

SERVICE INNOVATION PERFORMANCE APPLIED ON MARKETING SOLUTIONS: A HOLISTIC APPROACH.

Área temática: Inovação e Propriedade Intelectual

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Resumo/ Abstract: *Mostly, industries are exchanging services more than goods driven by the corporate social capital and organizational learning, in which can be seen in both business-to-business and business-to-customer enterprises. From optimization of manufacturing processes to establishment of a system that adapts to environmental changes, a holistic perspective is much less threatening to people to practicing in conventional circles than the idea they are will have to acquire a whole new set of tool and skills and knowledge base. Once this perspective is taken, service innovation takes place as major source of competitive advantage for leading-edge firms driven by complex customer demands and cultivating the ability to use both knowledge obtained from customers, competitors and their own coordination capabilities to create meaningful and distinctive services (Chao-Hung Wang, 2014). The aim of this paper is to apply a research framework of S-D logic to service innovation performance with greater precision so that the approach to marketing solutions can be more developed. The complete study will contribute to an understanding of the factors that determine service innovation performance evidencing the value co-creation as main catalyst for competitive advantage.*

Keywords: *Service Innovation, Service Dominant Logic e Marketing Solutions*



1. Introduction

This paper encompasses the study about marketing solutions that have been applied into firms strategic plan from a service-oriented perspective complying service innovation performance. In fact, the need for reorienting firm activity or even transforming the entire firm orientation from producing output to a concern with service(s) have been proposed by many potential firms and business scholars (Davies, Brady, & Hobday, 2007; Gebauer & Fleisch, 2007). Considering the central premise of service dominant logic as being an inherited model of exchange, service is taken as process rather than units of outputs, which usually manufactured goods (Vargo & Lusch, 2004a). In sense, it is argued by specialists of service dominant logic that it represents the convergence and expansion of the marketing's traditional thought by sub-disciplines, such as business-to-business marketing and service(s) marketing (Vargo & Lusch, 2008). Indeed, over the past several decades the marketing competition has become an important component for rethinking production and marketing strategies, in which the practitioners are demanded to adopt considerations even more challenging to manage efficiently and effectively in the context of our sharing economy.

This shifting activity, from products to service(s), follows intuitively from marketing's traditional foundational thought to suit the analogous shift in the economy (Vargo & Lusch, 2008). Mostly, industries are exchanging services more than goods driven by the corporate social capital and organizational learning, in which can be seen in both business-to-business and business-to-customer enterprises. Once this perspective is taken, service innovation takes place as major source of competitive advantage for leading-edge firms driven by complex customer demands and cultivating the ability to use both knowledge obtained from customers, competitors and their own coordination capabilities to create meaningful and distinctive services (Chao-Hung Wang, 2014). Also, the definition of service innovation points as the new product, the new procedure for producing or delivering service or development of offerings for enhancing service delivery process (Gronroos, 1990) (Sundbo and Gallouj 2000).

Basically, customers can be provided with two types of new solutions by service innovation (Gadrey, Gallouj & Weinstein, 1995). The first combines new concepts to constitute new solutions, and resolves into improvement innovation and fundamental innovation. The other involves solving existing problems with greater efficiency, and can over the enhancement of productivity, suitability, or quality. Arguably, this logic has implications



on the evaluation of service innovation performance and how it can help firms strengthen their core competitiveness towards their respectively marketing segmentation.

The aim of this paper is to apply a research framework of S-D logic to service innovation performance with greater precision so that the approach to marketing solutions can be more developed. First, the article will isolate main elements of service dominant logic that impacts marketing solutions in order to provide a clear understanding of the conceptualization and configuration of firm innovation in the context of sharing economy. Then, it will investigate the current practices on marketing solutions in terms of specific indexes on service performance innovation through a first attempt questionnaire. The complete study will contribute to an understanding of the factors that determine service innovation performance evidencing the value co-creation as main catalyst for competitive advantage. In summary, this paper is divided in 5 parts, first introduction, second a theoretical review, then conclusions for future research.

2. Theoretical background and literature review

2.1. Service versus manufacturing innovation

Marketing understood as an inherited model of exchange from economics (Vargo & Lusch, 2004a) takes two perspectives for the consideration of service(s). One points towards the exchange of goods, which is focused on tangible output, embedded value and transactions. The goods-dominant logic views services as a type of (intangible) product or an component for enhancing value of a good (Lusch & Vargo, 2006a). In contrast, the service dominant is concerned with the singular “service” as the primary focus of exchange (Lusch & Vargo, 2006a), indicating service as a process of doing something for another entity where customers and suppliers are targeted as collaborators in the entire marketing process. Substantially, the co-creation of value among actors has been put forward, pointing out (Grönroos, 2006) that resources are only created by suppliers for customers create value for its own convenience. Equally, the value of market actors (Karpen, I.O., Bove L.L., Lukas B.C., Zyphur M. J. 2014) is placed in the interaction with one another and combination of resources while individually determining the value of the associated outcomes in terms of personal betterment. For that, a firm’s role is to facilitate and enhance these experiences (Karpen et al. 2012; Payne et al. 2008) and subsequently benefit, for example, in the form of knowledge and financial returns. Service-dominant logic is grounded in nine foundational premises; eight of which were

initially elaborated in Vargo and Lusch (2004) and the ninth in Vargo and Lusch (2006).
These are reproduced in Table 1.

Foundational Premise	Rationale
FP1. The application of specialized skills and knowledge is the fundamental unit of exchange	Service - applied knowledge for another party's benefit - is exchanged from service
FP2. Indirect exchange masks the fundamental unit of exchange	Micro-specialization, organizations, networks, goods, and money obscure the service-for-service nature of exchange
FP3. Goods are distribution mechanisms for service provision	“Activities render service; things render service” (Gummesson 1995 - goods are appliances)
FP4. Knowledge is the fundamental source of competitive advantage	Operant resources, especially “know-how”, are the essential component of differentiation
FP5. All economies are service economies	Service is only now becoming more apparent with increased specialization and outsourcing; it always been what is exchanged
FP6. The customer is always a co-creator of value	There is no value until an offering is used - experience and perception are essential to value determination
FP7. The enterprise can only make value propositions	Since value is always co-created with and determined by the customer (value-in-use), it cannot be embedded in the manufacturing process
FP8. A service-centered view is customer oriented and relational	Operant resources being used for the benefit of the customer inherently places the customer in the center of value creation and therefore implies relationship
FP9. Organizations exist to integrate and transform micro-specialized competences into complex services that are demanded in the marketplace	The organization exist to serve society and themselves through the integration and application of resources

Based on the source: FP1 - FP8, Vargo and Lusch (2004); FP9, Vargo and Lusch (2006)

A shift to a service centered focus (Vargo & Lusch, 2008) amplifies and unifies the divergent marketing thought by sub-disciplines, such as business-to-business marketing and service(s) marketing and implies that it follows naturally from marketing's traditional foundational thought. Focusing on the adjustment of “shortcomings” among goods and service, marketing scholars determined four characteristics differences (Zeithaml, Parasuraman, & Berry, 1985), such as inseparability of production and consumption, heterogeneity, inventory ability (“IHIP”), and perishability. It can be exemplified from emerging perspectives for service marketing, such as taking the conceptualization of exchange as relationships, instead of transactions (Berry, 1983), taking quality as customer perceptions, instead of engineering standards (Gronroos, 1983) and finally, taking the equity of the firm with its customers instead of its brands.

Accordingly, the configuration of sub-disciplines (Vargo & Lusch, 2008) is a response to the limitations of G-D logic as a foundation for understanding value creation. For this, the intention is to identify B2B marketing differences from other forms of marketing and following, find ways to adjust respectively marketing considerations. In contrast to the evolving modification of goods-based models of exchange to fit a transition to service, the meaning of service as a process is understood as central role in economic exchange (Vargo and Lusch 2008), in which is primarily enabled by operant resources such as knowledge and capabilities through value co-creation processes refining the idea (Vargo & Lusch, 2004a) of providing services rather than producing products or services. Our overall theme is that applied knowledge and collaboration are the key drivers for firms to more successfully compete through service. To accomplish this, the firm must view external environments, customers, and partners as operant resources (Table 2).

Proposition	Rationale
1. Competitive advantage is advantage is a function of how one firm applies its operant resources to meet	Since applied operant resource are what are exchanged in the market (FP1), they are the source competitive

the need of the customer relative to how another firm applies its operant resources	advantage (FP4)
2. Collaborative competence is a primary determinant of a firm's acquiring the knowledge for competitive advantage	The ability to integrate (FP9) operant resources (FP4) <i>between</i> organizations increases ability to gain competitive advantage through innovation
3. The continued ascendance of information technology with associated decrease in communication and computation costs, provides firms opportunities for increased competitive advantage through innovative collaboration	Reduced barriers to technology utilization combined with the trends of open standards, specialization, connectivity, and network ubiquity increase the likelihood of collaboration with firms and customers (FP6, FP8)
4. Firms gain competitive advantage by engaging customers and value network partners in co-creation and co-production activities	Because the customer is always a co-creator of value (FP6), and the firms a resource integrator (FP9), competitive advantage is enhanced by proactively engaging both customers and value-network partners
5. Understanding how the customer uniquely integrates and experiences service-related resources (both private and public) is a source of competitive advantage through innovation	Since value is co-created (FP6) comprehending how customers combine resources (FP8, FP9) provides insights into competitive advantage
6. Providing service co-production opportunities and resources consistent with the customer's desired level of involvement leads to improved competitive advantage through enhanced customer experience	Expertise, contro, physical capital, risk taking , phsyhic benefits, and economic benefits influence customers' motivation desire, and amount of participation (FP6, FP9) in service provision through collaboration (FP8)
7. Firms can compete more effectively through the adoption of collaboratively developed, risk-based pricing value propositions	Appropriately shifting the economic risk of either firm or customer through co-created (FP6) value proposition (FP7) increase competitive advantage
8a. The value network member that is the prime integrator is in a stronger competitive position	The ability to effectively combine micro-specialized competences into complex services (FP9) provides

knowledge (FP1) for increased competitive advantage (FP4)

8b. The retailer is generally in the best position to become the prime integrator

9. Firms that treat their employees as operant resources will be able to develop more innovative knowledge and skills and thus gain competitive advantage

Since competitive advantage comes from the knowledge and skills (FP4) of the employees, it can be enhanced by servant leadership and continual renewal

Source based on Robert F. Lusch a, Stephen L. Vargo, Matthew O'Brien (2007)

2.2 Service orientation and measurement considerations

Exploring the mechanism of the influence of customer orientation as main catalyst for driver innovation, it demonstrates that can play different roles for services and manufacturing firms, (Qiang Wang, Xiande Zhao, Chris Voss, 2015). For customers' requirements, customer orientation view can be showed as an organizational strategy of optimizing or transforming the experience, (Narver and Slater,1990) in which implies enhancing innovation. Indeed, customer orientation emphasizes the use and exchange of information, learning, and uncovering latent customer needs. As a dialogic process, the mutual communication and engagement between parties in an interesting issue are the features of dialogic co-creation, in which augment the potential of achieving successful outcomes by incorporating market knowledge and maintaining long-term relationship within all the actors involved.

Firm's supplier involvement in innovation may range from simple consultation on design ideas to responsibility for the complete development and design of a specific component or even a whole system (Wynstra and ten Pierick, 2000). The role of supplier collaboration in innovation emphasizes the relational aspect of inter-firm value-creating processes, which has been found to be important in the development of new products and services. Inherently, supplier collaborations are valuable and unique resources that can help firms achieve their strategic objectives and create sustained competitive advantages. It is thus reasonable for customer-oriented firms to focus their own efforts and those of their collaborators' on fulfilling customer requirements. A customer orientation requires firms to



identify key resources and capabilities, some of which may not be owned by the firms themselves and must be acquired from suppliers.

As a critical asset embedded in a firm's product, technology capability includes not only technological knowledge, which is typically tacit and developed overtime, but also the technological development capability, which is often based on learning-by-doing and scientific breakthroughs. Franco et al. (2009) argued that the ability of a firm to integrate, build, and reconfigure its technological competencies to address rapidly changing environments determines its competitive advantage and relative position in a market. Technological capability is a critical asset embedded in a firm's products or services. It is often the driving force of a firm's innovation and the source of a firm's long-term competitive advantage (Hsieh and Tsai, 2007). As such, technological capability is an important concern of customer-oriented firms aiming at continuously satisfying unmet customer needs with superior products or services.

3. Research Methodology

Based on the conceptual model of innovation (Qiang Wang, Xiande Zhao, Chris Voss, 2015) we propose the questionnaire above, in which englobes the measurement items for service innovation, such as customer orientation, supplier orientation, technological capability and service (product) innovativeness.

Customer orientation

- Does the company divide customer into different groups to better understand and define customers' needs? A) Yes (How?) - B) No (Why not?) - C) Not applicable
- Does The Company systematically listens to and understands the needs and preferences of different groups of customers? A) Yes (How?) - B) No (Why not?) - C) Not applicable
- Are the features of your products/services are designed based on the voice of customers? A) Yes (How?) - B) No (Why not?) C) Not applicable
- Does the company continually improves customer service processes to help customers acquire information, make transactions, and file complaints? A) Yes (How?) - B) No (Why not?) C) Not applicable
- Does the company systematically measures the level of customer satisfaction and loyalty for the improvement of product/service processes? A) Yes (How?) - B) No (Why not?) C) Not applicable

Supplier orientation



- Does the company maintain intensive communication with suppliers with regard to the key factors influencing product/service quality and changes in design? A) Yes (How?) - B) No (Why not?) - C) Not applicable
- Does The company proactively requires suppliers to participate in our activities to improve the product/service quality? A) Yes (How?) - B) No (Why not?) - C) Not applicable
- Does the company often ask for your suppliers' ideas and opinions about product/service design? A) Yes (How?) - B) No (Why not?) - C) Not applicable
- Does the suppliers often participate in our firm's projects during the product/service design stage? A) Yes (How?) - B) No (Why not?) - C) Not applicable

Technological capability

- Does The Company incorporates new technologies and new knowledge into the design of production/service processes? A) Yes - B) No (Why not?) C) Not applicable
- Does The company uses information technologies to reform the production/service process? A) Yes (How?) - B) No (Why not?) C) Not applicable
- Does The company emphasizes the renovation of equipment and timely evaluation of current technologies? A) Yes - B) No (Why not?) C) Not applicable
- Does The company continuously improves its technological capability? A) Yes (How?) - B) No (Why not?) C) Not applicable

Service (product) innovativeness

- Are the services (products) designed by our company are very creative? A) Yes (How?) - B) No (Why not?) - C) Not applicable
- Are the services (products) designed by our company are often new to the market? A) Yes (How?) - B) No (Why not?) - C) Not applicable
- Are the services (products) designed by our company have great impact on the industry? A) Yes (How?) - B) No (Why not?) - C) Not applicable
- Are the services (products) designed by our company often involve new techniques? A) Yes (How?) - B) No (Why not?) - C) Not applicable

4. Conclusions and Future Research

As a first attempt to measure service innovation performance, we first tested a questionnaire within companies and scholars both from a service and manufacturing orientation. Based on service premises and also comprehending existing research about innovation performance, we validated the efficiency of the questionnaire, obtaining data base for future research and development. Having customer orientation, supplier collaboration, technological capability and service (product) innovativeness as main characteristics for our construct, we kept in mind the value co creation aspects when examining all the informations acquired. The collection of responses for testing demonstrated a good receptiveness among our target group, in which they felt very comfortable to argue their answers in a very fluid

flow within the groups of questions. Importantly, the target group could fully understand the variables embedded for each section, applying their practical knowledge about their own business or sector. It was notable that for some questions of supplier collaboration for example, most entrepreneurs could not fully evaluate their performance, whether because they do not have chances to integrate ideas within the employee's levels or lack of awareness about internal activities. Additionally, the responses gathered show a high level of understanding of the company practices and values, in sense of getting to naturally identify what they are currently using and what they need to acquire in order to measuring service innovation from a successful perspective.

Despite the different functional and organizational responsibility for the multiple innovation parts, companies need to address the innovation indexes for competing actively in the market. Broadly speaking, the shifting from manufacturing to service orientation was identified among this testing, where specific indexes items in customer orientation, supplier collaboration and technological capability can be assumed as main catalysts for competitive advantage in innovation. As an evolutionary process of behavior emancipation, both from customer and company perspective, acquiring self awareness and willingness of changing behaviours are premises for the service innovation performance. For future research the data collect will help our study to investigate current procedures for this shifting, in which critical procedures will be identified and discussed. Essentially, in this process the integration of resources and the co-creation among parts will be intensively explored as being inherited practices for analysis and improvement.



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