

Service Dominant Logic – New Paradigm in the New Era for Creating Value

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Abstract: *Service dominant logic is gaining importance in recent times as value creation becomes the integral part of the marketing process. The traditional marketing focused on goods but the time has changed which attempts to give consideration to service. The service oriented design should be framed in such way that it delivers excellent co-creation value to the customers. The goods oriented design limits the scope of opportunities for value creation. The service dominant logic fills that gap which considers both economic and social aspects of the marketing environment. This paper attempts to reveal the basic concept of service dominant logic, the difference between the goods centered and service centered services. The functional premises discussed in the paper gives a clear picture about service dominant logic and its role in every part of the exchange process. Service dominant logic is considered as a resource based view of the firm which assesses the quality of the service in terms of competitive advantage.*

Keywords: *Service dominant, functional premises*

I. Introduction

Marketing inherited a model of exchange from economics, which had a dominant logic based on the exchange of "goods", which usually are manufactured output. The dominant logic focused on tangible resources, embedded value, and transactions. Over the past several decades, new perspectives have emerged that have a revised logic focused on intangible resources, the co-creation of value, and relationships. The new perspectives are converging to form a new dominant logic for marketing, one in which service provision rather than goods are fundamental to economic exchange.

II. Goods Centered Vs Service Centered

Viewed in its traditional sense, marketing focuses largely on operand resources, primarily goods, as the unit of exchange. In its most elementary form, the goods-centered view postulates the following:

1. The purpose of economic activity is to make and distribute things that can be sold.
2. To be sold, these things must be embedded with utility and value during the production and distribution processes and must offer to the consumer superior value in relation to competitors' offerings.
3. The firm should set all decision variables at a level that enables it to maximize the profit from the sale of output.
4. For both maximum production control and efficiency, the good should be standardized and produced away from the market.
5. The good can then be inventoried until it is demanded and then delivered to the consumer at a profit

The service-centered view of marketing implies that marketing is a continuous series of social and economic processes that is largely focused on operand resources with which the firm is constantly striving to make better value propositions than its competitors. The service-centered view can be stated as follows:

1. Identify or develop core competences, the fundamental knowledge and skills of an economic entity that represent potential competitive advantage.
2. Identify other entities (potential customers) that could benefit from these competences.
3. Cultivate relationships that involve the customers in developing customized, competitively compelling value propositions to meet specific needs.
4. Gauge marketplace feedback by analyzing financial performance from exchange to learn how to improve the firm's offering to customers and improve firm performance.

III. Functional Premises Of Service Dominant Logic

FPI: The Application of Specialized Skills and Knowledge Is the Fundamental Unit of Exchange.

The exchange of specializations leads to two views about what is exchanged. The first view involves the output from the performance of the specialized activities; the second involves the performance of the

specialized activities. That is, if two parties jointly provide for each other's carbohydrate and protein needs by having one party specialize in fishing knowledge and skills and the other specialize in farming knowledge and skills, the exchange is one of fish for wheat or of the application of fishing knowledge or competence (fishing services) for the application of farming knowledge or competence (farming services).

FP2: Indirect Exchange Masks the Fundamental Unit of Exchange

Over time, exchange moved from the one-to-one trading of specialized skills to the indirect exchange of skills in vertical marketing systems and increasingly large, bureaucratic, hierarchical organizations. During the same time, the exchange process became increasingly monetized. Consequently, the inherent focus on the customer as a direct trading partner largely disappeared. Because of industrial society's increasing division of labor, its growth of vertical marketing systems, and its large bureaucratic and hierarchical organizations, most marketing personnel (and employees in general) stopped interacting with customers. In addition, because of the confluence of these forces, the skills-for-skills (services-for-services) nature of exchange became masked.

FP3: Goods Are Distribution Mechanisms for Service Provision

The view of tangible products as the fundamental components of economic exchange served reasonably well as Western societies entered the Industrial Revolution, and the primary interest of the developing science of economics was manufacturing. Given its early concerns with the distribution of manufactured and agricultural goods, the view also worked relatively well when it was adopted by marketing. However, marketing has moved well beyond distribution and is now concerned with more than the exchange of goods. Goods are not the common denominator of exchange; the common denominator is the application of specialized knowledge, mental skills, and, to a lesser extent, physical labor (physical skills).

FP4: Knowledge Is the Fundamental Source of Competitive Advantage

Knowledge is an operant resource. It is the foundation of competitive advantage and economic growth and the key source of wealth. Knowledge is composed of propositional knowledge, which is often referred to as abstract and generalized, and prescriptive knowledge, which is often referred to as techniques. The techniques are the skills and competences that entities use to gain competitive advantage.

FP5: All Economies Are Services Economies

The fundamental economic exchange process pertains to the application of mental and physical skills (service provision), and manufactured goods are mechanisms for service provision. However, economic science, as well as most classifications of economic exchange that are based on it, is grounded on Smith's narrowed concern with manufactured output. Consequently, services have traditionally been defined as anything that does not result in manufactured (or agricultural) output. In both the classification of economic activity and the economic eras, the common denominator is the increased refinement and exchange of knowledge and skills, or operant resources. Virtually all the activities performed today have always been performed in some manner; however, they have become increasingly separated into specialties and exchanged in the market.

FP6: The Customer Is Always a Co-producer

From the traditional, goods-based, manufacturing perspective, the producer and consumer are usually viewed as idea New Dominant Logically separated in order to enable maximum manufacturing efficiency. However, if the normative goal of marketing is customer responsiveness, this manufacturing efficiency comes at the expense of marketing efficiency and effectiveness. From a service-centered view of marketing with a heavy focus on continuous processes, the consumer is always involved in the production of value.

FP7: The Enterprise Can Only Make Value Propositions

Marketing inherited a view that value was something embedded in goods during the manufacturing process, and early marketing scholars debated the issue of the types and extent of the utilities, or value-added, that were created by marketing processes. This value-added view functioned reasonably well as long as the focus of marketing remained the tangible good. However, arguably, it was the inadequacy of the value-added concept that necessitated the delineation of the consumer orientation essentially, the caution that the consumer ultimately needed to find embedded value (value in exchange) useful (value in use).

FP8: A Service-Centered View Is Customer Oriented and Relational

Interactivity, integration, customization, and coproduction are the hallmarks of a service-centered view and its inherent focus on the customer and the relationship. In a service-centered model, humans both are at the center and are active participants in the exchange process. What precedes and what follows the transaction as

the firm engages in a relationship (short- or long-term) with customers is more important than the transaction itself. Because a service-centered view is participatory and dynamic, service provision is maximized through an iterative learning process on the part of both the enterprise and the consumer.

FP9: *Organizations exist to integrate and transform micro specialized competences into complex services that are demanded in the marketplace*

It identifies the other core activity (besides service provision) of economic (and social) actors: resource integration. It sets the stage for thinking about the mechanics and the networked nature of value co-creation, as well as the process through which the resources for service provision are created, the integration of resources, resources from various market-facing, public, and private sources. Importantly, this resource-integration does not just apply to the actor typically referred to as a "producer" (e.g., the firm) in G-D logic, but also, and even more importantly, to the actor, usually referred to as the "consumer" or the "customer".

FP10: *Value is always uniquely and phenomenologically determined by the beneficiary.*

It sets the stage for the explication of the contextual and unique nature of value realization and value determination and, thus, for FP10, which states that value is always uniquely and phenomenologically determined by the beneficiary. Here "phenomenological" is intended to capture the experiential nature of value. That is, value must be understood in terms of the holistic combination of resources that lead to it, in the context of other (potential) resources. It is thus always unique to a single actor and, it follows, can only be determined by that actor, or at least with the actor as the central referent.

IV. Conclusion

Service Dominant logic of marketing is gaining importance nowadays to focus on certain important issues which could contribute significantly to the foundation of marketing. The service science aspect of marketing is very essential to create a value creation process for the marketers which enable them to be highly successful in the long run. The spotlight on the service dominant logic assures well manageable exchange systems and execution of brilliant service systems at different levels in a marketing process.

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