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SERVICE-BASED DOMINANT LOGIC

Keywords: service-based dominant logic, service-dominant logic, service logic, customer-dominant logic

Purpose: since 'service-dominant logic' has become widely accepted collocation to position service as the fundamental basis of business scholars often refer to it with no further investigations what it really means. Furthermore, although other concepts appeared as the result of the discussion whether service as logic can offer marketing new insights they have not got as much attention from the academic community as the concept of service-dominant logic. The propositions of service-dominant logic recently have been presented as axioms (Lusch and Vargo, 2014). Debating such exclusive position of one particular research stream this paper aims to introduce a concept of service-based dominant logic as a generic concept in this field, define it, and reveal its dimensions, theoretical framework, and managerial implications.

Design/methodology/approach: service marketing has been studied since 1970s. During the following decades a number of publications in this field has grown substantially and has evolved from "the early services-marketing-is-different to the maturation of specific topics" (Fisk et al., 1993, p.61). The subject of this paper is approached by theoretical analysis and conceptual development. Prahalad and Bettis (1986) defined the dominant logic as a knowledge structure, a set of management processes, conceptualization of business and the tools to accomplish goals and make decisions in that business. Following this approach the present article suggests 'service-based dominant logic' as the name for a generic concept instead of the widely used 'service-dominant logic'. The reason for this is that 'service-dominant logic' can be misinterpreted as logic only dominated by service while 'service-based dominant logic' better reflects 'pure' logic of service, i.e. service as the fundamental basis of business with no goods-centric aspects.

Findings: the paper proposed the definition of service-based dominant logic. Service-based dominant logic was defined as a concept of business meaning firm's facilitation and participation in customer value creation processes using different types of resources.

Based on this definition the study found three dimensions of service-based dominant logic in the relevant literature: 'service-dominant logic', 'service logic' and 'customer-dominant logic'. Vargo and Lusch (2004) introduced "new dominant logic of marketing", i.e. service-dominant view, in which intangibility, exchange processes and relationships are central instead of goods-dominant view, in which tangible output and discrete transaction were central. Grönroos (2006) proposed the term "service logic" which meant that a firm facilitated processes that supported customers' value creation. Heinonen et al. (2010) offered a customer-dominant logic of service as a new perspective on the roles of customers and companies in creating value by outlining a customer-based approach to service.

The comparison of the main propositions of service-dominant logic, service logic and customer-dominant logic demonstrates that service-dominant logic is more a kind of provider-dominant and production-focused logic. Although service-dominant logic considers service as fundamental basis of exchange and a customer as a co-creator of value it follows more a company-centric approach and gives the control on value co-creation to a firm, not to a customer. On the other hand, service logic regards to services as a mediating factor, a type of resources, along with goods and information, which customers use in self-service processes that create value for them. Service logic and customer dominant logic focus on a customer as the main value creator and emphasize the role of a company as a value facilitator that is indirectly involved in the customer's value creation. Especially, customer-dominant logic argues that value formation takes place in the control zone of the customer; value is formed in the life and ecosystem of the customer; and a firm supports customers' activity and experience structures. In this regard, customer-dominant logic refers to service as a part of an ongoing flow of interrelated experiences and sense-making of customers. Service logic considers an opportunity for a firm to co-create value jointly with customers as well provided that a firm can engage in its customers' value-creating processes during direct interactions. Besides, although service-dominant logic argues that goods are only a distribution mechanism for service provision, service logic states that customers still may buy resources, either goods or services, as value-in-exchange according to their value facilitating or value fulfillment capabilities. And all three research streams agree that value is always uniquely and both experientially and contextually perceived and determined by the customer.

The article also showed similarities and differences between these three research streams relating to how they defined a value, value creation, role of a customer, role of a company, and importance of interactions in value creation. To start with, all the streams recognize value as mostly value-in-use and the predominant role of a customer in value creation. But if service-dominant logic considers this process as value co-creation (even including co-production) between a company and a customer, customer dominant logic regards to it as value creation by customers themselves. Hence, customer-dominant logic decreases the importance of the interactions between a company and a customer reasoning that the activities leading to value creation are performed mostly by customers. Service logic, nevertheless, emphasizes the critical importance of interactions developed by a firm with its customers during their value-generating processes because it allows directly engaging of a company in value fulfillment for the customers and hence a company becoming a co-creator of value. Service logic argues that customers create value for themselves by using resources and applying skills in self-service value-generating processes. Consequently, Grönroos (2008) examines two facets of service logic: the customer and the provider. The customer service logic means "when using resources provided by a firm together with other resources and applying skills held by them, customers create value for themselves in their everyday practices". The provider service logic means "when creating interactive contacts with customers during their use of goods and services, the firm develops opportunities to co-create value with them and for them" (Grönroos, 2008, p.299).

Then, the present paper described the theoretical framework of service-based dominant logic. First, the research indicates that service-based dominant logic has been constructed primarily utilizing three root theories: service marketing, relationship marketing and value creation. Service and relationship marketing changed the marketing mix paradigm revealing the importance of constant interactions between the service provider and customers as well as the importance of long-term relationship building (Grönroos, 1994). The value creation literature emphasized that a firm rather than to create value for customers should mobilize customers to create their own value from firm's offerings (Normann and Ramirez, 1993). Interactions between a firm and customers became the locus of value creation and the meaning of value shifted from a

product and a firm-centric view to personalized customer experience (Prahalad and Ramaswamy, 2004). Second, service-based dominant logic interrelates with other disciplines particularly with customer relationship management and business networks and channels research. Customer relationship management explores the role of information, technology, and applications in a cross-functional integration of processes, people, operations, and marketing capabilities in order for a firm to understand customers and co-create value with them (Payne and Frow, 2005). Business networks and channels research, similarly to service-based dominant logic, define interactions as the core process of business but refers to them as “networking”, a process of sequential action, reaction and re-reaction by counterparts. And service involves interactions between counterparts and their attention to each other’s problems (Ford, 2011). Third, the paper considers service-dominant logic, service logic and customer-dominant logic as the dimensions of service-based dominant logic, but not exclusively; it states that other research streams can be also included if they explore service as a business perspective.

Finally, the research demonstrated that managerial implications of service-based dominant logic mainly came from the definition of service as a perspective on the provider’s activities with the focus on providing goods, services and other resources to support customers’ creation of value-in-use (Grönroos, 2008). The article classified the managerial implications of service-based dominant logic into three groups:

- a company’s decision making (development of marketing strategies based on the thorough understanding of customers’ everyday practices of value creation);
- a company’s organizing (engagement of a firm in customers’ value creation and value fulfillment; focus on activities and processes in the customers’ everyday practices, on assisting those everyday practices in a value-supporting way; keeping promises, creating customer loyalty);
- a company’s activities (development of new goods and services towards the customers’ everyday practices; constant interactions with customers which enable a firm to influence customers’ consumption and value-generating processes; including in market offering, first, a core service package consisting of a core service and facilitating and supporting services, and, second, the service process making the service process accessible to customers).

Originality/value: the paper contributes conceptually to the service marketing literature by delineating the concept of service-based dominant logic which is one way to contribute to the marketing literature (McInnis, 2011). This term that before has not been widely used serves as the “umbrella” for three research streams exploring service as business perspective: ‘service logic’, ‘service-dominant logic’ and ‘customer-dominant logic’. Although the existing literature includes comparisons between service-dominant logic and service logic (Grönroos, 2011), between service-dominant logic and customer-dominant logic (Heinonen et al., 2010) or discussions within service-dominant logic (Vargo and Lusch, 2006; Ballantyne and Varey, 2008) this paper is the first to compare all three research streams as the dimensions of service-based dominant logic. This allows making deeper comparison between their main propositions that could be interesting for the academic community for further application of research methods to collect empirical data from the corporate sector to check the findings. Hence, the article corresponds to the need to “constantly evaluate mainstream definitions, categories, and concepts in relation to those offered by new theory” (Gummesson et al., 2010, p. 18). Moreover, a concept of service-based dominant logic allows conducting other research in this field providing further insights in service as a business perspective.

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