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## Abstract

This article serves as an introduction to a special section on 'Extending Service-dominant Logic', which includes articles developed from manuscripts presented at the Forum on Markets and Marketing held in Sydney, Australia. This special section is, in turn, part of a combined 'special issue', with related articles published in the *Australasian Marketing Journal*, the *European Journal of Marketing*, and the *Journal of Macromarketing*. Together with the articles in these journals, the four articles presented here move S-D logic closer to a theory of the market and marketing by further connecting conceptual dots and exploring the role of theory in relation to S-D logic, and S-D logic in relation to theoretical orientations.

## Keywords

consumer culture theory, marketing theory, service-dominant logic, social construction, value-in-context

The first special issue on what has become known as 'service-dominant (S-D) logic' (Vargo and Lusch, 2004a, 2008) was published by *Marketing Theory* (see Lusch and Vargo, 2006a) in 2006. It comprised articles and commentaries by scholars who had participated in the Otago Forum in Dunedin, New Zealand, in 2005. Much has happened in the relatively short period since then. Just a quick, surface look reveals at least a half-dozen S-D logic-focused conferences, a dozen S-D logic-focused special issues (or sections) in journals, including the Forum on Markets and Marketing (FMM) and this special section of *Marketing Theory*, which is associated with that forum. Additionally, there have been countless S-D logic-grounded articles and presentations by an increasing number of scholars from increasingly diverse disciplines, not counting the dozens of articles and presentations in which Bob Lusch and I have participated.

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Below the surface, the events appear to be even more significant. Through the collaborative activities indicated above, and others, S-D logic has broadened in scope and increased considerably in depth. What began as an attempt (Vargo and Lusch, 2004a, 2004b) to identify, find the convergence among, and point toward a logical extension of conceptual and perceptual shifts taking place in apparently diverse research streams, mostly in marketing, has arguably moved beyond that. It now, arguably, forms at least a foundational framework for more substantive work and a relatively consistent lexicon for the development of that framework, though both are very much works in progress. The Forum on Markets and Marketing: Extending Service-dominant Logic was intended to further advance this collaborative process. Two key goals motivated it: (1) beginning to nudge S-D logic from framework to theory; and (2) extending the theoretical domain *from marketing to markets*. Both of these goals require some elaboration.

## S-D logic and theory

From the beginning, Bob Lusch and I have acknowledged that S-D logic does not represent a theory; rather it is a lens, a perspective, for seeing the economic (and social) world differently from the traditional microeconomic and related marketing-management view; what we have called 'goods-dominant (G-D) logic' (e.g. Vargo and Lusch, 2008). That is, it is 'pre-theoretic' and thus operates at a paradigm level (though we have also consistently disclaimed paradigm status). We based this acknowledgment on Hunt's (1991: 4) definitional delineation of the requirements of the theory: 'a systematically related set of statements, including some lawlike generalizations, that is empirically testable.' In our opinion, S-D logic's foundational concepts and insights have not yet been sufficiently related and do not represent lawlike generalizations to meet the essential criteria of theory. Furthermore, while it is represented by 10 foundational premises (see Vargo and Lusch, 2008), they are not strictly empirically testable (see also Vargo, 2007). However, we have suggested that S-D logic could provide a foundation for a new theory, which we and others have suggested is needed for the advancement of marketing.

## Theory and marketing

In our original suggestion that S-D logic could be foundational to theory building, our focus was on a *general theory of marketing* (see Lusch and Vargo, 2006b). However, on several occasions, including in the prior special issue on S-D logic in *Marketing Theory*, Penaloza et al. (2006; see also Venkatesh et al., 2006) have pointed out that it is actually the study of *markets* that is missing from *marketing*. Others (e.g. Araujo, 2007; Callon, 1998; Kjellberg and Helgesson, 2007) have also noted a need to define, conceptualize, and understand the 'market' better.

I also discussed some of the issues surrounding this situation and identified the need for a closer look at the market(s) in order to advance marketing in 'On a Theory of Markets and Marketing: From Positively Normative to Normatively Positive' (Vargo, 2007). The basic argument is that, whereas *marketing*, essentially by definition, has a normative purpose, normative decision making should be built on 'positive' theory (i.e. of the market); but marketing's foundation is actually built on economic science, which, in turn, is built on Smith's (1776) normative views about what nations needed to do to become wealthy in the context of the industrial revolution: *The Nature and Causes of the Wealth of Nations*.

Given his purpose and the context at that time, Smith reasoned that the road to national wealth was through the creation and export of surplus tangible goods; thus, he designated those activities

that created tangible goods as 'productive.' This identification of 'productive' activities essentially excluded *all* other activities, such as legal, military, government, and most of what would now be known as marketing activities (with some exception), which were designated 'unproductive,' not because they were not useful, or even essential, to human wellbeing, but simply because they did not contribute to national wealth through creation and export of surplus tangible goods. For reasons detailed in Vargo and Morgan (2005), it was this restricted, production and product-centered orientation that provided the foundational orientation for economic science and, later, for marketing and for what Bob and I have called 'goods-dominant (G-D) logic.'

Some of these issues regarding theory in marketing were discussed during and following an S-D logic-focused special session at the Academy of Marketing Science World Conference in Verona, Italy, in 2007. One of the outcomes of those discussions was the creation of the Forum on Markets and Marketing, to be held every two years with the purpose of simultaneously advancing our understanding of market and marketing and moving S-D logic closer to theory.

## **Toward a theory of markets and marketing**

The first FMM, with the continuing subtitle of 'Extending Service-dominant Logic,' was sponsored by the University of New South Wales in Sydney and hosted and co-chaired by Roger Layton in December 2008 – FMM 2010 was sponsored by the University of Cambridge and hosted by Irene Ng. The meta-issues identified in the FMM 2008 call for papers were:

- Marketing, Markets and Value(s)
- Markets and Marketing Systems
- Grand or General Theory of Markets and Marketing.

The articles in this special section of *Marketing Theory* were developed from working papers and presentations from that forum. Additional FMM 2008 related papers are being published, along with commentaries by me, in special sections of three other journals; these include:

### *Australasian Marketing Journal*

- 'Practices as Markets: Value Co-creation in E-invoicing,' Oskar Korkman, Kaj Storbacka, and Bo Harald.
- 'Systemic and Service Dominant Socio-economic Development: Legal, Judicial and Market Capacity Building in Bangladesh,' Anthony Pecotich, Don Rahtz, and Clifford Shultz.
- 'Opportunism in Co-production: Implications for Value Co-creation,' Burcak Ertimur and Alladi Venkatesh.

### *European Journal of Marketing*

- 'A Stakeholder Perspective of the Value Proposition Concept,' Pennie Frow and Adrian Payne.
- 'Dynamics of Value Propositions: Insights from Service-dominant Logic,' Christian Kowalkowski.
- 'Towards a Theory of Marketing Systems,' Roger A. Layton.
- 'Markets as Configurations,' Kaj Storbacka and Suvi Nenonen.

### *Journal of Macromarketing*

- ‘Property Rights Design and Market Process: Implications for Market Theory, Marketing Theory and S-D Logic,’ Michaela Hasse and Michael Kleinaltenkamp.
- ‘The Integrative Justice Model for Marketing to the Poor: An Extension of S-D Logic to Distributive Justice and Macromarketing,’ Gene Lacznik and Nicholas Santos.
- ‘A Stakeholder-unifying, Co-creation Philosophy for Marketing,’ Robert F. Lusch and Fred Webster.

Consistent with the spirit of FMM 2008, the four articles in this special section move S-D logic closer to a theory of the market and marketing by beginning to better relate concepts by connecting conceptual dots and exploring the role of theory in relation to S-D logic and S-D logic in relation to theoretical orientations.

Perhaps, given Liza Penalzoza’s role in pinpointing the somewhat missing market in marketing science (e.g. Venkatesh and Penalzoza, 2006), it is particularly fitting that Penalzoza, along with her co-author Jenny Mish, is represented in this special section. In ‘Leveraging Insights from Consumer Culture Theory and Service Dominant Logic: The Nature and Processes of Market Co-creation in Triple Bottom Line Firms’, Penalzoza and Mish connect consumer culture theory (CCT) and S-D logic by taking on the rather intricate task of understanding market co-creation through the combined understanding of the co-production of meaning (from CCT) and the co-creation of value (from S-D logic). To accomplish this, they investigate, through case studies, the practices of nine triple-bottom-line (TBL) oriented firms. They find, reciprocally, that cultural meaning is an important part of value and that value informs meaning; they further investigate the overlap and distinction between and among operand and operant resources and economic, social and environmental domains as they converge in the co-creation of markets.

This elaboration of the CCT-with-S-D logic connection extends the ‘natural ally’ contention of Arnould in the 2006 special issue. It seems to me that, in so doing, it also represents a particularly valuable contribution as we try to reframe the ‘supplier’–‘producer’–‘customer’ divides, as Bob Lusch and I (Vargo and Lusch, 2011) have recently suggested is necessary, if we are to fully understand markets. The key contribution of CCT here is the conceptualization and identification of the role of co-created and shared ‘*meaning*,’ as it is generated by and as it facilitates value creation through the interplay of the various actors, at various levels of market interaction.

Chandler and Vargo take a somewhat different approach to the understanding of actors and their levels and interplay, by focusing on context in ‘Contextualization and Value-in-Context: How Context Frames Exchange.’ Similar to Penalzoza and Mish, the central idea is that the context of value co-creation is also co-created (cf. Giddens, 1984). Thus, to be fully appreciated, the activities of actors must be understood in the context of their network connections, which further implies that networks must be understood from the perspective of higher-order networks, represented in terms of micro, meso, and macro levels. Furthermore, the context of value creation is characterized by temporal and dynamic characteristics, suggesting a systems perspective, which represents a meta layer, consistent with the call for a systems perspective of the market in Vargo and Lusch (2011).

Loebler takes yet another path to S-D logic but seems to arrive at a similar, or at least compatible, conclusion as Penalzoza and Mish, and Chandler and Vargo, in ‘Position and Potential of Service-Dominant Logic – Evaluated in an “Ism” Frame for Further Development.’ His perspective is from what he calls the ‘isms’ of scientific theory, which he groups (admittedly somewhat by approximation) in terms of ‘*object-orientation*’ – realism, positivism, empiricism, etc.; – ‘*subject*

*orientation*' – constructivism, interpretivism, etc.; – '*intersubjective orientation*' – social constructionism, pancritical rationalism, methodological constructivism, etc.; – and '*sign orientation*' – post-structuralism, postmodernism, and variations. He classifies S-D logic as primarily intersubjective, but notes that there is a huge potential for further development of market and marketing theories through a sign-orientated, post-structural perspective that links to practice theory, a stance very similar to that of Penaloza and Mish and compatible with the co-creative, and resource-integrative, contextual perspective of Chandler and Vargo.

In 'Theorizing about Service Dominant Logic: The Bridging Role of Middle Range Theory,' Brodie, Saren, and Pels also take a 'practice' approach but here it is practices as documented in the Contemporary Marketing Practices (CMP) research initiative, with which they are associated. Their purpose is twofold: to investigate that role of middle range theory in the building of grand theory; and to assess empirically the degree to which marketing practice is evolving toward an S-D logic orientation, as represented in terms of middle range theory, thus linking theory and practice, both theoretically and practically. They conclude that a significant percentage of (US and New Zealand) firms are exhibiting S-D logic practices and call for more research on the theory–practice links using a variety of empirical methods.

Taken together, the articles in this special section of *Marketing Theory*, and those in the three related journal special sections, begin to move S-D logic beyond the characterization of a perspective and toward the building of market theory that can potentially, ultimately better inform normative marketing practices. I encourage readers to read them thoroughly and to make their own contributions to this process.

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