope of this paper—that has shed light on how cultural institutions and social structures influence the value-generation process. Akaka et al. (2015) believe that the SDL concept of service ecosystems is supported by consumer culture theory (CCT) research (Arnould and Thompson 2005), but that CCT focuses on the practices and perceptions of consumers, and "pays less attention towards the participation and perspectives of firms and other actors in co-creating and evaluating cultural experiences" (210). They argue a service ecosystems approach to SDL will present an "actor-to-actor (A2A) view of the market" and shed light on how "value is co-created through the integration of resources in

systems of symbols and service exchange" (213-214). Yet, this assertion confirms the view put forward by Voima et al. (2011) that service ecosystems within SDL are moving further away from the customer-logic and still provider-dominant: the service ecosystem is conceptually and ontologically focused on the value generated during firm-conceived service; it does not distinguish between firms and customers (choosing the term "actor"); and does not account for the customer's value generating processes outside of the firm's service paradigm. An A2A view of the market does not reflect the perspectives of customers—who after all are the core to any business. A customer's institutional logic, or their orientations between social and cultural norms, is less useful to a firm than the customer's ecosystem logic, or how they conceive the value of the firm's offerings in their configuration of their *idiosyncratic well-being goals*. Therefore, the customer ecosystem view in CDL will not only describe resource exchange with the firm, but also the ways in which the customer configures their own value experiences between many firms and other customers. CDL is specifying the customer worldview in a more descriptive way than the marketing pre-theory known as SDL, or at least in a way which addresses business competition centred around and dominated by customers, not providers.

CDL presents a more challenging approach for managers, because it is forgoing the convenience of the aggregate conceptualization of value, and instead looking to adapt to unique customer habits. But, in principle, CDL is business-oriented approach that can be implemented in service management, marketing, and service design. While SDL claims to encompass GDL, CDL too can provide a framework for designing, pricing, and promoting material goods that fit into observed customer ecosystems, without dwelling on the metaphorical features of operant resources in service exchange. Whatever the business offering, the customer's value formation must exist at the core. There is, of course, research challenges in identifying C2C value and the ecosystem value considered invisible to the firm. However, Heinonen et al. (2018) find there is still room for explanatory theory and empirical research, possibly through big data and "netnography", an ethnographic approach to online communities and communication (Heinonen and Medberg 2018). The question central to CDL is not *"how the customer is positioned in the service system* but *how the customer is positioned in the customer's ecosystem?"* (emphasis in original, Voima et al. 2011: 9).

3.5 Which marketing logic is right for me?

In summary, SDL, SL, and CDL all differ from GDL, but can be differentiated in their views on the value formation process, especially in the firm's role. SDL at first spoke of service and value co-creation as an ongoing, metaphorical process. It later expanded the co-creation model to represent a market wide systems theory of service-for-service exchange, made up of a network of resource integrating actors in actor-generated institutions and institutional arrangements. SL was influential in identifying the relational aspects of the co-creation process, providing managers with a framework for when and how they could influence the customer's value-in-use. CDL, on the other hand, has radically shifted away from the firm's activities, and recommended the firm focus on observing the customer's ecosystem; it has suggested (Heinonen et al. 2013: 110-112):

> The scope of value is not limited to the resource frame of the service which is controlled by the company. Instead value is formed in multiple visible and invisible experiential spaces (e.g. biological, physical, mental, social, geographical and virtual), which reflect the customer's often uncontrollable ecosystem and life sphere […] Value is not isolated since the reality of the customer is interconnected to the realities of others. Value is therefore embedded in the dynamic, collective and shared customer realities.

These logics have aimed to provide a *marketing logic* for the changing business landscape. ***A goods-dominant logic of marketing*** has referred to the marketing theory produced roughly from 1950-1980 which put forth principles such as the marketing mix, 4Ps, market segmentation, and product life cycle; it is born out of neoclassical microeconomics and aims to manage customer satisfaction through targeting markets and making optimal decisions (Vargo and Lusch 2004); it is the view that marketing is a single-function department whose goal is to identify a market, communicate information, and pursue strategic advantages up until to point of value exchange (Grönroos 2006a). SDL, SL, and CDL have attempted to replace the goods-centred logic of traditional marketing with new perspectives on value creation more relevant to current business challenges.

SDL has suggested marketing be understood through the lens of *service*. SDL says marketing is a "continuous series of social and economic processes that is largely focused on operant resources with which the firm is constantly striving to make better value

propositions than its competitors" (Vargo and Lusch 2004: 5). As the 2016 version of FP_7 ("Actors cannot deliver value but can participate in the creation and offering of value propositions") would suggest, the definition should replace "value propositions" with "narratives of value potential that are cocreated among multiple actors" (Vargo and Lusch 2016: 10).

Therefore, a ***service-dominant logic of marketing*** is built upon the foundational understanding of *service* as actors exchanging their knowledge and skills; service will encompass all market offerings, including goods which are indirectly operant resource-vehicles; marketing will take place in service ecosystems, where value is co-created by multiple actors and realized by the beneficiary; institutional arrangements will affect the cultural and social contexts of actors; marketing will seek to co-create narratives of potential value with other actors and the beneficiary. SDL cannot say much about marketing strategy. Rather, it has become a way of thinking about marketing—which V&L consider the *dominant logic*. It has attempted to provide a lexicon and FPs for marketing pre-theory, re-framing and overwriting the goods-centred *traditional marketing*. SDL continues today as a collective, multi-disciplinary study of economic exchange with the goal of establishing a foundational marketing-science theory, from which sub-models and mid-range theory can be extrapolated.

A ***service-logic of marketing*** has demonstrated that marketing is about interacting with customers and making firms relevant to them. SL says marketing's goal is "to engage the firm with its customers' processes, with the aim of supporting value creation in those processes, in a mutually beneficial way" (Grönroos and Gummerus 2014: 210). SL has not been about creating a theory for marketing, but creating a logic based on service for organizations to practice supporting customer value-creation; value is *value-in-use* for the user; *service* occurs when the resources of the firm and the resources of the customer are applied together to support the goals and daily processes of the customer; marketing should be a management and company culture of creating platforms where value can be co-created, service can flourish, and promises can be kept; marketing, then, can become interactive and contribute to maintaining customer relationships (207-208). SL, distinct form SDL, has addressed the firm's role in co-creating value. Rather than attempting to build market theories, SL has taken the

characteristic Nordic School perspectives of service marketing and management and developed a "dominant logic" (Prahalad and Bettis 1986) for managers to orient their processes and strategies.

A ***customer-dominant logic of marketing*** implies that the firm should study the customer in their ecosystem in order to develop offerings that are useful to the value-creating activities customers are pursuing. CDL supposes that conceptual-focus on the firm's resources, processes, and goals represents a *provider's logic.* SDL and SL, in their ontological and semantic orientations, view the provider's activities and resources as integral to value creation. In the case of service ecosystems, actors can be both providers and consumers, and so everyone becomes a provider of service provisions. CDL, on the other hand, has strived to reframe the whole business and marketing apparatus around the *customer's logic* to a radical degree. From this vantage point, it becomes clear that the customer subjectively determines not only what is *value* to them, but also what *service* is. The customer is the foundation of business, so it is more useful than the generic classification of actor. The *customer's ecosystem* has a profound effect on the perceived and functional quality of value and service, and this is largely invisible to the firm. CDL views marketing as mostly an observatory learning process, where the firm is constantly striving to understand the customer's value-generating activities. Marketing becomes participatory when customer's initiate contact, and here there is potential to better align the company's processes, and the possibility of co-creation. CDL is the most agile, versatile, and relevant marketing logic. It acknowledges and accounts for C2C value creation and provides managers with a theoretical framework for observatory and participatory learning *with* customers in order to grow with the market. CDL is the most robust marketing logic for firms wishing to participate and co-create with their customers in customer-dominant realms of value creation, particularly those in the digital landscape. Perhaps CDL would never have crystalized without the popularity and wide acceptance of SDL—which itself instigated a conversation spanning disciplines about the underlying assumptions that have dominated marketing, business, and economics. Perspectives abound and continue to morph. The true test of these logics, however, will be what works and what doesn't in the market.

4 Conclusion

The researcher began this thesis interested in how experience is treated in business. What was uncovered was a science in distress. The cutting-edge 21st century marketing literature has this to say: the underlying assumptions that make up the fabric of conceptual marketing thought have changed. From the 1980s on, disparate service and marketing research has been moving towards a new logic—both in the minds of practitioners and academics. Service-dominant logic (Vargo and Lusch 2004) (SDL or S-D logic) was issued as a meta-analysis of the emerging worldview of marketing in which the primacy of operant resources would characterize all actor exchange as service exchange. The ramifications of this thesis were twofold: value is always co-created between actors within service ecosystems and institutional arrangements, and a general theory of the market could form based on service as the fundamental unit of exchange. Service logic (SL) (Grönroos 2006a) emerged shortly after from the Nordic School of Service literature as a managerially-oriented mindset for facilitating value-in-use during interaction with customers. It put forth the value spheres model as a conceptualizing of the roles of provider and user during value-creation. Customer-dominant logic (CDL) (Heinonen et al. 2010) is a perspective contrasting with provider-dominant logics. CDL envisions customer value forming within ecosystems made of the configuration of value creation activities related to customer well-being. This customer ecosystem is largely invisible to the firm and portrays the myriad service offerings and social connections that customers utilize in order to achieve their idiosyncratic life goals.

"Logicscapes" offer varying perspectives and opportunities available for firms to orient themselves in a new competitive landscape, each suggesting differing approaches and mindsets. SDL can help firms to understand their strategic positions within service ecosystems and to enhance their overall capacity to co-create value within institutional arrangements and service ecosystems. Also, by adopting the SDL framework, they may see all their products as articles of operant resources and pursue value creation by investing in the knowledge and skills of themselves and various actors. For academics, SDL can provide a base lexicon for creating mid-range theory, case study, and research in a multi-disciplinary capacity.

SL gives managers a clear set of guidelines for understanding the service interaction. With the concepts of potential value-in-use and real value-in-use, and understanding of the spheres of value creation, firms can pursue activities which create platforms for value co-creation. SL also gives a fundamental lexicon for navigating the Nordic School of Service concepts. For marketers, SL will empower them to examine their roles as inter-departmental potential value-creators, whose task should be to make the firm's processes relevant to the customer's daily processes. SL gives service researchers guiding principles that put service in real terms with clear practice-application.

CDL can orient firms towards creating offerings that customers can incorporate into their lives, conform to their personal definitions of service and value, and render experiences that earn a place in their hearts and minds. CDL establishes research and practice framework unique from SDL and SL, geared towards relevant issues in the digital economy and "fourth industrial revolution" (Schwab 2017). It breaks the mould of provider-oriented logics and bridges the gap between purely consumer-oriented research and strategic business concepts. Unlike provider-dominant co-creation and customer-orientation models, CDL will not prioritize the activities of the firm in pursuing value creation for the customer, but instead observe and adapt to the value-forming activities of customers in their own ecosystems. CDL has given firms and organizations clarity and insight into the central role of the customer, unabashedly saying they should be prioritized over firm-centric activities and concerns. Although CDL can be integrated into larger firms who are currently trapped in their own provider-logic thinking, its most exciting prospects come in the form of new business development and entrepreneurship. Whether or not firms can adapt, *customer logic* will continue to shape the market.

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