



FOUNDATIONS of SERVICE SCIENCE

Evolving to a new dominant logic for marketing

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1. 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 cocreation of value, and relationships.

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- By the early 1950's, 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.
 - 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.
 - Beginning in the 1980's, many new frames of reference that were largely independent of the standard microeconomic paradigm began to emerge.



2. Evolving to a new dominant logic for marketing

- **1800–1920: Classical and Neoclassical Economics** represented by Marshall, Say, Smith.
 - Economics became the first social science to reach the quantitative sophistication of the natural sciences ;
 - Value is embedded in matter through manufacturing and goods come to be viewed as standardized output ;
 - Wealth in society is created by the acquisition of tangible “stuff.” Marketing as matter in motion.



- **1900–1950: Early/Formative Marketing**

- Early marketing thought was highly descriptive of commodities, institutions, and marketing functions: commodity school, institutional school, and functional school ;
- A major focus was on the transaction or output and how institutions performing marketing functions added value to commodities ;
- Marketing primarily provided time and place utility, and a major goal was possession utility ;



- **1950–1980: Marketing Management**

- Firms can use analytical techniques ; value “determined” in marketplace; “embedded” value must have usefulness;
- Customers do not buy things but need or want fulfillment;
- Everyone in the firm must be focused on the customer because the firm’s only purpose is to create a satisfied customer ;
- Identification of the functional responses to the changing environment that provide competitive advantage through differentiation begins to shift toward value in use.

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- **1980–2000 and Forward: Marketing as a Social and Economic Process**
 - A dominant logic begins to emerge that largely views marketing as a continuous social and economic process in which operant resources are paramount ;
 - The marketplace can falsify market hypotheses, which enables entities to learn about their actions and find ways to better serve their customers and to improve financial performance ;



- **1980–2000 and Forward: Marketing as a Social and Economic Process**

- The foundational premises of the emerging paradigm are :
 - skills and knowledge are the fundamental unit of exchange ;
 - indirect exchange masks the fundamental unit of exchange ;
 - goods are distribution mechanisms for service provision ;
 - knowledge is the fundamental source of competitive advantage ;
 - all economies are services economies ;
 - the customer is always a coproducer ;

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- Thought leaders in marketing continually move away from tangible output with embedded value in which the focus was on activities directed at discrete or static transactions.
 - In turn, they move toward dynamic exchange relationships that involve performing processes and exchanging skills and services in which value is cocreated with the consumer.
 - The worldview changes from a focus on resources on which an operation or act is performed (operand resources) to resources that produce effects (operant resources) .



1900

21st century



- Goods – Centered Model of Exchange
- Concepts : tangibles, statics, discrete transactions, operand resources

- Service – Centered Model of Exchange
- Concepts : Intangibles, competences, dynamics, exchange processes and relationships

3. Conclusions

- The models on which much of the understanding of economics and marketing are based were largely developed during the nineteenth century.
- However, times have changed ; the focus is shifting away from tangibles and toward intangibles, such as skills, information and knowledge, and toward interactivity , connectivity and ongoing relationships .
- A more appropriate unit of exchange is perhaps the application of competences, or specialized human knowledge and skills, for and to the benefit of the receiver.
- We anticipate that the emerging service-centered dominant logic of marketing will have a substantial role in marketing thought. It has the potential to replace the traditional goods - centered paradigm.



THANK YOU !