UNIVERSITÀ DEGLI STUDI DI SALERNO

DIPARTIMENTO DI SCIENZE AZIENDALI MANAGEMENT & INNOVATION SYSTEMS

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SISTEMI PER L'INNOVAZIONE E MANAGEMENT SANITARIO

Marketing Strategy in Service Business

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Programme

- Marketing and Service Marketing: origins, evolutions & trends
- Service Theories: from S-D logic & Service Science to service ecosystems & service systems

- Many-to-Many Marketing
- Marketing plan
- Value co-creation
- Unconventional marketing

Case studies
Examples

Agenda: Lesson 2

Service theories:

- Service-Dominant Logic
- Service Science

New organizational frameworks:

- ❖ Service ecosystems
- ❖ (Smart) service systems

Case studies and examples from research projects

2.1

Service- Dominant logic

Service-based & Systems perspective: The key theories

Service- dominant logic (SDL)	Service Science, Management, Engineering and Design (SSMED)
Vargo & Lusch (2004)	Maglio & Spohrer (2008)
Theory that introduces the transition from a manufacturing logic to a new service-based conceptualization of value creation process.	*Multidisciplinary research* stream (computer science, management, sociology…) which proposes a practical approach to the study of service systems, with a focus on service design and evaluation.

The Story of S-D Logic

The Story and Back Story:

- Vargo, Stephen L. and Robert F. Lusch, (2004) "Evolving to a New Dominant Logic for Marketing," ***Journal of Marketing***.
  - Submitted: 1999
  - Published: 2004

Stephen L. Vargo & Robert F. Lusch

Evolving to a New Dominant Logic for Marketing

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 cocreation of value, and relationships. The authors believe that the new perspectives are converging to form a new dominant logic for marketing, one in which service provision rather than

The formal study of marketing focused at first on the distribution and exchange of commodities and manufactured products and featured a foundation in economics (Marshall 1927; Shaw 1912; Smith 1904). The first marketing scholars directed their attention toward commodities exchange (Copeland 1920), the marketing institutions that made goods available and arranged for possession (Nystrom 1915; Weld 1916), and the functions that needed to be performed to facilitate the exchange of goods through marketing institutions (Cherington 1920; Weld 1917).

By the early 1950s, the functional school began to morph into the marketing management school, which was characterized by a decision-making approach to managing the marketing functions and an overarching focus on the customer (Drucker 1954; Lavitt 1960; McKitterick 1957). McCarthy (1960) and Kotler (1967) characterized marketing as a decision-making activity directed at satisfying the customer at a profit by targeting a market and then making optimal decisions on the marketing mix, or the "4 P's." The fundamental foundation and the tie to the neoclassical economic model continued to be strong. The leading marketing management textbook in the 1970s (Kotler 1972, p. 42, emphasis in original) stated that "marketing management seeks to determine the settings of the company's *marketing decision variables* that will maximize the company's objective(s) in the light of the expected behavior of noncontrollable *demand variables*."

Beginning in the 1980s, many new frames of reference that were not based on the 4 P's and were largely independent of the standard microeconomic paradigm began to emerge. What appeared to be separate lines of thought surfaced in relationship marketing, quality management, market orientation, supply and value chain management, resource management, and networks. Perhaps most notable was the emergence of services marketing as a subdiscipline, following scholars' challenges to "break free" (Shostack 1977) from product marketing and recognize the inadequacies of the dominant logic for dealing with services marketing's subject matter (Dixon 1990). Many scholars believed that marketing thought was becoming more fragmented. On the surface, this appeared to be a reasonable characterization.

In the early 1990s, Webster (1992, p. 1) argued, "The historical marketing management function, based on the microeconomic maximization paradigm, must be critically examined for its relevance to marketing theory and practice." At the end of the twentieth century, Day and Montgomery (1999, p. 3) suggested that "with growing reservation about the validity or usefulness of the Four P's concept and its lack of recognition of marketing as an innovating or adaptive force, the Four P's now are regarded as merely a handy framework." At the same time, advocating a network perspective, Achrol and Kotler (1999, p. 162) stated, "The very nature of network organization, the kinds of theories useful to its understanding, and the potential impact on the organization of consumption all suggest that a paradigm shift for marketing may not be far over the horizon." Sheth and Parvatiyar (2000, p. 140) suggested that "an alternative paradigm of marketing is needed, a paradigm that can account for the continuous nature of relationships among marketing actors." They went as far as stating (p. 140) that the marketing discipline "give up the sacred cow of exchange theory." Other scholars, such as Rust (1998), called for convergence among seemingly divergent views.

Fragmented thought, questions about the future of marketing, calls for a paradigm shift, and controversy over services marketing being a distinct area of study—are these calls for alarm? Perhaps marketing thought is not so much fragmented as it is evolving toward a new dominant logic. Increasingly, marketing has shifted much of its dominant logic away from the exchange of tangible goods (manufactured things) and toward the exchange of intangibles, spe-

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The Back-Back Story (1994-99):

- The dilemmas
  - The idea of a "new service economy."
  - The idea of two marketing approaches.
    - Goods and "services"
- The approach:
  - Read "everything" in the "service(s)" literature
    - Across time
    - Across disciplines
- The insight: The goods/service(s) model is inverted
  - Goods are a the special case; service is the general case

S-D logic: main insights and originality

S-D logic draws inspiration from the fundamentals of **network theories** and from **the general revolution** of Service Marketing (Grönroos, 2000; Gummesson, 2004) and focuses on the analysis of:

- ✓ new **value** «generation» processes
- ✓ modern (entrepreneurial) **interactions**
- ✓ new "networked" modalities for **resources integration**

The goal is to advance a broader perspective that can meet current market's requirements and can reflect the reality of contemporary service exchanges.

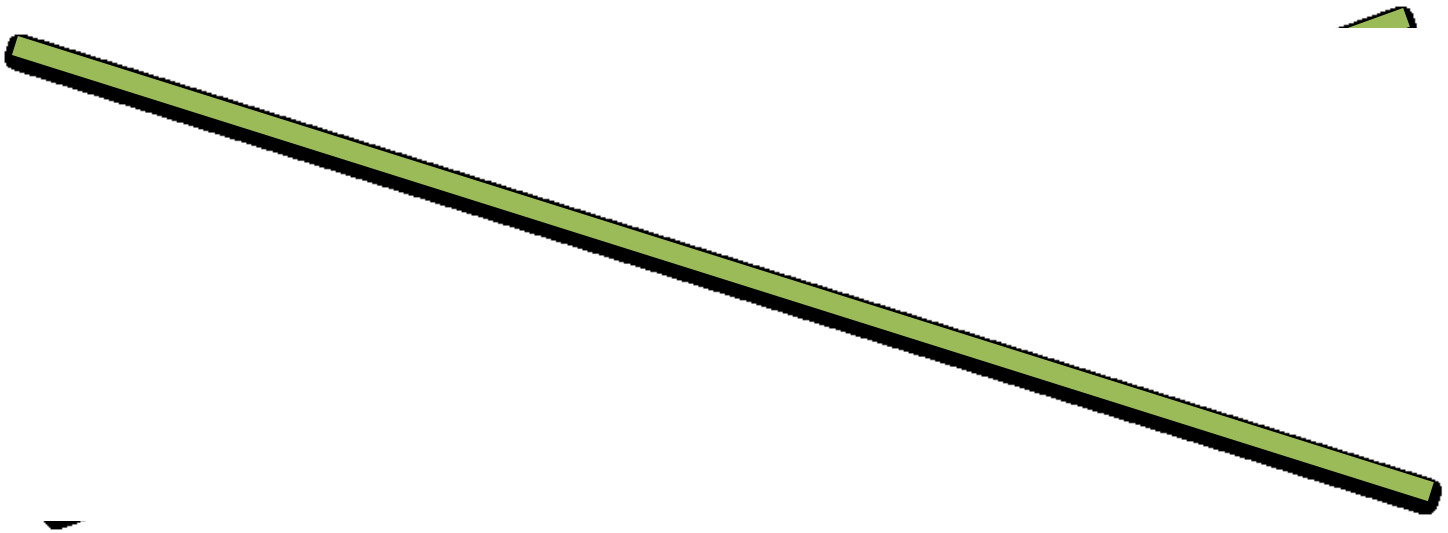
Service- dominant Logic (SDL)

The founders: Stephen L. Vargo & Robert F. Lusch

Aim: to overcome the old manifacturing logic and introduce a new perspective centred on service which emphasizes the relational nature of delivery and the authonomy of service as the basis of exchange.

SERVICE	New definition→ platform to exchange products
VALUE	Redefinition of value exchange process in order to propose the concept of value co- creation and to higlight the preeminence of customer's role
ORGANIZATIONAL MODEL	Proposition of a new (*multi-stakeholder*) organizational layout to foster value co- creation

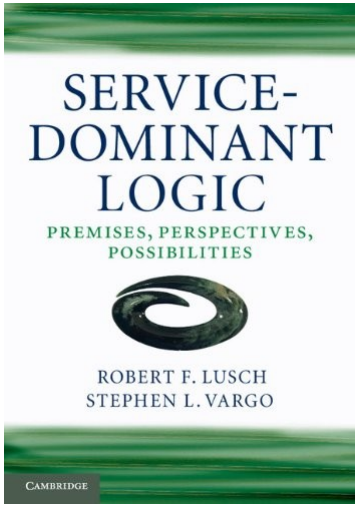
Goods-services Continuum



Goods and service represent
neither a **dichotomy nor a continuum**

S-D logic mindset

Service-Dominant (S-D) Logic is a **mindset** for a unified understanding of the **purpose** and **nature of organizations, markets and society** which are engaged in the **exchange of service**, intended as the *application of competencies (knowledge and skills) for the benefit of a party.*

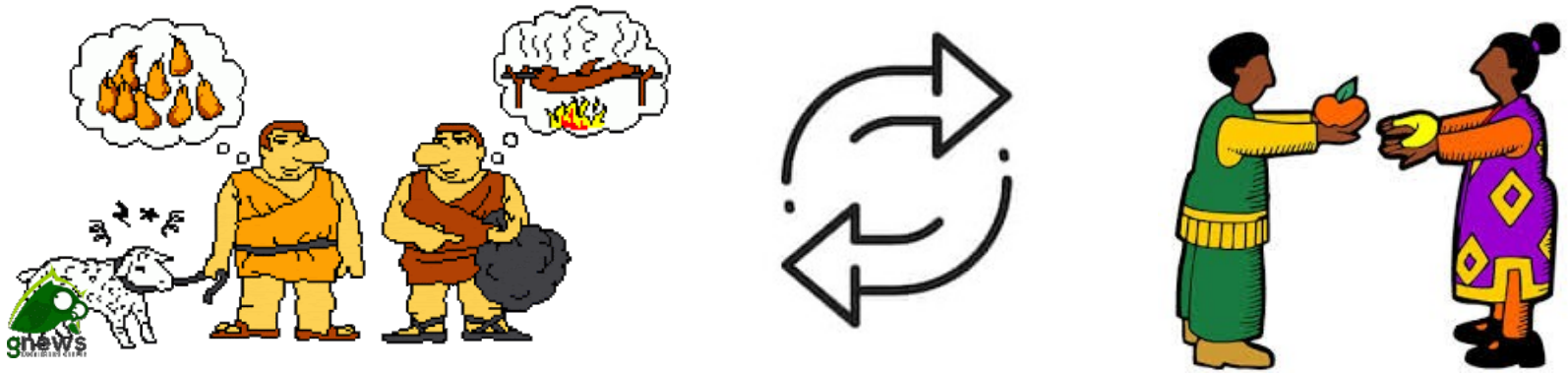


Formalization of the overcoming of product-orientation and proposition of a *service-for-service* view in which customers are not intended anymore as «passive» receivers of service but as **actors** who contribute actively to production and creation of joint value.

https://www.youtube.com/watch?v=Rp78Aefaz5I

It’s all about service!

Even the oldest method of exchange like **barter** can be conceptualized as direct service-for-service exchange, in which each actor provides other actors with reciprocal service provision.



The producer-consumer distinction is trivial and should be overcome since each party clearly and directly provides other parties with **benefits**.

Originality and innovative insights: *Purpose of Exchange*

Vargo and Lusch use the **singular** word «**Service**» to explain the goal to produce a benefit for a recipient and not as a simple unit of services (G-D logic).
Even when a customer buys a physical product, he is buying the service directly connected to it.

Many **concepts** (value co-production/co-creation, value propositions and experiences) are not totally new.
Rather, S-D logic captures the shift in contemporary marketing thought, in which **marketing** is seen as a **facilitator *of* ongoing processes** of voluntary exchange through *collaborative*, value-creating relationships among actors (individuals and organizations for example).

The evolution of S-D Logic

2004 — **FP1- FP8**

SERVICE | USERS-PROVIDERS | VALUE

RESOURCE INTEGRATION

CO-CREATION

IN-EXCHANGE VS IN-USE

2008 — **FP9- FP10**

VALUE- IN-CONTEXT

2016 — **FP11**

Axioms, Foundational Premises and Concepts of S-D Logic

The **ten foundational premises** (FPs, 2004-2008) lay the foundations of a framework for the service-centered mindset.

The different shades of VALUE

Over time, thanks to the diffusion of the theory in service research, different research streams have been proposed that emphasize different key dimensions of value co-creation processes: cultural, social, knowledge-based, innovation opportunities. Thus, value-in-context and institutions are proposed to consider the social nature of exchanges.

«To be consistent with the emerging narrative»

Vargo and Lusch realized that **some of the original FPs could be derived from others** and group the 11 statements into **5 more general propositions (AXIOMS)**

Axioms & Foundational Premises

AXIOM 1	**FP1**	**Service is the fundamental basis of exchange.**
	FP2	Indirect exchange masks the fundamental basis of exchange.
	FP3	Goods are a distribution mechanism for service provision.
	FP4	Operant resources are the fundamental source of strategic benefit.
	FP5	All economies are service economies.
AXIOM 2	**FP6**	**Value is cocreated by multiple actors,always including the beneficiary.**
	FP7	Actors cannot deliver value but can participate in the creation and offering of value propositions.
	FP8	A service-centered view is inherently beneficiary oriented and relational.
AXIOM 3	**FP9**	**All social and economic actors are resource integrators.**
AXIOM 4	**FP10**	**Value is always uniquely and phenomenologically determined by the beneficiary.**
AXIOM 5	**FP11**	**Value cocreation is coordinated through actor-generated institutions and institutional arrangements.**

Vargo Stephen, L., & Lusch Robert, F. (2004). Evolving to a new dominant logic for marketing. *Journal of marketing*, *68*(1), 1-17.

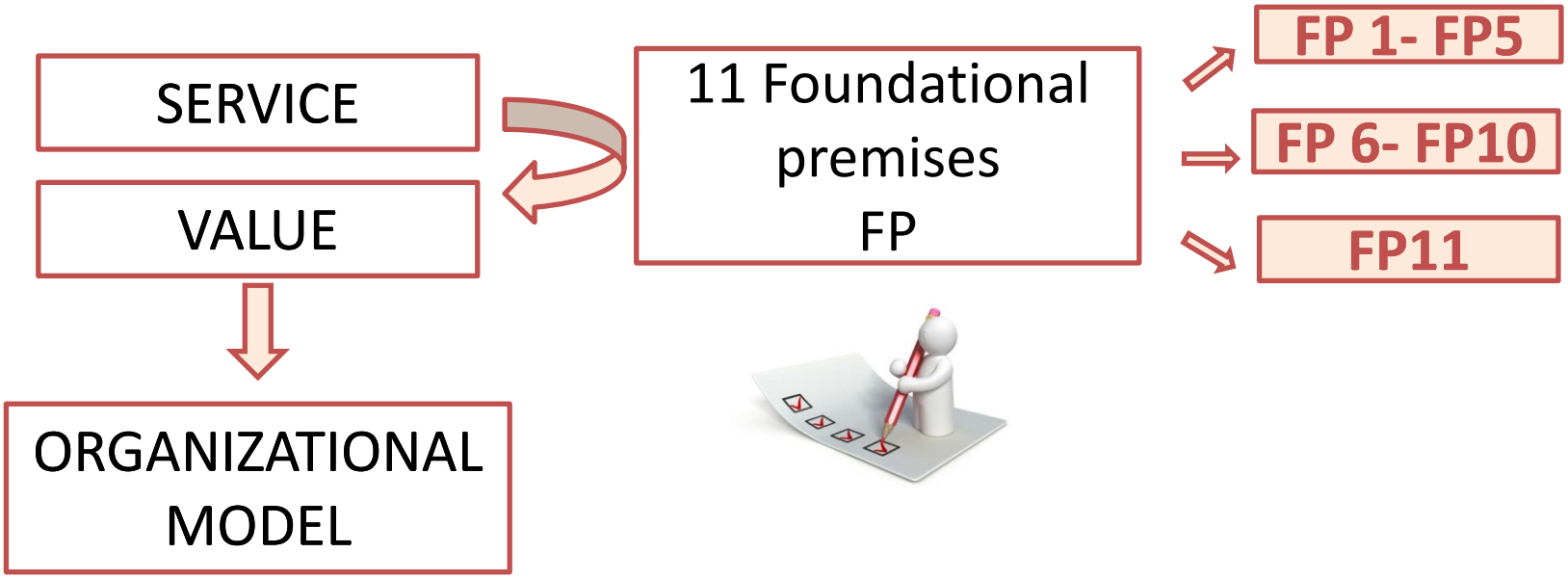
Vargo, S. L., & Lusch, R. F. (2008). Service-dominant logic: continuing the evolution. Journal of the Academy of marketing Science, 36(1), 1-10.

Vargo, S. L., & Lusch, R. F. (2016). Institutions and axioms: an extension and update of service-dominant logic. *Journal of the Academy of marketing Science*, *44*(1), 5-23.

S-D logic: FPs

Foundational Premises

11 foundational premises (FP): Synthesis of Vargo and Lusch's theses that explain step by step the logic passages that lead to the elaboration of SDL framework and to the patchwork of the emerging dominant logic.



FP1- FP5: Products and service, between manufacturing model and service logic

FP1	**Service is the basis of all exchange**	"Service for service"
FP2	**Indirect exchange masks the fundamental unit of exchange**	Goods as means for service
FP3	**Goods Are Distribution Mechanisms for Service Provision**	Service as overarching
FP4	**Knowledge Is the Fundamental Source of Competitive Advantage**	Operand and operant resources
FP5	**All economies are service economies**	Service dominates every kind of offering

Vargo S. L., Lusch R.F. (2004), Evolving to a new dominant logic for marketing, Journal of marketing, 68(1), pp. 1-17.

Vargo S. L., Lusch R. F. (2008), Service-dominant logic: continuing the evolution, Journal of the Academy of marketing Science, 36(1), pp. 1-10.

FP1: Service is the basis of all exchange

The first assumption represents the real SDL manifesto and remarks the transition from a traditional idea of **exchange** (Good- dominant logic) to a new service- centred perspective.

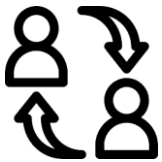
SERVICES		SERVICE
intangible *units of output realized in a standardized way from producers and without the intervention of* ***customers***		*The fundamental unit of exchange* *The application of specialized skill(s) and knowledge for the* ***benefit*** *of other parties*

Goods and service are not anymore strictly separated: not only service are not «dominated» by products but the two concepts converge.

FP1: Service is the basis of all exchange

New role of **customer**→ from passive receiver to active participant in the process of service delivery engaged in business activities.

Overcoming of the dichotomy proposed by Normann (2001) which defines providers as *value creators* and customers as *value destroyers*



New conception of **exchange**→ not anymore centered on physical goods but on a set of skills and immaterial elements whose value should be **negotiated** and co- produced

New **aim** of service delivery→ Beyond economic utility, towards the achievement of benefits for all the participants and the generation of new intangible resources.

FP2: Indirect exchange masks the fundamental unit of exchange

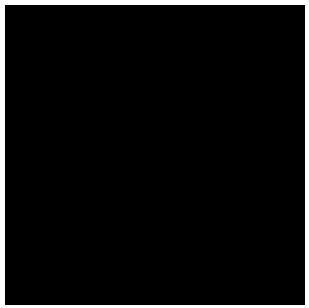
"**Service for service**"→ overthrowing of the role of goods and service

From service as a particular kind of products

From SERVICE (only intangible) ≠ PRODUCTS (only tangible)

⇩

To products as a tool to service delivery



*It is the service **underlying goods** which represents and enhances the value of products*

(Vargo & Lusch, 2004)

FP3: Goods are distribution mechanisms for service provision

Aim of service exchange:

- to transform the tacit knowledge involved in service design and production into something exchangeable;
- to provide the service related to goods

Even if the offering is tangible, the benefits deriving from the exchange should necessarily be conceived in terms of service. Even though consumers concretely buy physical goods, they purchase the *service related* to it.

Goods are key levers and tools for the concretion, actualization and experiencing of service.

FP4: Knowledge is the fundamental Source of Competitive advantage

In line with **Resource-based view** (**RBV**, Penrose, 1959; Hamel & Prahalad, 1989) knowledge has a key role in the acquisition competitive advantage

OPERAND RESOURCES

Natural or economic resources usually tangible and static which require some alterations to assume value.
They represent the **distrIbution mechanisms** of service.

OPERANT RESOURCES

Human knowledge and skills, cultural and social resources usually intangible and dynamic which act on operand resources to create value and **competitive advantage**.

The sinergy deriving from user's, provider's(and each member's) personal resources gives birth to a **unique** result, superior to the simple sum of the single individual contributions.

FP5: All economies are service economies

Service is the **common denominator** of all the economies and takes place in **every kind** of offering

Service is based on intangible activities which normally, but not necessarily, take place in the interactions between the customers and service employees and/or provider systems, which are provided as solutions to customer problems (Gronröos, 1990)

Goods **are <u>one of the</u> resources that support co- creation process**

Customers do not buy goods or service, but offerings that release service which in turn create value (Gummesson, 1995)

Holistic vision→ Service as a set of activities (including the use of products) creating new relationships and new configurations of elements.

FP6-FP10: The value of exchange, from a m to a collaborative view

FP6	**The customer is always a co-producer**	Value co-creation Value-in-exchange
FP7	**The enterprise can only make value propositions**	Value does not lie in product Consumer as **strategic resource**
FP8	**A service-centered view is customer oriented and relational**	Multi- level vision Bidirectional communicative flux
FP9	**Organizations exist to integrate and transform microspecialized competences into complex services that are demanded in the marketplace**	A2A- **collaborative** optics
FP10	**Value is always uniquely and phenomenologically determined by the beneficiary**	Value- in- context

FP6: The customer is always a co-producer

From value-in-exchange

to value-in-use **:** the provision of a priceless experience, strictly connected to the service

Customer is always a co-producer, an active part of the system who gives a key contribution in terms of knowledge, skills and creativity.

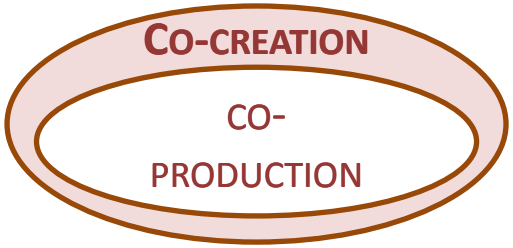
VALUE CO-CREATION

process in which products, service and experience are jointly developed by companies and by their stakeholders.
Consumers are engaged in all the **phases** of the process: design, personalization of the offering, delivery and production

FP6: The customer is always a co-creator of value

Value **co- creation** differs from co- production which represents only part of it.

Co- creation	Co- production
Customer's practice realization of value proposition in order to obtain value-in-use	Customers' participation in the development of value propositions and in service design in order to provide a more efficient service.



Users are always value co- creators but they not necessarily are co- producers

Users contribute to service delivery both through:

- their emotional engagement and previous experience;
- the release of operand (financial capital) and operant (psychological and social factors) resources.

FP7: The enterprise can only make value propositions

Consumers/Users

from target who should be "hit" by a given offering to competitive resource leading to sustainable competitive advantage.

PROVIDERS	USERS
Value proposition suggestions in line with the specific resources owned.	Subjective and context-dependent perception and possible acceptance of the value proposition proposed by providers.

Durable and bidirectional relationship based on **trust**

FP8: A service-centered view is customer oriented and relational

SDL is customer-oriented and based on a relational view.

The resource exchange between users and providers is based on bidirectional relationships and on informational symmetry.
Providers are not anymore in a leading position.

Customers participate in all the phases of service delivery (pre-, during and post)

Stakeholder theory (Donaldson and Preston, 1995): engagement in all business strategies and tactics of all the stakeholder (affected and affecting the conduct of organization), such as consumers, other companies, institutions, associations, etc.

FP9: Organizations integrate and transform competencies into complex services

Organizations: micro and macro competencies integrators transforming the specialized skills provided by stakeholders into efficient services.

Resources integration

- set of procedures, tasks, mechanisms, activities and interactions supporting co- creation
- point of contact for the interaction between the two parties

A2A ("actors to actors") logic

All the economic actors involved in value exchange are resource integrators in a network approach and carry out actions aimed at achieving mutual benefits for everyone

Resource integration

The definition of value co- creation is strictly related to **resource exchange** and to customer's **social network**

McColl-Kennedy et al. (2012) define value co- creation as a:
benefit realized from integration of resources through activities and interactions with collaborators in the customer's ***service network***

So, customers integrate resources from sources other than the firm. Social networks affect the way in which they use operand resources.

Resource integration

Vargo and Lusch categorize the kind of resources (2011) and the competencies (2014) implemented by users in value co-creation process.

Resources		Competencies
KIND	**SOURCES**	**ABSORPTIVE**
INTERNAL	Individual experience	Actor's ability to understand the context, to absorb and learn new knowledge from other members of the system, to remove any kind of resistance to collaboration.
PRIVATE	Friends and family	
PUBLIC	Associations, corporations, P.A. officials	**ADAPTIVE**
MARKET-FACING	Other suppliers or economic actors	Capability to adapt to the variable complexity of the context and to improve the process through cross- functional teamwork.

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

The final determination of value is always established by beneficiaries: value, in fact, is negotiated during the provision, **in- use**, starting from a specific subjective point of view and from a specific context.

VALUE-IN-CONTEXT (Vargo et al., 2008)

consumers do not obtain value «simply» by buying a product, but from its use, transformation and consumption and from the integration and sharing of resources and **benefits** with other members of the network.

Final aim of the process: improvement of the general well-being of all the actors of the network and acquisition of the capability to adapt to the environment.

FP11: Institutions and institutional arrangements

Two main enablers and coordination mechanisms of value co-creation (strictly interconnected):

INSTITUTIONS

rules, norms, meanings, symbols, practices and *agreement* that govern actor's collaboration

INSTITUTIONAL ARRANGEMENTS

nterdependent assemblages of institutions: essential acilitators for value co-creation in markets and society

The two enablers permit to perform activities and exchange in a «natural» and «coordinated» way in line with the rules determined a priori.

"Humans create institutions to coordinate their behaviours " (Barile et al., 2016).

S-D logic: Axioms

S-D Logic Axiom n.1

A1

Service is the **fundamental** basis of exchange

The application of operant resources (knowledge and skills), «service», is the basis for all exchange. Service is exchanged for service

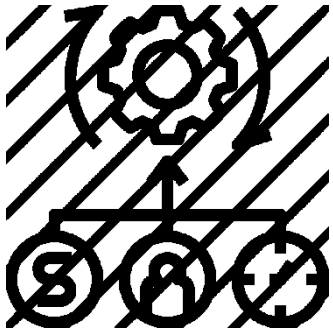
1. Goods are **devices** to provide service

2. All **companies** are service companies

3. All **economies** are service economies.

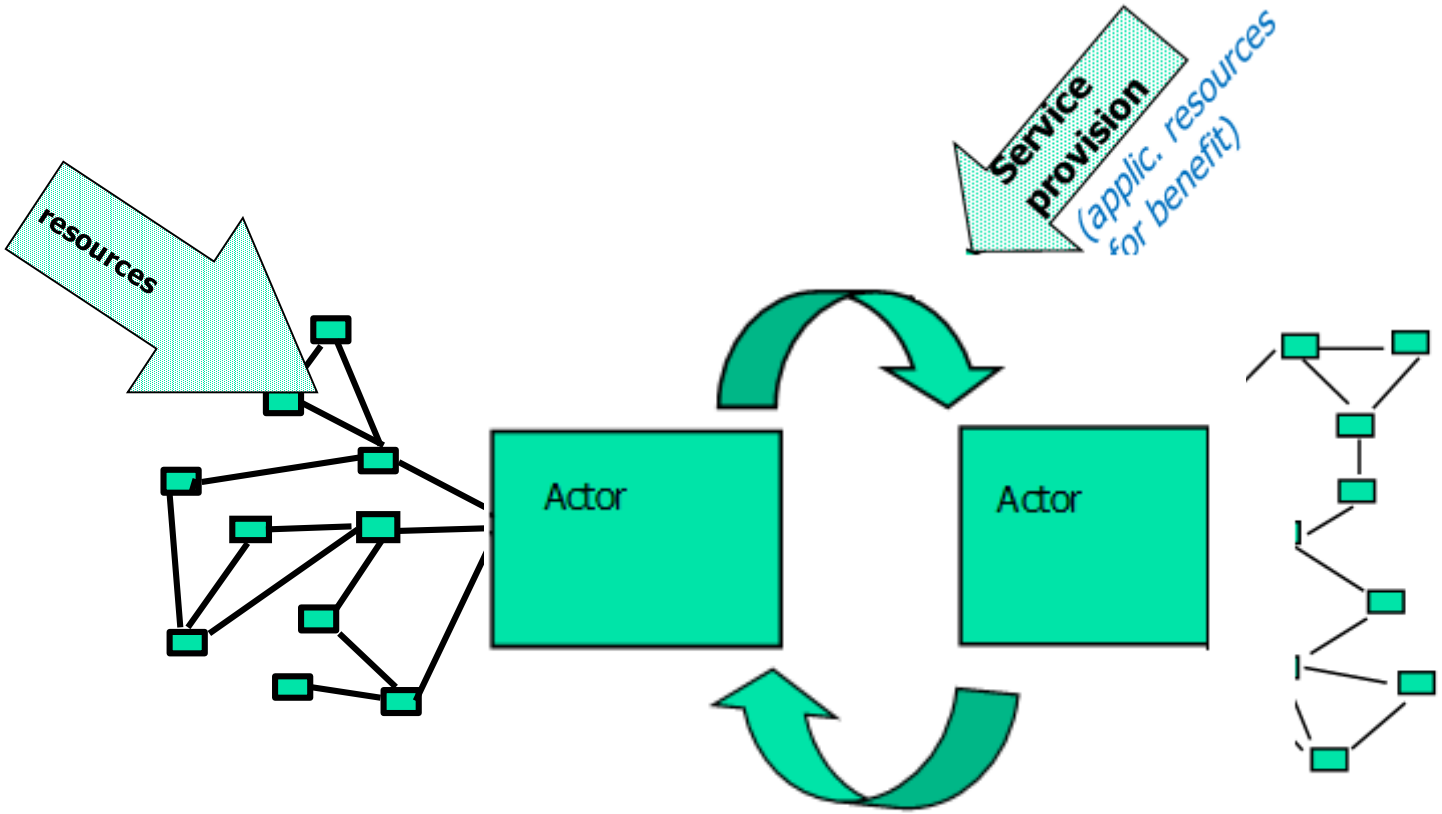
Innovative contributions:
Knowledge and Resources

S-D Logic is focused on the importance of the intangible resources, in particular of the **knowledge** as a **strategic resource – not just a competitive factor** (FP4).



Tangible resources, often inert (*operand* resources) need intangible and more dynamic activities (*operant* resources), relevant to them, in order to be **usable** and **useful**.

A1 (FP1): Service is the fundamental basis for exchange



S-D Logic Axiom n.2

A2

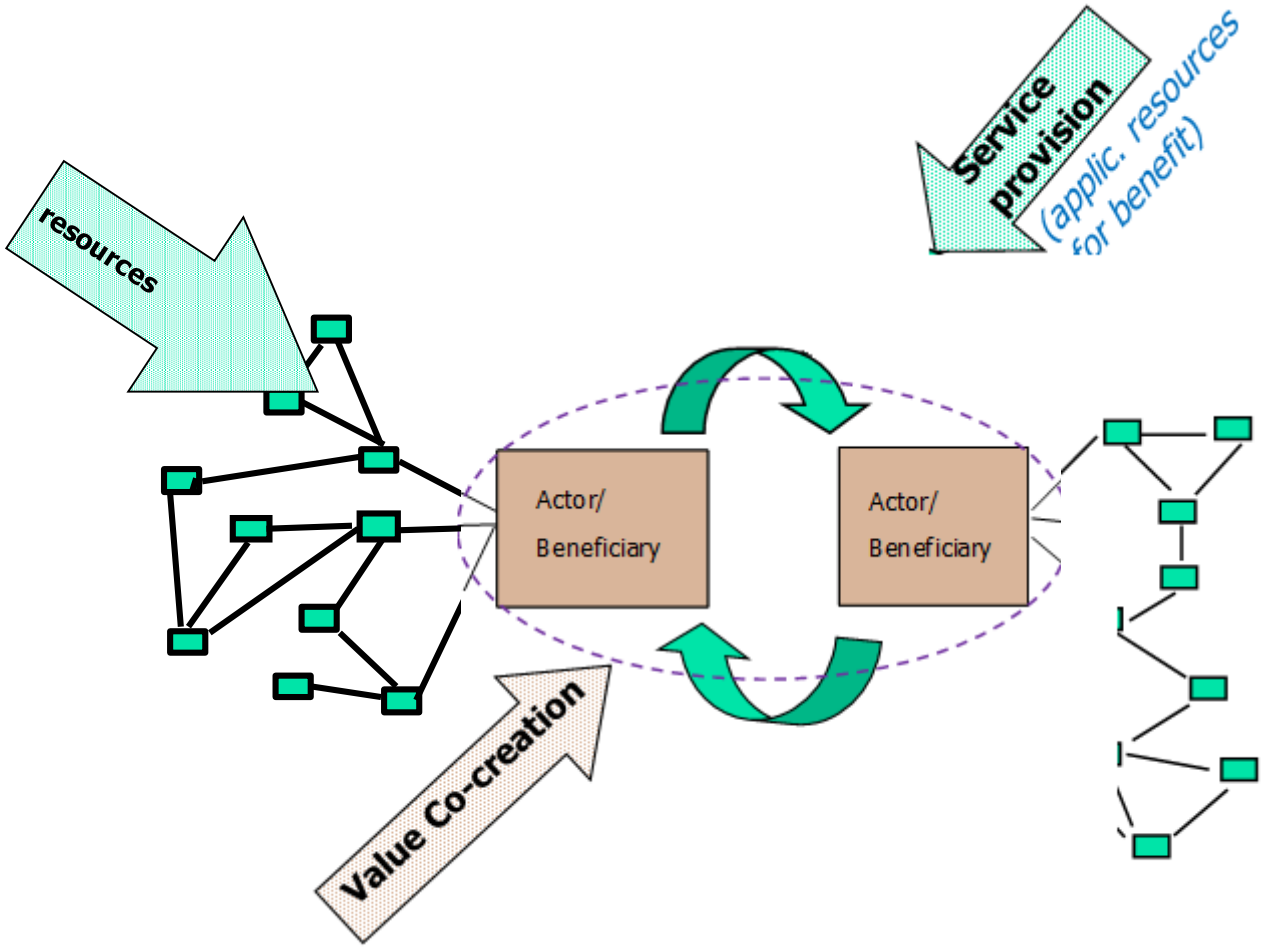
Value is always **co-created** by multiple actors, including the beneficiary

Value co-creation is interactional and combinational

Value is always co-created by **actors' interactions**, both *directly and through the goods*.

[Ex. A **physician** providing a patient with service co-creates value with him, a **drug** is seen as a device to facilitate service delivery and value co-creation]

A2 (FP6): Value is always cocreated by multiplie actos, including the beneficiary



S-D Logic Axiom n.3

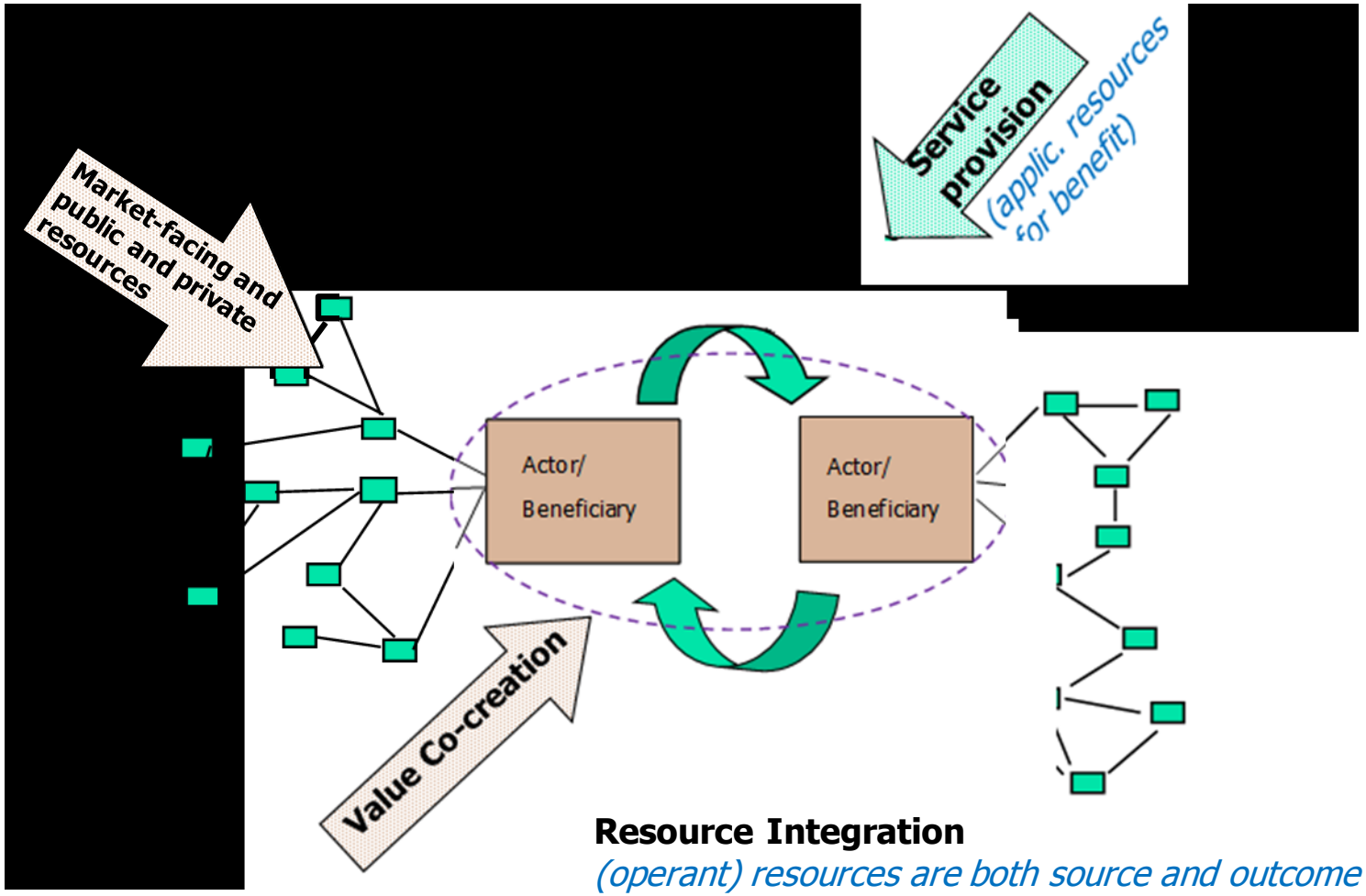
A3 All economic and social actors are **resource integrators**

The context of value co-creation is networks of networks (resource integrators)

Resources come from a variety of **sources**:

- private sources (ex. themselves, friends, family)
- market sources (so by other actors, through barter or economic exchange)
- public sources (collective access from community and government sources)

A3 (FP9): All social and economic actors are resource integrators



Resource Integration

(operant) resources are both source and outcome of service-for-service exchange.

S-D Logic Axiom n.4

A4

Value is always uniquely and phenomenologically **determined by the beneficiary**

Value is idyosincratic, experiential, contextual and meaning laden

Not only actors are co-creators, but they are the only ones who can determine the value, which is always perceived and "negotiated" based on the context in which the subjects act.

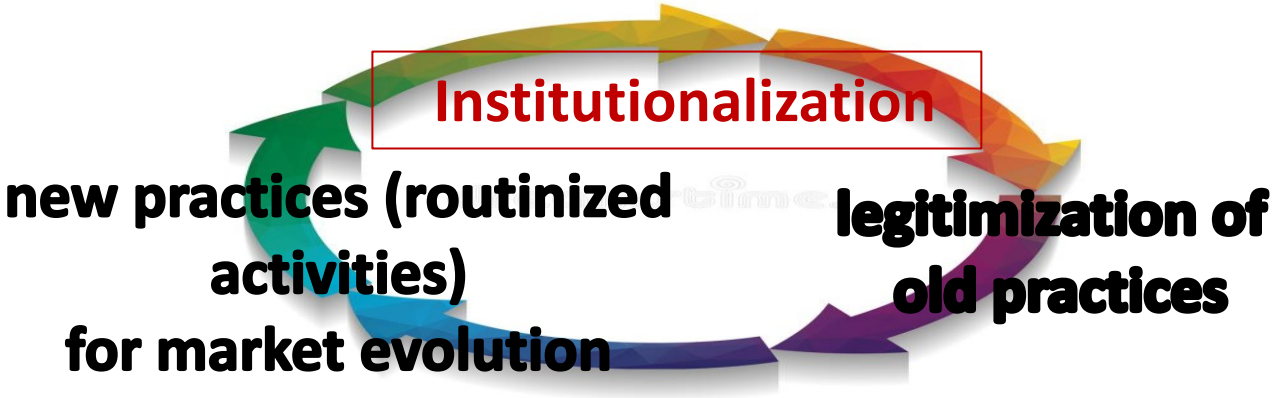
S-D Logic Axiom n.5

A5

Value cocreation is coordinated through **actor-generated institutions and institutional arrangements**

Institutions provide the glue for value cocreation through service-for-service exchange

- **Institutions**: humanly devised rules, norms, and beliefs that enable and constrain action and make social life predictable and meaningful
- **Institutional arrangements**: higher-order sets of interrelated institutions



Service Ecosystems

Starting from the «social shift» of SDL (11 FP), Vargo and Lusch proposes a new conceptualization of networks based on the transcending and systems perspective of service

Value co-creation involves complex networks of actors and supply chains (rather than dyads)

⇩

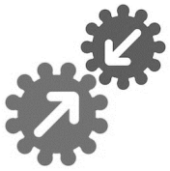
THEN, new multi-actor models are required to reread the mechanisms for competitive advantage

> "relatively self-contained, self-adjusting system[s] of resource-integrating actors connected by shared institutional logics and mutual value creation through service exchange"
>
> Lusch and Vargo (2014, p. 161)

Service Ecosystems: main dimensions

INSTITUTIONS

Coordination mechanisms for exchanges based on preexisting shared rules (socially and commonly accepted) that act as enablers of resource integration

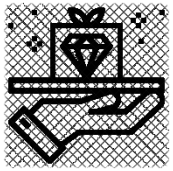


RESOURCE INTEGRATION

Exchange of resources occurring in the multiple interactions between actors (*from pre-delivery, design to post-delivery*)

TECHNOLOGY

IT and ICTs based platforms that make exchanges more efficient and accelerate innovation



VALUE PROPOSITION

Set of common values that guide the attainment of shared purposes for each actor

https://www.youtube.com/watch?v=Az6D6vzfFrU

Case studies on Service Ecosystems

Case study 1: Tourism

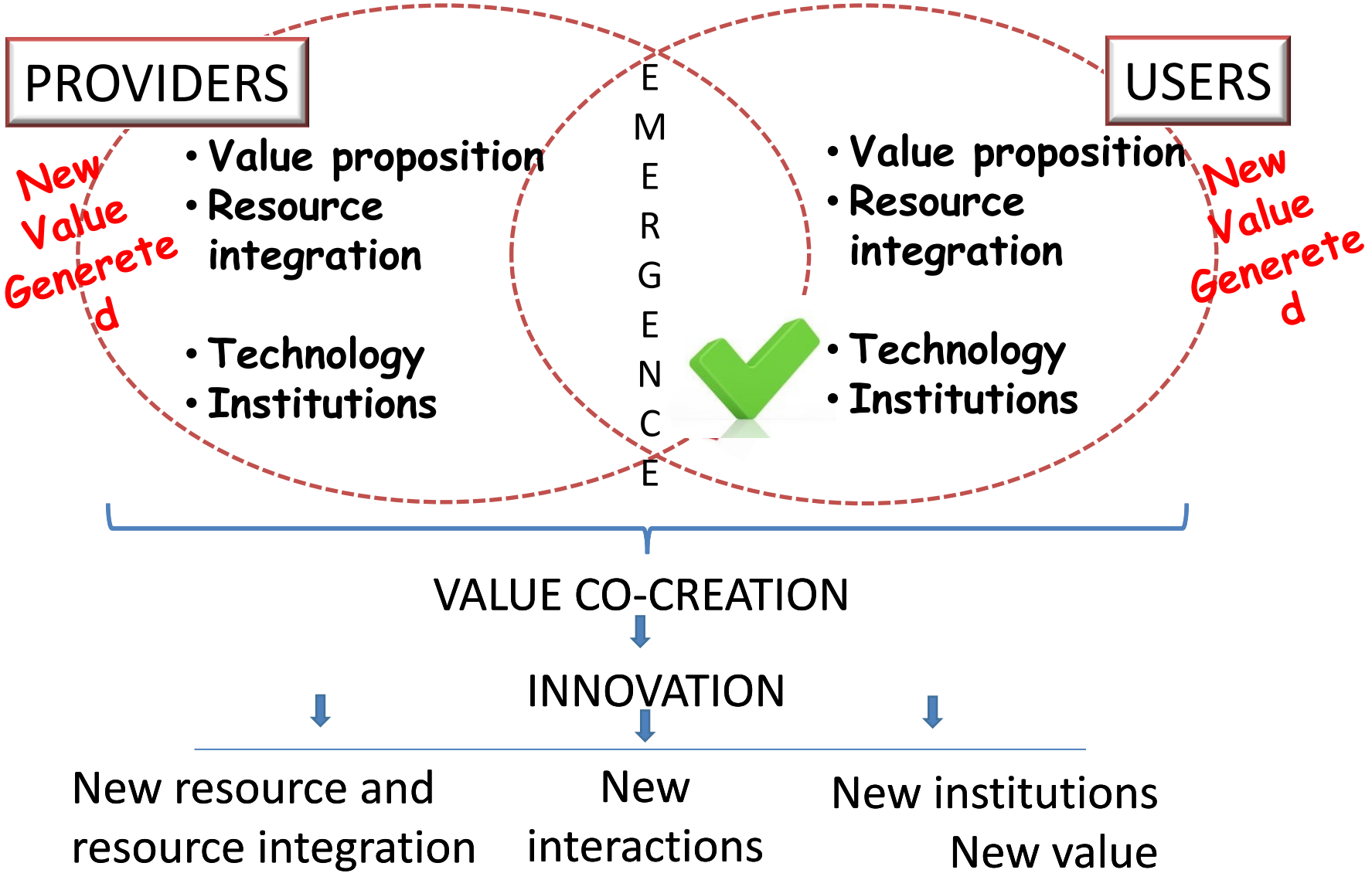
- Qualitative approach
- Exploratory Case Study: **B&B Sector**
  - informal nature and the synergistic exchange between system's actors
  - Analysis of «Bouganville B&B»

BOUGANVILLE
bed & breakfast

- Duration: about 20 min
- Conducted in informal style and colloquial settings (at b&b)
- Recorded and transcribed
- Interview Track based on theory

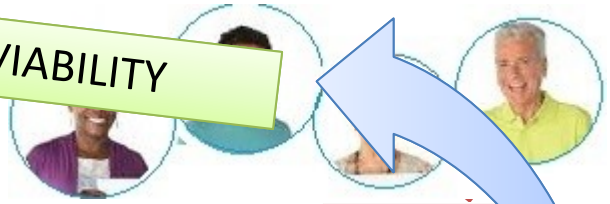
- Semi-structured interviews:
  - face-to-face interviews with b&b owner
  - to explore the relationship between b&b owner and customers and identify the existence of elements that forster VCC

Tourism Ecosystem



BOUGANVILLE
bed & breakfast

CO-EVOLUTION AND VIABILITY



B&B host

- The best stay ever
- Material, information, logistic, experiential, cultural resources
- Ota, Metasearch, site, instant messaging, social network
- Formal and informal rules

VALUE

EMERGENCE

Guests

- The best stay ever
- Previous experiences, cultural, comments and suggestions spontaneous or asked
- Ota, Metasearch, site, instant messagging, social network
- Formal and informal rules

VALUE

VALUE CO-CREATION

INNOVATION

New knowledge (culturales), new experiences, new habits

New interactions modalities through the strategic integration of ICTs (pre, during, post)

New rituals: Photo, Welcome apretif, breakfast with tipical swee

Main Insights

emerging inputs and outcomes (new value) can foster value co-creation and innovation

outputs can act as a basis for the constant renewal of values and innovation that leads to co-evolution and viability over time

Case study 2: Green Pallet

Method	Qualitative
Technique	Case study based on content analysis
The case	PALM GREENPALLET®
Units of analysis	Website (report, codes) Social networks page
Macro-areas for analysis sheet	• Different strategies for value co-creation and innovation • ICTs role • Different innovation outcomes

- Idiographic approach (underlying dimensions)
- Exploratory stage

- Multi-stakeholder network
- Sustainable innovation practices

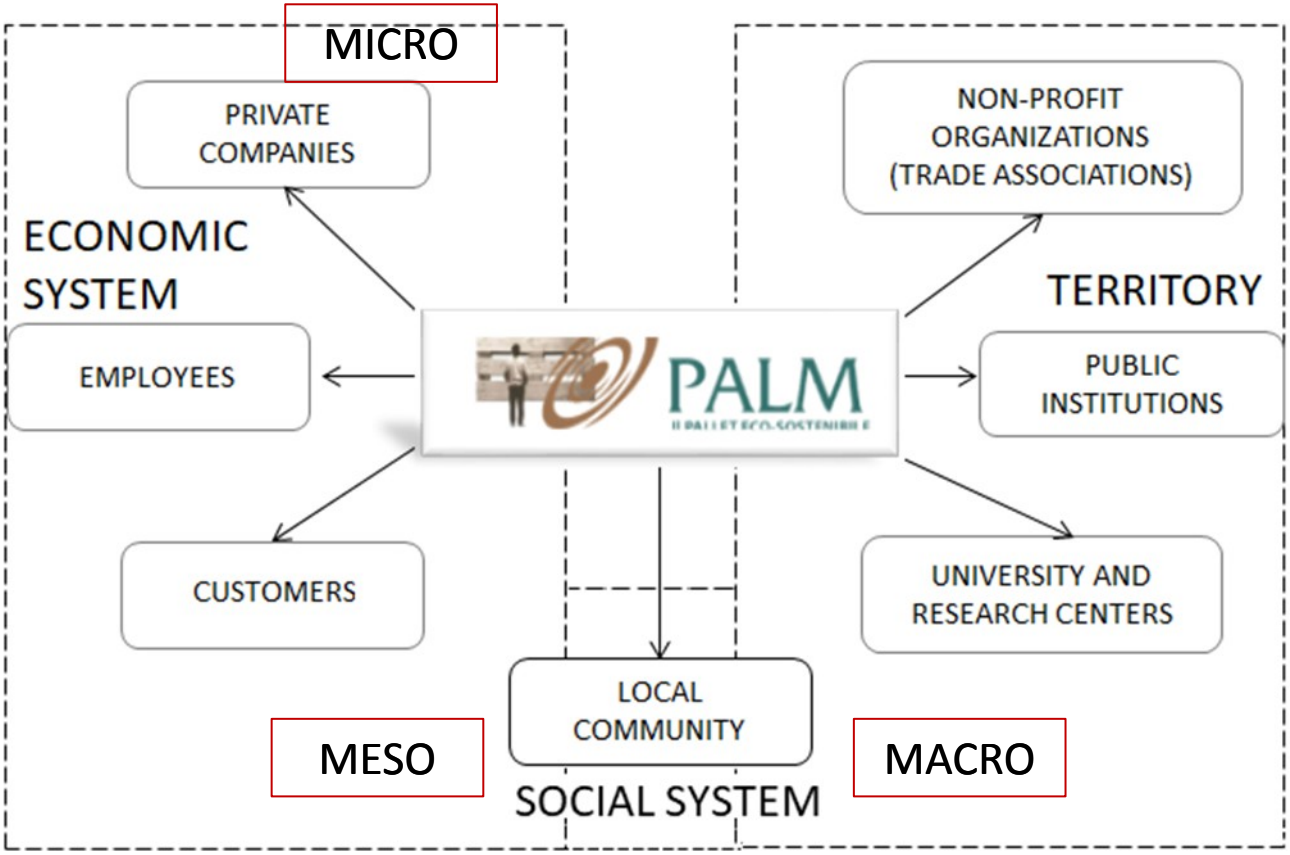
FOR EACH STAGE OF CO-CREATED INNOVATION

Reinterpreting “Palm” as an ecosystem

Co-created innovation strategies

ICTs role

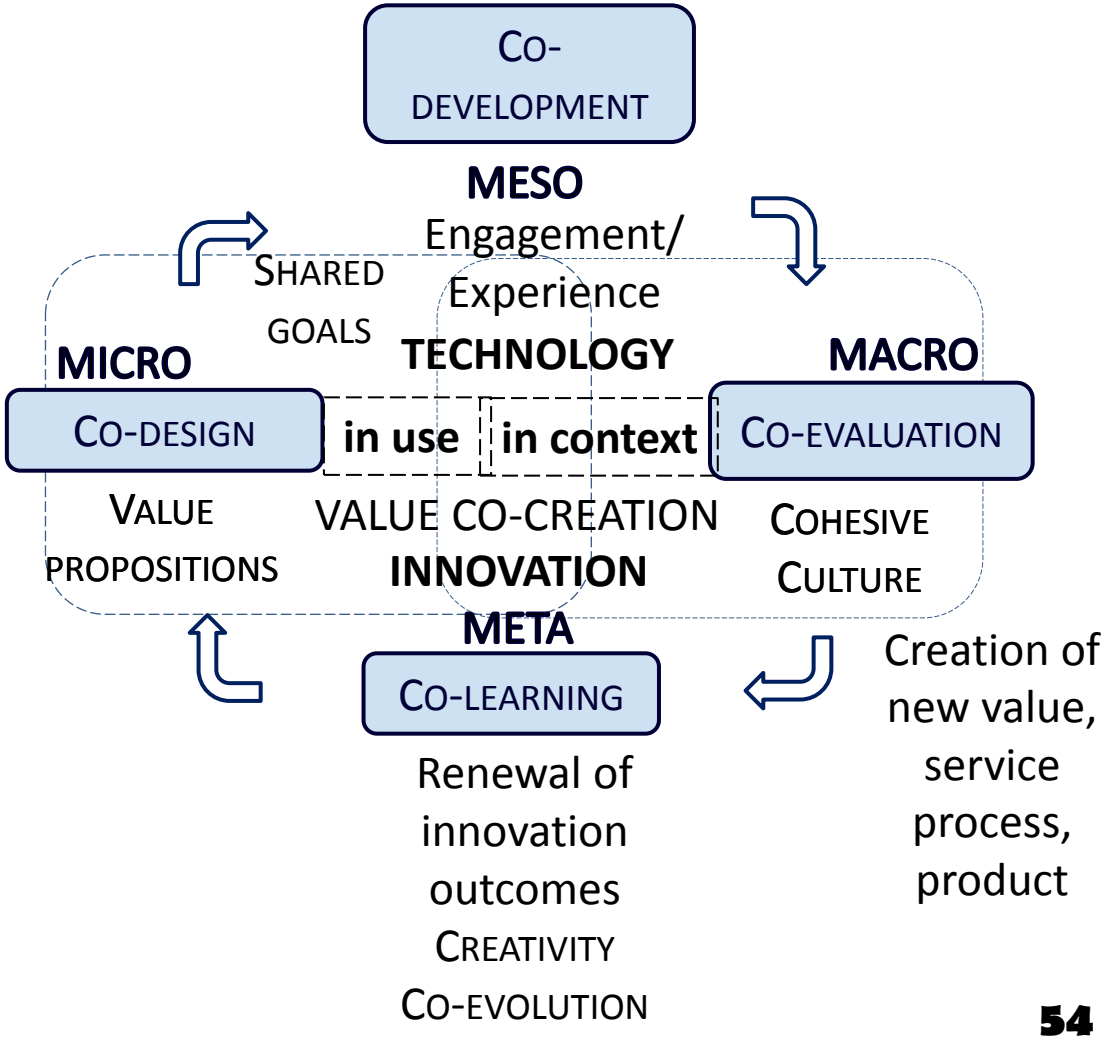
Innovation outcome



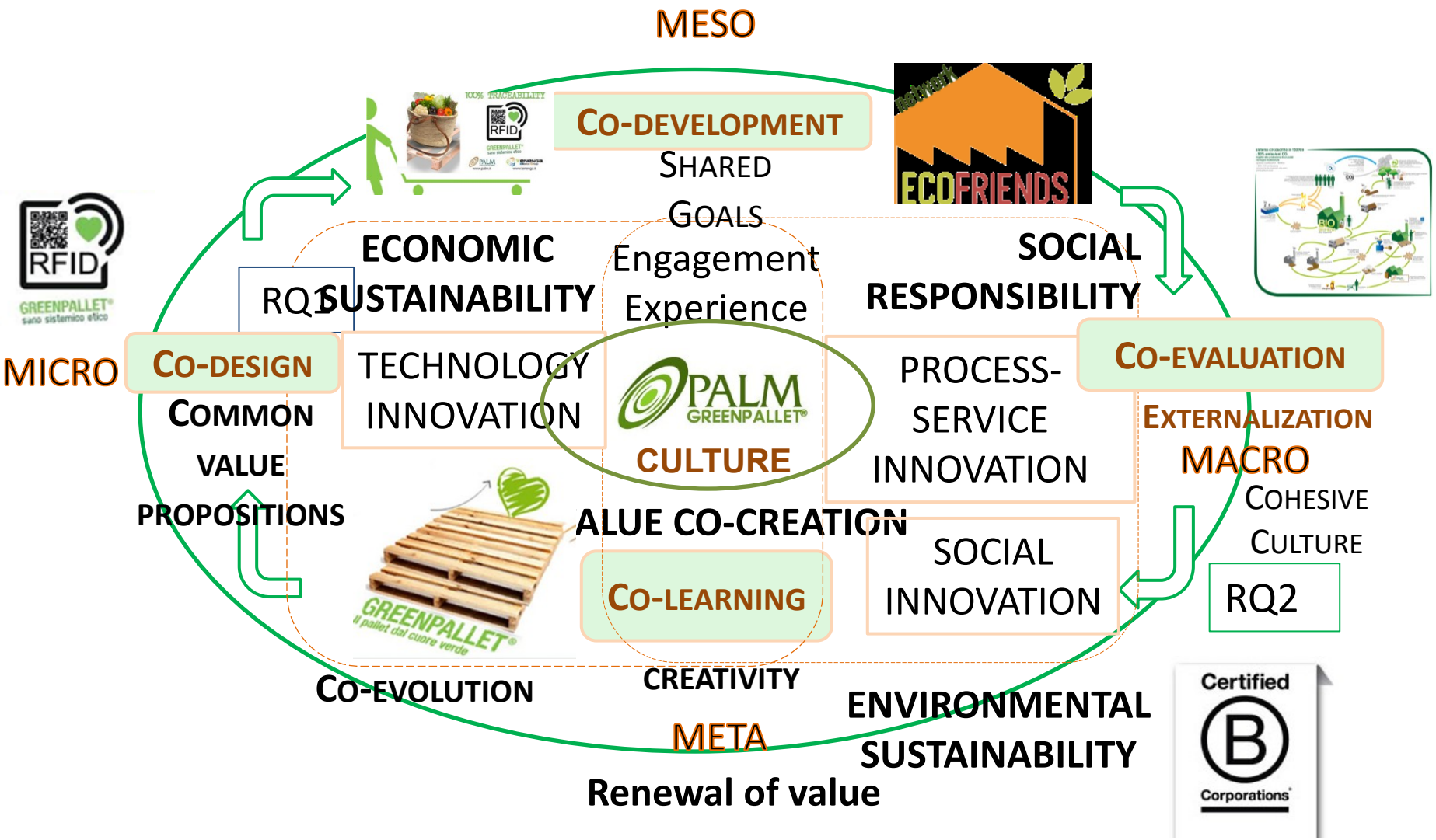
Strategic innovation management in ecosystems

Multi-leveled approach

- Different steps of co-created innovation
- Different contexts
- Different technologies
- Different innovation outcomes



Different innovation in Palm ecosystem



Gummesson receiving the S-D Logic Award at the 2011 Naples Forum on Service.
(left to right: Dr. Robert F. Lusch, Dr. Evert Gummesson, Dr. Stephen L. Vargo)

Key References

The foundations

Vargo S.L., Lusch R.F., Evolving to a new dominant logic for marketing, in Journal of marketing, vol. 68, n. 1, 2004, pp. 1-17.

Vargo, S. L., Lusch, R. F. (2008). Service-dominant logic: continuing the evolution. Journal of the Academy of marketing Science, 36(1), 1-10.

The development

Vargo, S. L., Wieland, H., Akaka, M. A. (2015). Innovation through institutionalization: A service ecosystems perspective. *Industrial Marketing Management*, *44*, 63-72.

Vargo, S. L., & Lusch, R. F. (2016). Institutions and axioms: an extension and update of service-dominant logic. *Journal of the Academy of marketing Science*, *44*(1), 5-23.

The different shades of SDL

Edvardsson, B., Tronvoll, B., & Gruber, T. (2011). Expanding understanding of service exchange and value co-creation: a social construction approach. *Journal of the academy of marketing science*, *39*(2), 327-339.

Nambisan, S., & Baron, R. A. (2013). Entrepreneurship in innovation ecosystems: Entrepreneurs' self–regulatory processes and their implications for new venture success. *Entrepreneurship theory and practice*, *37*(5), 1071-1097

The research agenda

Vargo, S. L., & Lusch, R. F. (2017). Service-dominant logic 2025. *International Journal of Research in Marketing*, *34*(1), 46-67.

Barile, S., Lusch, R., Reynoso, J., Saviano, M., & Spohrer, J. (2016). Systems, networks, and ecosystems in service research. *Journal of Service Management*.

2.2

Service Science

Service Science

Service Science management, engineering and design (SSMED)

- Multidisciplinary research stream that studies the implications emerging from the new management approach to services
- Unifying framework for service design, delivery and evaluation that aims at developing the capabiliteis required by service economy;
- Introduced after company's shift from a good-logic to a service centered perspective

The founders: Spohrer and Maglio (2008)

Aim: to combine and to apply computer science, operational research, industrial engineering, management and social sciences to find the most appropriate organizational model to support the emergence of value

Service Systems

Service systems are value-creation networks composed of (Bryson et al. 2004; Maglio et al. 2006):

- People
- Organizations
- Technology
- Shared information

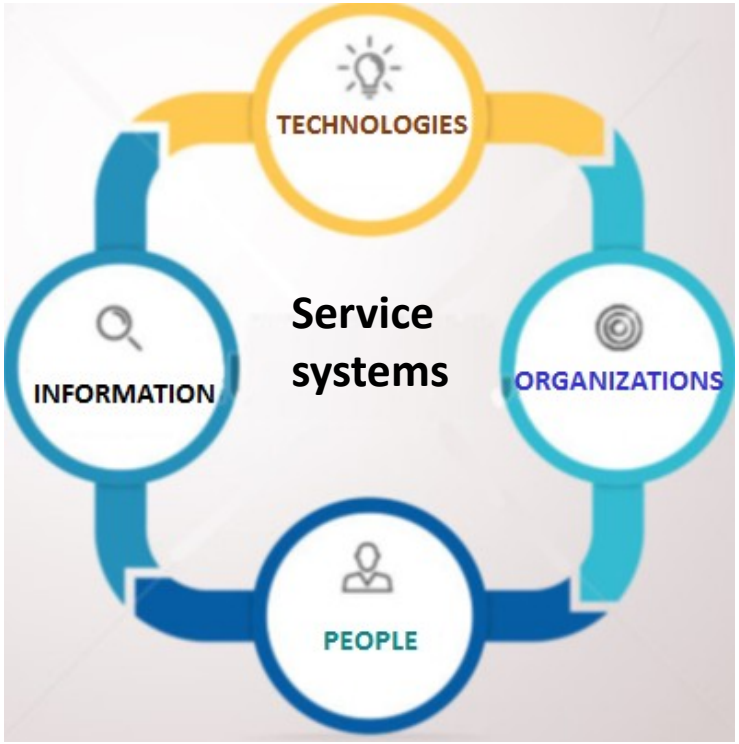
- promote **real-time** relationships and accelerate up **co-learning** processes in many fields (e.g. smart services in the energy sector, transport, etc.).
- come from systematic methods, continuous learning, data collection, innovation, social responsibility and network governance, and all the operations that benefit from the application of **new technologies**.

(1) Service Systems: definition

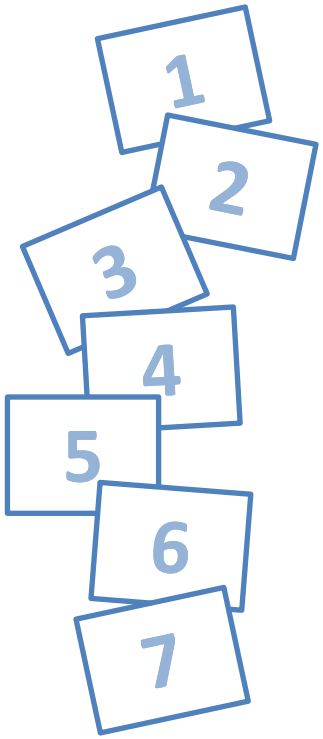
Service systems: value-co-creation configuration of people, technology, value propositions connecting *internal* and *external* service systems, and shared information able to create and deliver **value** to providers, users and other interested entities, through service.

SPOHRER, MAGLIO, BAILEY AND GRUHL (2007)

The **aim** of service system is to use its own resources and the resources exchanged with other actors to improve its own and other's well-being



(2) Service Systems: definition



value-co-creation configurations,

resources integrators,

knowledge-based,

capable of enabling connections and interaction,

with the aim of reaching desired outcomes,

simply, always, an operative application,

any number of elements, interconnections, attributes, and stakeholders interacting in a co-productive relationship.

… a Service System is basically composed of heterogeneous entities, interacting with each other with specific purposes

The different definitions

«A service system is any number of elements, interconnections, attributes and stakeholders interacting in a co-productive relationship that create value, in which the principal interactions take place at the interface between the provider and the customer»

Spohrer, Vargo, Maglio and Caswell, 2008

«A service system primarily relates to customer-provider interactions as well as open system with it being capable of improving its own state and the one of another system though acquiring, sharing, or applying resources, with the aim of creating a basis for systematic service innovation»

Golinelli, 2008

«Service systems can be represented as real networks, in which the same entities combine their strengths through direct and indirect connectivity, as they are oriented toward enduring competitiveness and daily interactions with other external interdependent service systems»

Polese, 2009

Service Systems: origins

The concept derives from **systemic vision** and **network theory** (Richardson, 1972; Normann and Ramirez, 1993; Castells, 1996; Capra, 2002)

System

entity emerging from a specific structure (organzational-physical equipment) thanks to interactions among all system's members (Barile, 2013).

Aim: survival through the acquisition (and the exchange) of **knowledge** from the other systems situated in the context which leads to the creation of new knowledge.

Since value co- creation is centred on knowledge exchange to acquire mutual benefits, system is the **most adequate configuration** for companies aiming at acquiring sustainable competitive advantage.

From Systems Theory

SYSTEM

- "complex of *interacting elements*" (Von Bertalaffy, 1956)
- "an entity that is *adaptable* for the purpose of surviving in its changing environment" (Beer, 1975);
- "entity which is a *coherent* whole" (Ng, Maull and Yip, 2009)

Actors & connections

Composed of many part (Parsons, 1965), boundaries, **connections** and different relationship with relevant stakeholders based on the sharing of critical and influential capabilities

SUB-SYSTEMS

SUPRA-SYSTEMS

sub-systems focus on the analysis of relationships among its own internal components while supra-systems focus on the connections between the analysis unit and other influencing systemic entities in their context (Golinelli, 2005)

Service Systems

Today, *service systems* represent an emerging issue in economic research, all-encompassing many specific topics (innovation, smart cities and communities) and even quality, traditionally related to technologies and processes

Reinterpretation of service design, service supply and fruition, in which multiple active actors **synergistically** participate in the value co-creation process, which is characterized by resource-sharing and common finality.

MAIN REFERENCES:

ALTER, S. (2008)

SPOHRER, J., VARGO, S.L., MAGLIO, P.P, CASWELL, N. (2008)

(1) Service Systems: ORGANIZATIONS

Organizations: interconnected systems entities sharing the same value system.

A Service system is composed of a network of organizations carrying out integrations of multiple resources in order to achieve **reciprocal benefits** for all the stakeholders.

Every member of the system has its own interests and pursues specific aims. Thus, managers should seek to harmonize the differing needs of each subject in an attempt to satisfy the stakeholder's demands and, at the same, the well-being of the system.

Individual objectives

System's Goal

(2) Service Systems: PEOPLE

Human factor is essential to balance the **needs** of all the stakeholders.

Knowledge is the real added value to foster value co- creation, since this process is grounded of the exchange of internal and external (contextual) competencies and resources

In a market based on *intangibilities*, service delivery does not represent only economic exchange, but can be undesrtood as the result of the integration of the **specialized skills** of each member.

Customers can help firm to improve service starting from service design, by sharing their capabilities andcreativity.

(3) Service Systems: TECHNOLOGY

ICTs: opportunities for providers and consumers to exchange resources, fostering the sharing of value propositions at intra- and inter-organizational level

The diffusion of new technologies and platforms (community, forum, blog, social network) can enhance the interactions among stakeholders, with an increase in **stakeholder engagement**.
Users can make comments and judge service quality, providing organizations with suggestions on the improvement of the offering.

The more the social and relational capital grow, the more the knowledge exchanged intensifies.

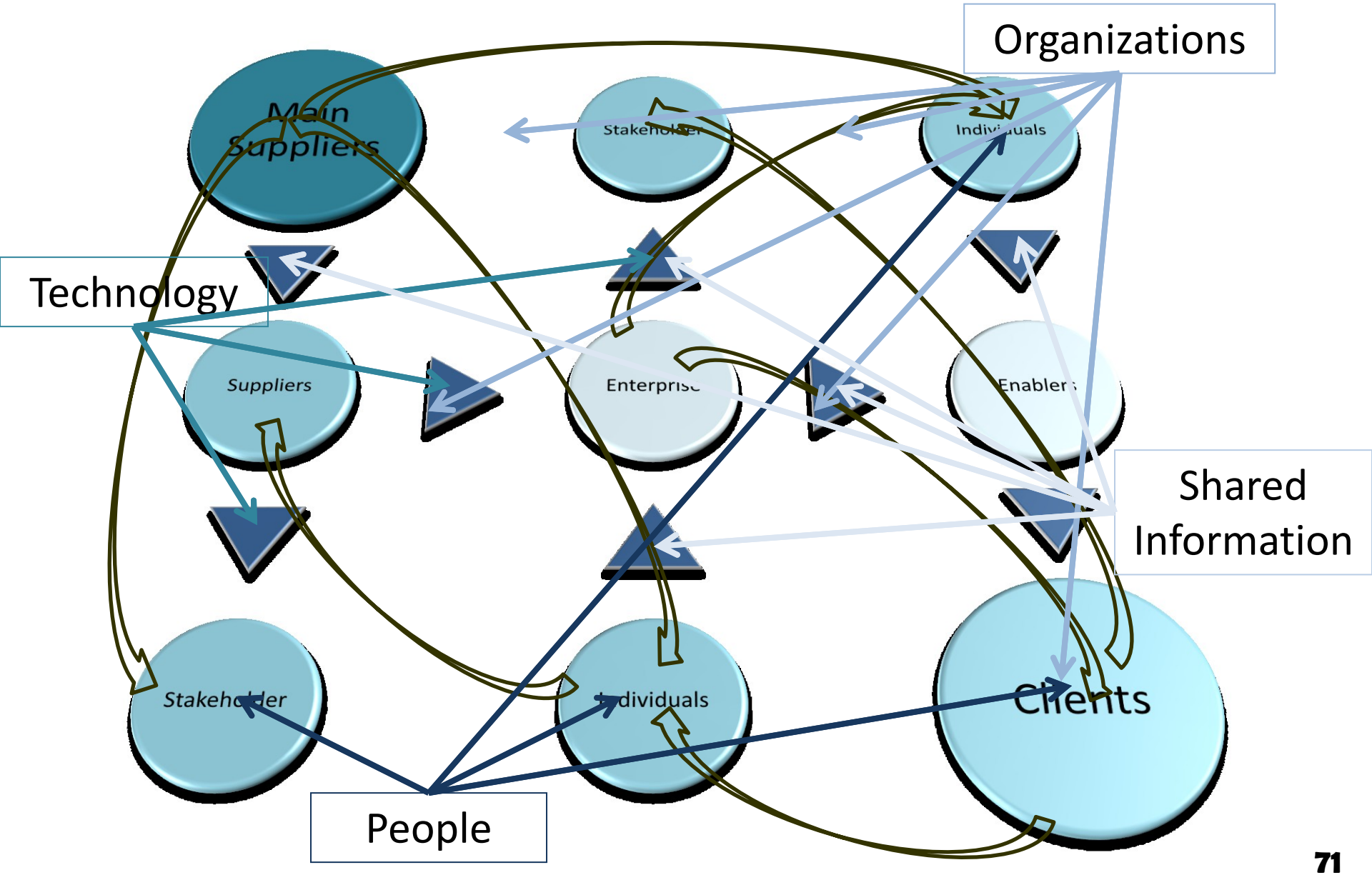
(4) Service Systems: INFORMATION

Through technology and ICTs co- creators can constantly share flows of information, increase their knoweldge, strenghten relationships and modify their behaviors to pursue common goals.

The possibility to transfer every kind of information in real time permits users to play a predominant role in business **decision-making** and service improvement

The combination of the 4 elements of service systems (organizations, people, technologies and information) allows to create value through the implementation of a networked system in which companies, institutions, organizations and users share a systematic flux of information and **know-how**, which can be managed in an efficient way thanks to technology

Service System as Value Network



Complex Service Systems

as the base of a Smarter Planet…

iterative, interactive, instrumented, interconnected, intelligent

S.M.A.R.T.: Specific, Measurable, Agreed, Realistic and Timely

(More measurement data, More networks, More learning and adaptation)

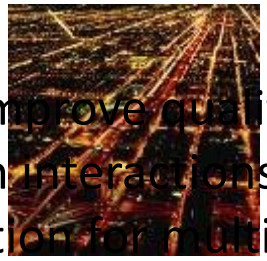
Complex Service Systems, as smarter systems, improve quality of life, creating more opportunities for win-win interactions resulting in measurable resource access & value co-creation for multiple stakeholders.


Smart traffic syst

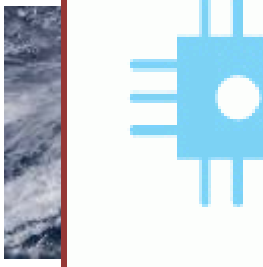

Intelligent


Smart food


Smart


Smart energy


Smart retail


Smart water management

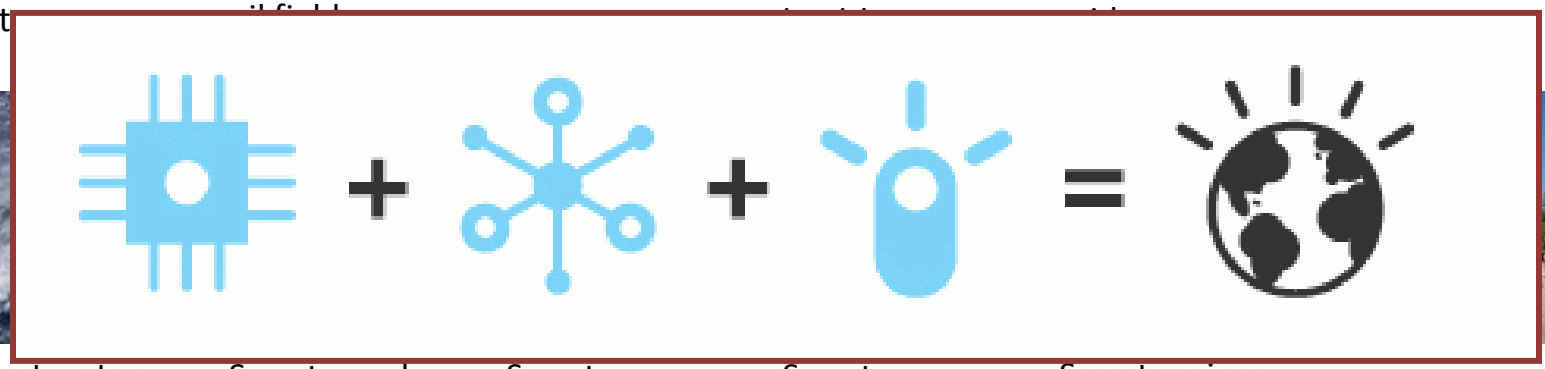
Smart supply chains

Smart countries

Smart weather

Smart regions


Smart cities



Source: www.ibm.com/think

Smarter Planet

Iterative, interactive, instrumented, interconnected, intelligent

(More measurement data, More networks, More learning and adaptation)

Information and analytics for Informed Decisions
How we're making better decisions through smarter use of data

Smart Grid
A smarter grid is transparent, accessible, resilient. And optimized from the user on up

Smarter money. Money rarely changes hands anymore
Ones and zeroes can help the world be smarter about dollars and cents

Smarter Food from Food technology with a healthy appetite for innovation
Technology is shaping how it grows, how it tastes and how it gets to your plate

Green buildings are smart buildings
Given their environmental impact, it's time we designed from the earth up

Smarter Government. "Citizen-centric"—the evolution to e-government continues
From the local town council to international collaborations, new ways of working are underway

Smarter Cities
Safe neighborhods. Quality schools. Affordable housing. Traffic that flows.It's all possible

A prescription of intelligence for Smarter Healthcare
To build a smarter system, healthcare solutions need to be instrumented, interconnected and intelligent

Cloud computing.
Workstations used to be tied to a mainframe. Now they're conversing with a cloud

Smarter IT systems
The foundation for a smarter planet

Smarter Oilfields
Get to the "first" oil faster. Increase recovery rates. Sense and solveproblems before they start

Smarter Products. The era of the one-size-fi product comes to an end
The goods we use are getting smarter. Now manufacturing has to as well

Making retail smarter for known shoppers
Accelerate supply chains. Strengthen loyalty. Improve margins

Smarter Traffic
How we get from point A today to point B tomorrow

Smarter Water Management
Whether too much or not enough, the world needs a smarter way to think about water

Smarter Telecom for nowadays Communication Technology
Demand is skyrocketing for more and smarter ways to communicate. Can we keep up?

Smarter Food

Smarter Products

Making retail smarter

Service Science vs S-D logic

Similarities with SDL

- Relational approach to business
- Focus on resources (RBV)
- Many-to-many logics to business behaviour

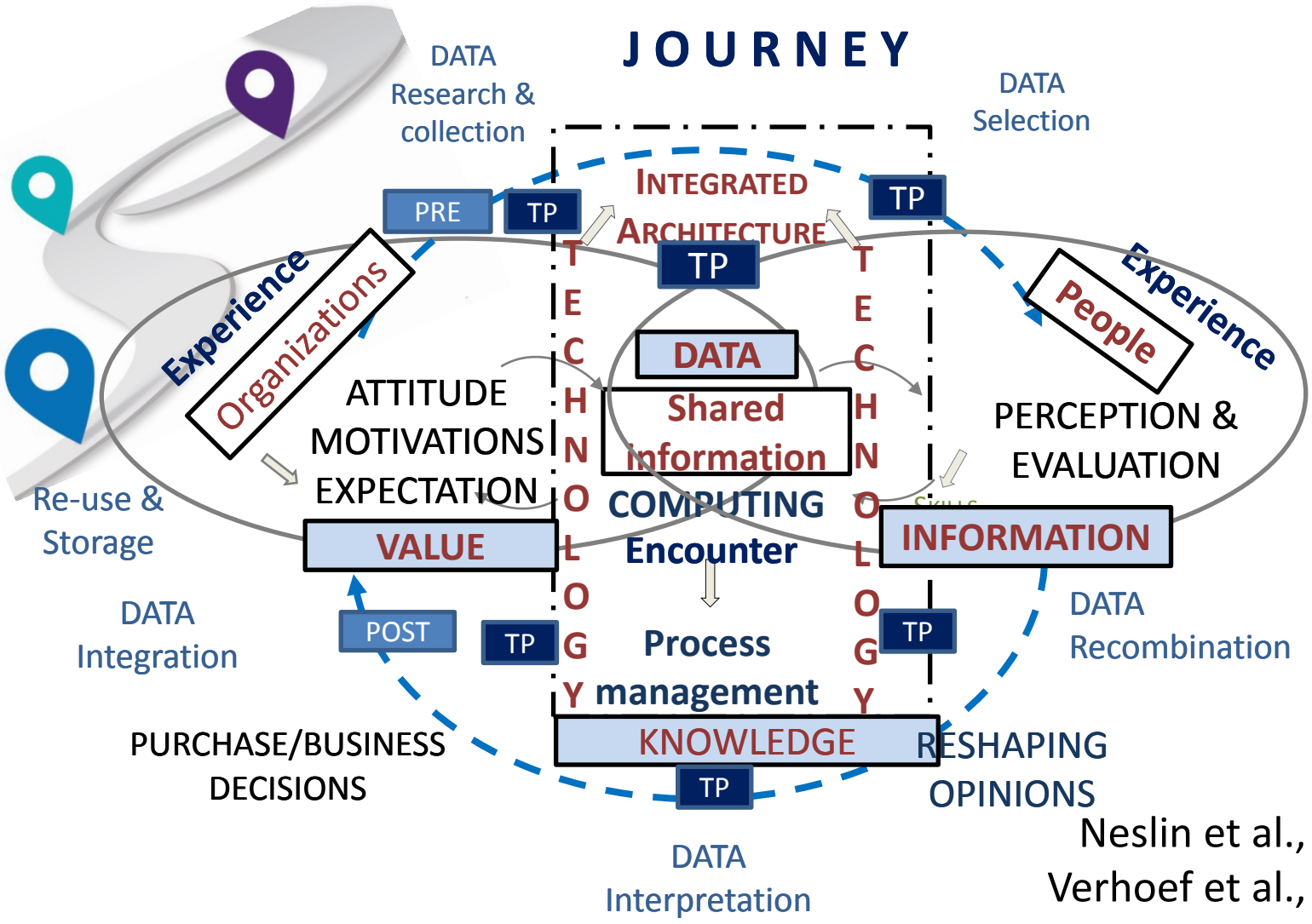
Differences with SDL

- Practical approach
- Technological- Informational focus
- Smart vision on planet
- Measurement of service and *systematic* search for innovation and continuous improvement

SPOHRER, J., ANDERSON, L., PASS, N., AGER, T. (2008)
SPOHRER, J. MAGLIO, P.P., BAILEY, J., GRUHL, D. (2007)
VARGO, S.L., LUSCH, R.F., WESSELS, G. (2008)

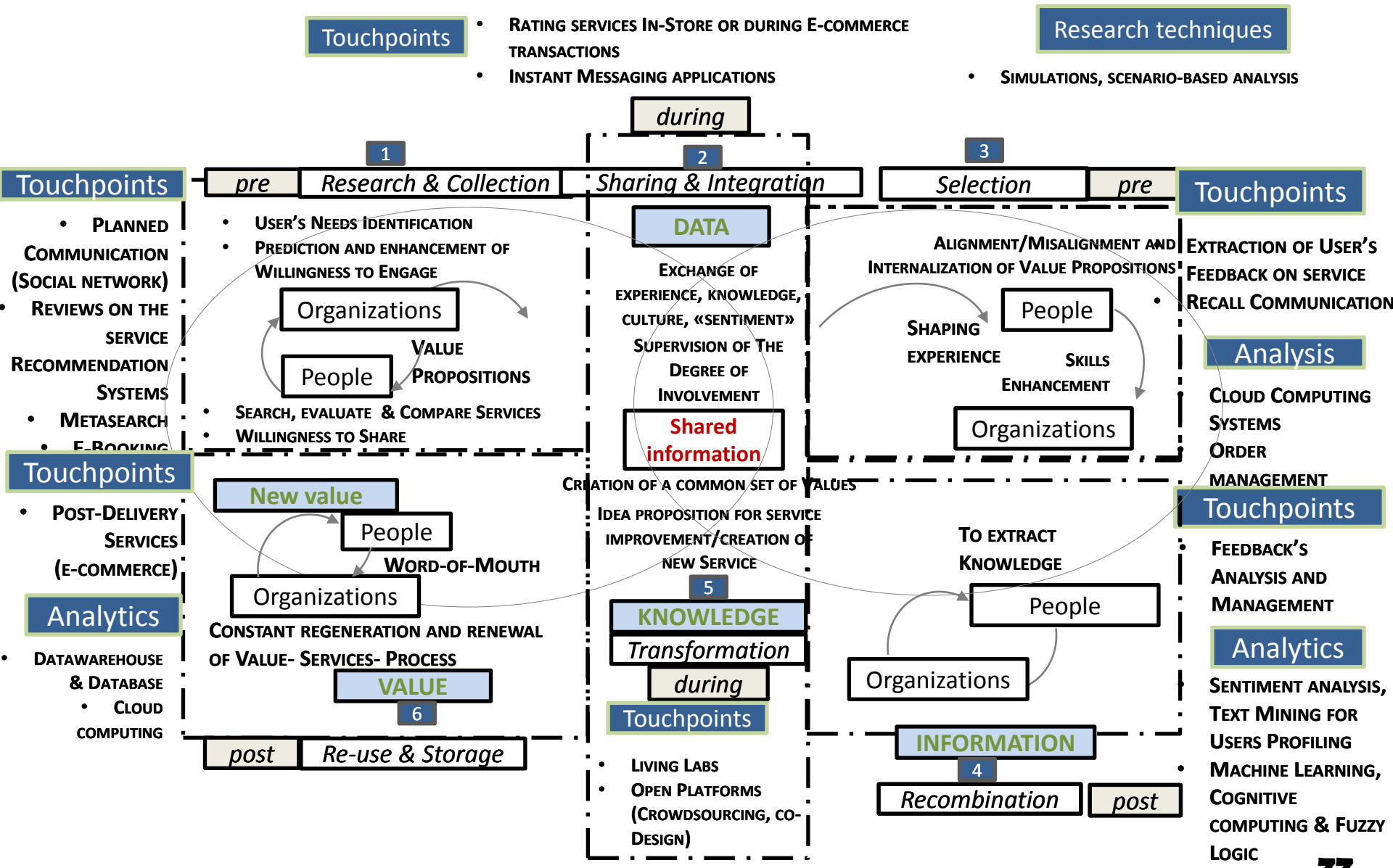
Case studies on Service systems

Case study 1: Service Journey



Neslin et al., 2006
Verhoef et al., 2007
Voorhees et al., 2017

Touchpoints & Multi-channel strategies



The Case

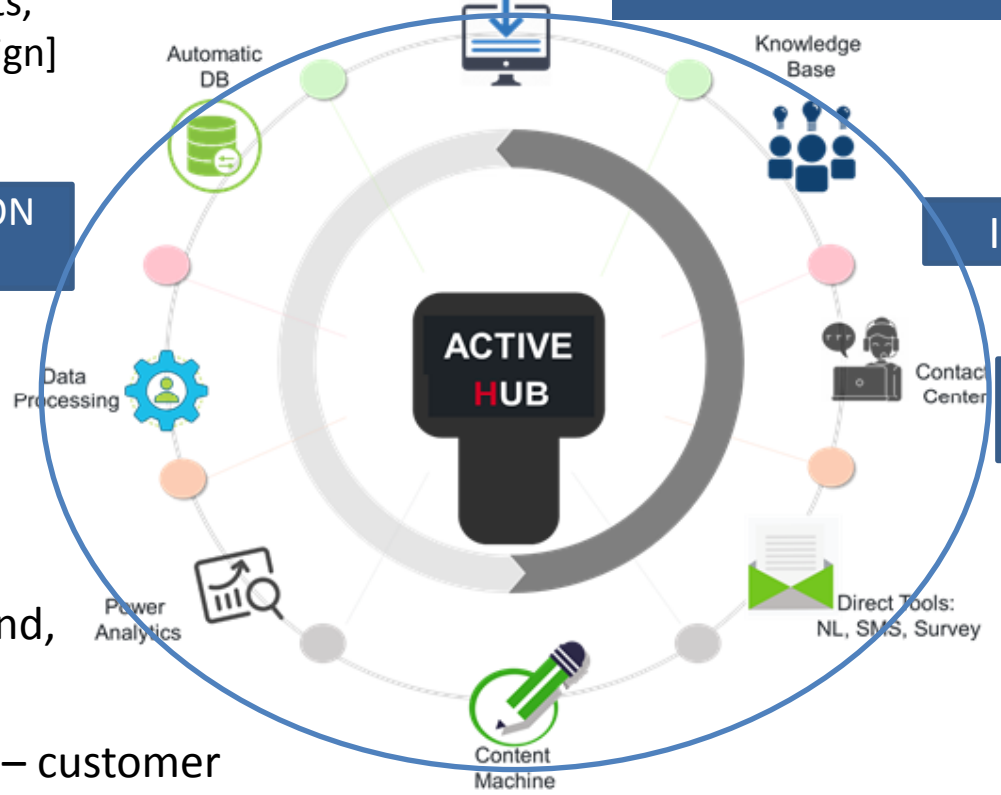
INTHERA
CONTENT DATA MARKETING

TO ACQUIRE
[lists, contents, on-line campaign]

INTERCONNECTION OF CHANNELS

TO RETAIN
[Voice – in/out bound, post sales, etc.]

[In Bound – customer care, web Contact center]



CREATION OF NEW TOUCHPOINTS

TO ENGAGE

INTERACTIONS

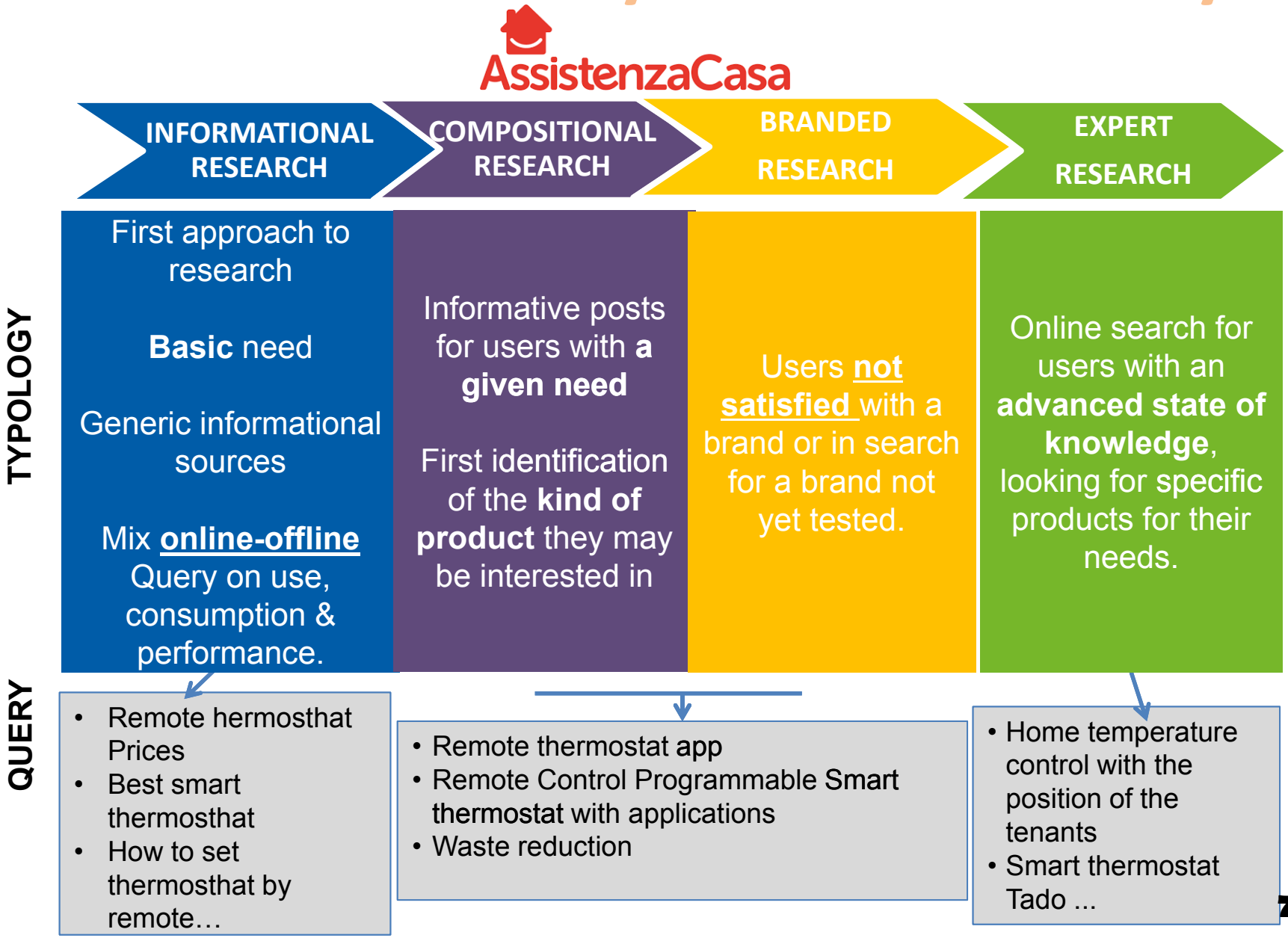
HUMAN CONTACT

[IMailing – DEM – Social – CRM – Nurturing]

Experience PERSONALIZATION

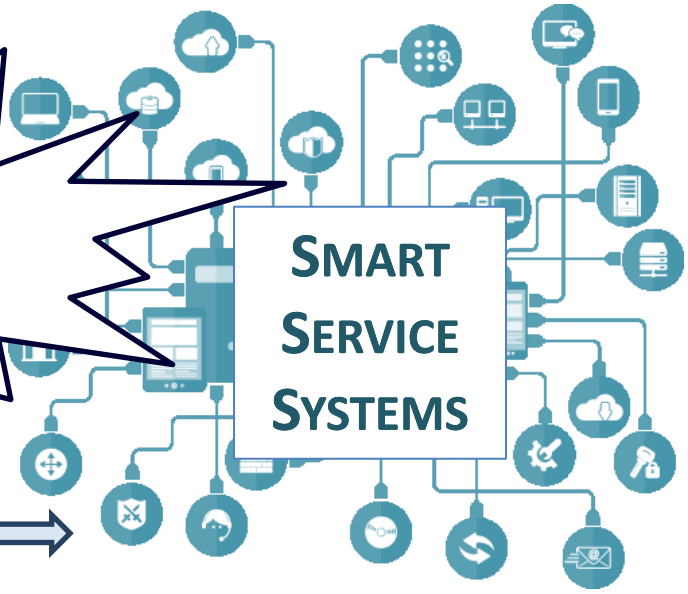
TO RAISE AWARWENESS

Smart Home: Analysis of the Journey



Case study 2: Technological cluster for Aerospace

4.0 Industry & Smart technologies



Increased connectivity & Information sharing

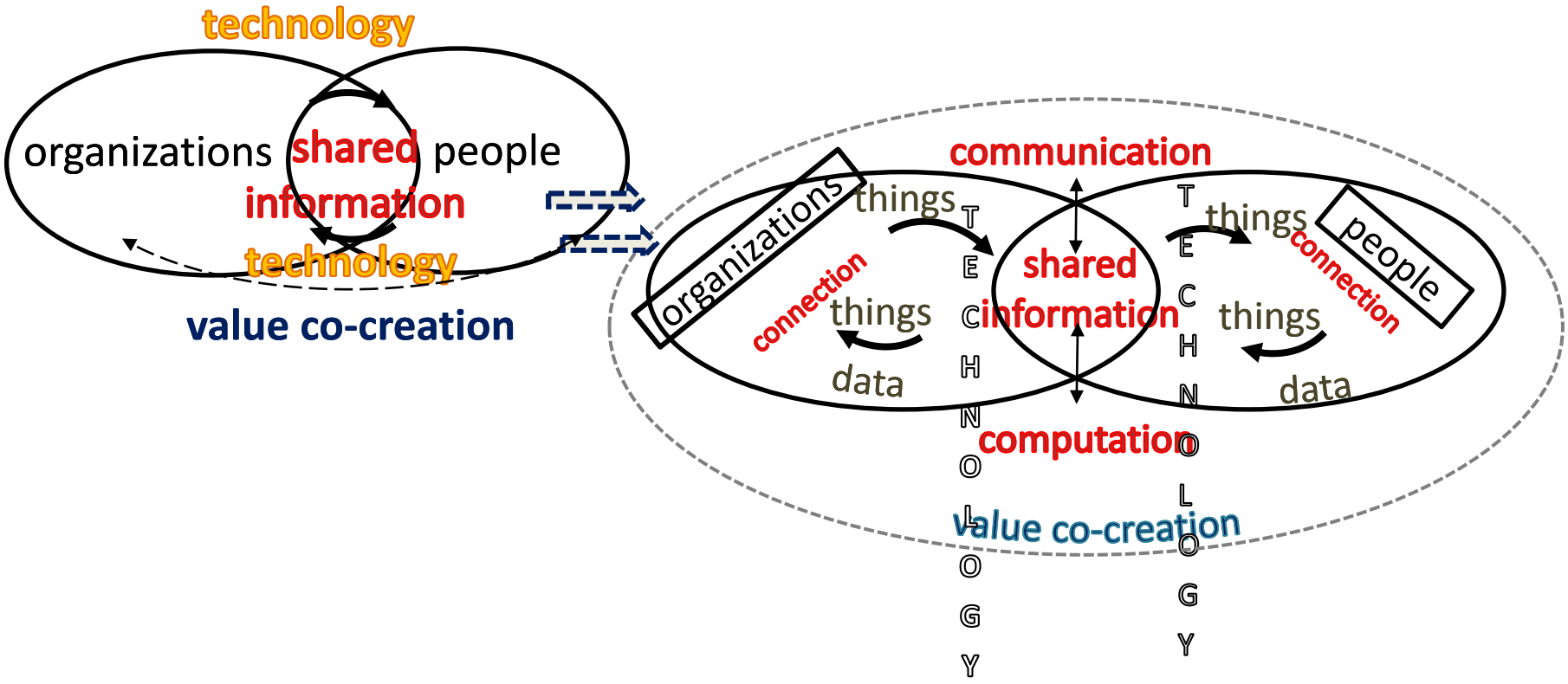
Data collection & analysis

Knowledge co-creation

INNOVATION OPPORTUNITIES

From service systems….

Spohrer et al. (2007, 2008)



…to smart service systems

Lim et al. (2016)
Lim and maglio (2019)

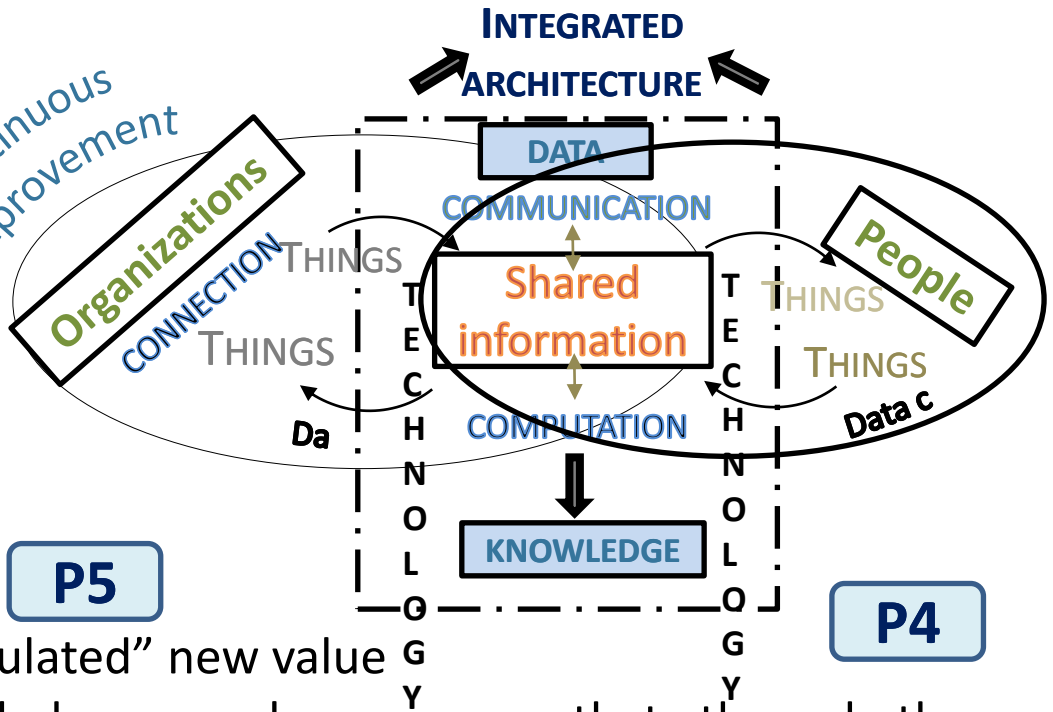
Reinterpreting service systems

P2

..thanks to the proliferation of technological channels (*things)* that compose an *integrated infrastructure* in which information is exchanged and shared in an immediate and transparent way (*communication*)…

P1

The interactions organizations-people (*connection*) are strengthened and intensified…



P3

..and which fosters continuous *data collection* & incorporation, resources combination…

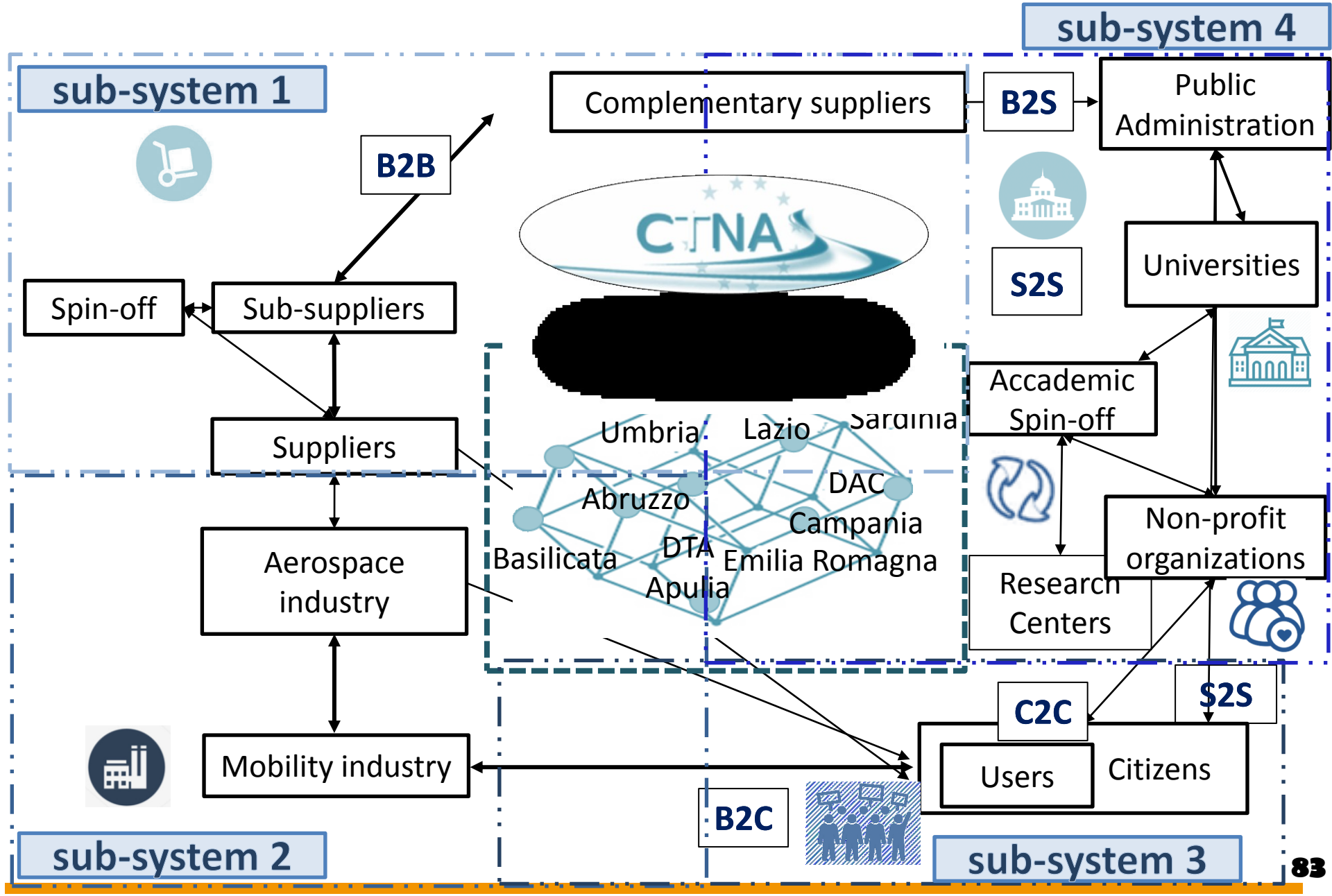
P5

…"accumulated" new value and knowledge can enhance *continuous improvement*.

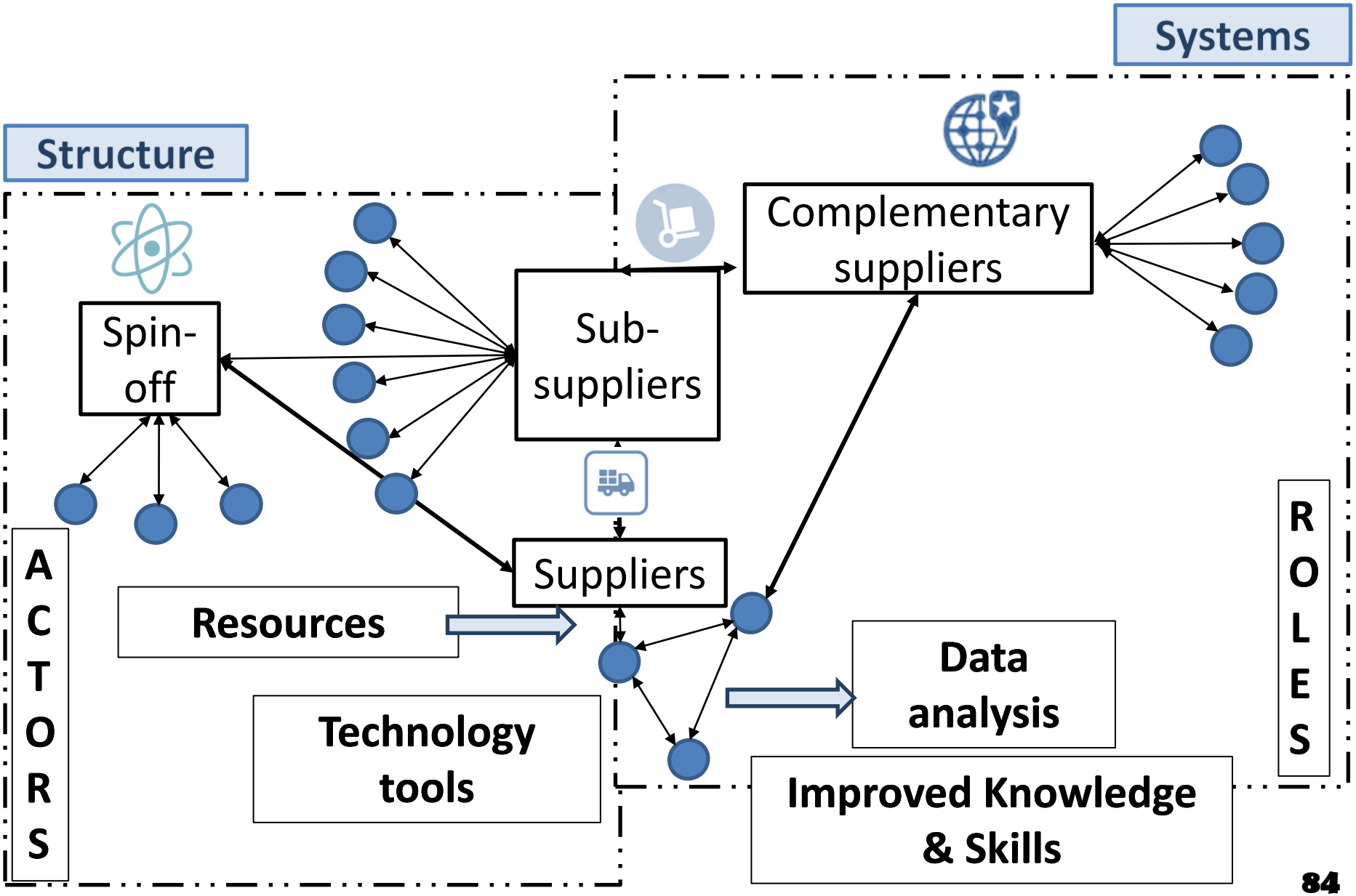
P4

…that, through the application of analytics (*computation*), facilitate the transformation of information into knowledge, and new value…

National cluster for aerospace technology



Stakeholders Mapping



Structural analysis

ACTORS

Activities

1) new co-created solutions for supply chain competitiveness (sub-suppliers);

2) smart maintenance for the digitalization of supply chain (complementary suppliers).

Resources

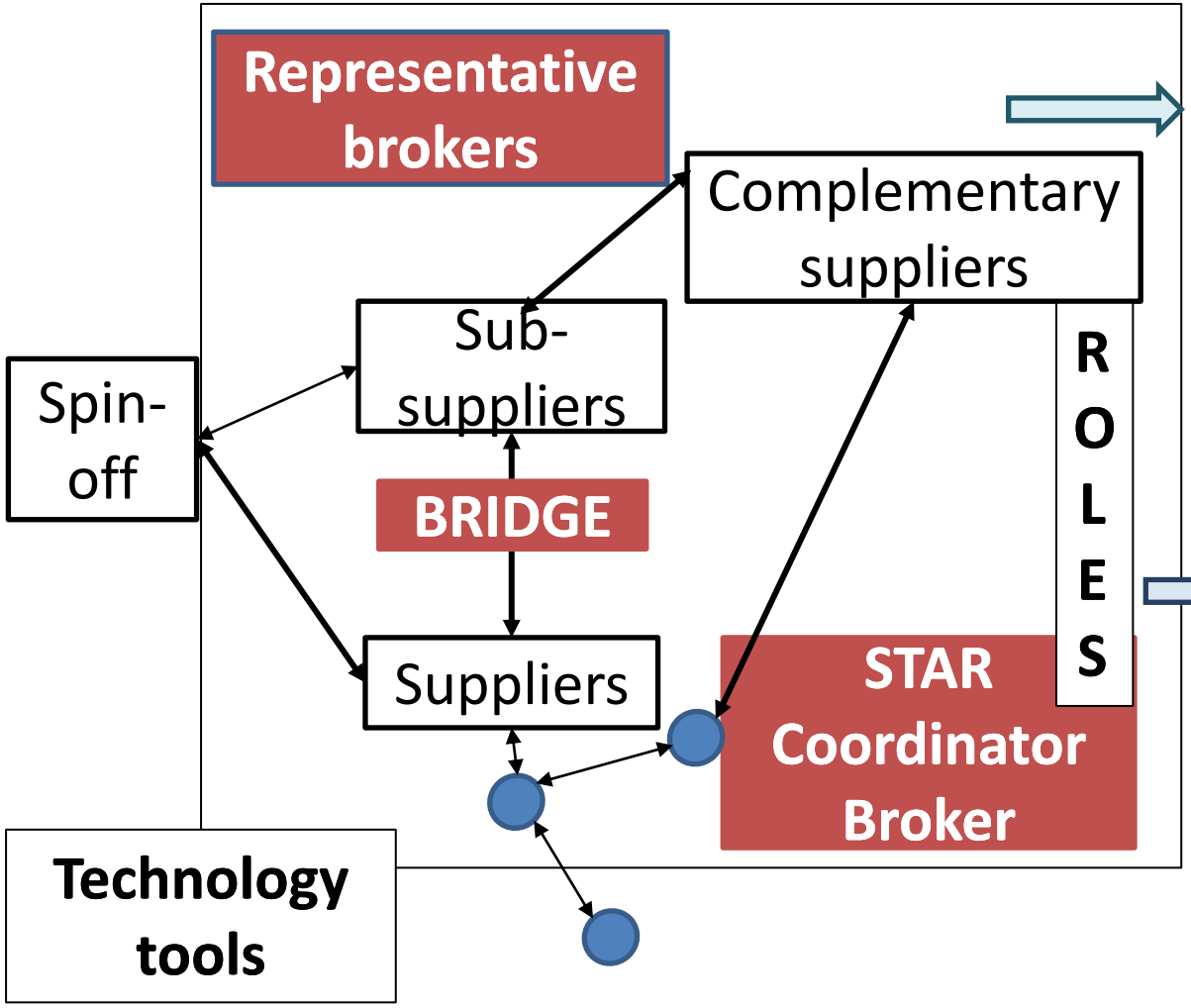
- Financial & material
- Technological & informational

Technology tools

E-manufacturing, e-procurement and Digitalization of supply chain through:

- Internet of things, augmented reality, wearable devices;
- Integrated Management systems: SOA web-based architecture based on learning based algorithms.

Systems analysis



Improved Knowledge & Skills

- productive and process competencies;
- technological, managerial and relational skills.

Data analysis

Integrated methodology and data orientation based on real time data analysis and feedback for prompt execution of actions and problem solving

UNIVERSITÀ DEGLI STUDI DI SALERNO

DIPARTIMENTO
DI SCIENZE AZIENDALI
MANAGEMENT
& INNOVATION SYSTEMS

simas
SISTEMI PER L'INNOVAZIONE
E MANAGEMENT SANITARIO

ASVSA
Associazione per la ricerca sui Sistemi Vitali

THANK YOU.

Questions?
Comments?

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