Confronting the IMP Network Approach and the S-D Logic of Marketing

Abstract

Purpose- This paper explores the relationship and the interface between the Service-Dominant Logic of Marketing and the IMP Network approach to business markets.

Design/methodology/approach – The IMP’s network and the Service-Dominant Logic approaches are presented in order to show convergence between both literatures.

Findings – The paper shows the differences and the overlapping issues of the two marketing approaches. At a first glance the two approaches seem “opposing” approaches: an American perspective centred on a transactional view of consumer and services markets and an European perspective focused on a relational approach to industrial and business markets. We link the two bodies of the literature by emphasizing the interplay between goods and services. Our analysis shows that services play an increasingly important role in manufacturing supply chains. It highlights that the managing process of services to create value with partners and to develop relationships with clients may be compared to the implementation of the network approach.

Practical implications – Relationships emerge as important coordination mechanisms where the focus is no longer products and transactions but, the capabilities and chains of activities within and across the firms’ boundaries, where service is always present.

Originality/value – Confront the SD-L and the IMP network approach. The literature about the transition from goods to services is in an early stage. The paper contributes for this discussion and enlarges the service concept.

Keywords: Business services; IMP Group; Network approach; Service-Dominant Logic.

1. Introduction

Ever since Lovelock and Gummesson (2004) contested the validity and continued usefulness of the IHIP (intangibility, heterogeneity, inseparability and perishability) as a core paradigm to differentiate services from goods (Fisk et al, 1993), several studies have been trying to understand the impact of this conceptual change. Authors, such as Reinartz and Uлага (2008), Grönroos (2007), Campbell-Kelly and Garcia-Swartz (2007), Teboul (2006), Oliva and Kallenberg (2003), and Chesbrough and Rosenbloom (2002) claimed that the market's complexity is forcing traditional product-manufacturing companies to change their position in the goods-services continuum by continuously extending the service business to their offers. Gebauer (2008) and Vargo and Lusch (2004, 2008) emphasized this perspective by highlighting the challenge to move from a goods based logic to a service-centred logic. According to Grönroos (2006), the evolution of the service-centred logic was influenced by traditional authors from the Nordic School (Grönroos and Gummesson, 1985) and, more recently, by Vargo and Lusch (2004, 2008), who discussed what they called Service-Dominant Logic (S-DL). These approaches are similar in conceptualizing services as processes for value co-creation by resources interactions among parts in business relationships.
On the other hand, the business-to-business marketing field has been receiving contributions from the Interactive (Håkansson, 1982) and the Network approaches (Easton, 1992; Axelsson and Easton, 1992; Easton and Araújo, 1992; Ford, 1997). In the same way, Anderson et al (1994) and Ritter and Ford (2004) emphasized that business nets are determined by the connection of relationships, and studies in the marketing B2B field has been developed focusing the role of the relationships among firms for the value creation. This paper explores the relationship and interfaces between services literature, namely the Service-Dominant Logic, and the IMP Network approach to business markets. The IMP’s network and the Service-Dominant Logic approaches are presented in order to show convergence between both literatures. This paper shows the differences and the overlapping issues of the two marketing approaches, emphasizing the interplay between goods and services. First, we present the evolution of services marketing literature and the Service-Dominant Logic (S-DL). Then, we discuss the IMP group literature: the interaction and the network approaches to business markets, the relationships and the processes of business to value creation. Then, we try to establish a bridge between the two bodies of literature: the IMP literature, developed in an industrial context, and the services marketing literature, more connected to the consumer setting.

2. Services and The Service-Dominant Logic of Marketing

Lovelock and Gummesson (2004), Vargo and Lusch (2004a, 2008a) and Grönross (2007) have given important contributions to understanding the meaning of services in business environments. Service used to be conceptualized and defined as being a special type of product. The existence of a continuum is admitted, allowing intangible-tangible extremes as a basis to differentiate pure goods from pure services. The most common perception is that there are packets of products that collect goods and services (Berry and Parasuraman, 1992), distinguishing services by their four characteristics: intangibility, heterogeneity, inseparability and perishability (Fisk et al, 1993). The characterization of the services through these properties predominated in the literature of services marketing, turning to a paradigm to classify the offers in the market. Nevertheless, Lovelock and Gummesson (2004) and Vargo and Lusch (2004a, b) presented critics to this distinction of the “IHIP”. For these authors, not all services are characterized by these criteria and it is not possible to claim that these characteristics explain all distinctions between goods and services.

Vargo and Lusch (2004a, 2008a) argue that a great deal of the literature in marketing was built on the basis of what can be called a paradigm centred in goods. These authors presented the Service-Dominant Logic of Marketing (S-DL). For the authors, the S-DL approach represents a reoriented philosophy that is applicable to all marketing offerings, including those that involve tangible outputs (goods) in the process of service provision. According to Vargo and Lusch (2004a), marketing has moved from a goods-dominant view, in which tangible output and discrete transactions were central, to a service-dominant view, in which intangibility, exchange processes and relationships are central. For Vargo and Lusch (2004a, p.4), service must be understood as “the application of specialized competences (knowledge and skills) through deeds, processes and performances, for the benefit of another entity or the entity itself”. So, according to the S-D Logic, the service is neither defined as an opposition to goods, nor as a simple offer to enlarge the good exchanged (additional services, guarantees). Thus, goods are appliances (tools, distribution mechanisms), which serve as an alternative to a direct service provision.

For a clear understanding of this distinction, Vargo and Lusch (2004a) compare the concepts of operand resources versus operant resources. Operand resources are those with
which an operation or action is developed in order to produce an effect: factors of production, for example. Operant resources designate the resources employed to process the operand resources, such as technologies. So, operant resources are the ones that produce effects and, generally, are central competences or processes, intangible in their essence. In order to obtain competitive advantage, differentiation is not in operand resources but in operant resources. Vargo and Lusch (2008a) claim that marketing occurs when parts (individuals, organizations etc.) exchange in markets. The exchanges involve each party using its resources for the benefit (current or eventual) of another party. The use of resources is, precisely, what is called service.

Vargo and Lusch (2004a, 2008a) argued that service is the application of the operant resources, and service is the basis for all exchanges. Thus, for these authors, all economies are economies of service because they are always made through the application of operant resources. These specialized competences (knowledge and skills) contribute to the composition of the value packet and can constitute an important source of competitive advantage. The net is the environment, the field for value creation. All economic entities integrate resources, but value is uniquely determined by clients (as co-creators). This means that firms cannot offer value, but only propose ways for a client to obtain value. Each relation, with each group of actors, will allow for the creation of unique values. Firms can offer the application of their resources for value creation. However, they cannot create and/or hand over value independently. Therefore, the ideas of Vargo and Lusch (2008a,b) are in accordance, and reinforce the network approach developed by IMP Group, as will be argued in the next section.

3. The IMP’s Interactive and Network Approaches

According to Morlacchi et al (2005), the IMP can be understood as an informal group of international researchers, constituting a net which encompasses ideas, professional and social relationships, as well as partnerships in research, teaching and publications, inter-university visits, conferences and/or several other forms of social interaction. Being one of the biggest entities promoting academic discussions about business markets, the IMP Group’s own history shows that most of the evolution has occurred in the business market area. According to Håkansson (1982), the initial project of the IMP Group was developed because researchers had observed phenomena that could not be explained by traditional theoretical models. Until then, the microeconomics perspective predominated, based on price as a mechanism of market co-ordination, emphasizing the ability to achieve transactions at better costs in business relationships. The first publication of the IMP Group (Håkansson, 1982) was the beginning of a challenge set to study the specificities of business markets, suggesting a structure of relations between interdependent firms, called Interactive Approach (Håkansson, 1982). According to this perspective, buyers and sellers are active participants of a relationship (Håkansson, 1982). For Turnbull et al (1996), the Interactive Approach considers the relationship as the analysis’ unity, instead of individual transaction. This way, the interactive perspective developed by the IMP Group tries to capture the multi-dimensionality and the complexity of the inter-business relationships, where business relationships are embedded (Axelsson and Easton, 1992; Ford, 1997).

IMP Group researchers (Easton, 1992; Axelsson and Easton, 1992; Easton and Araújo, 1992; Ford, 1997) spread out the Interactive Approach and developed the Network Approach. The term network refers to the exchange connection between multiple firms that are interacting with each other (Ford et al, 2006). Relations can be seen as assets that vary in terms of content, strength and duration. It implicates costs of time and money, risks,
uncertainties and dependences (Ford et al, 2006; Ritter and Ford, 2004). This way, the management of relationships is not a linear process that leads to an ideal partnership between clients and suppliers. Both parts will try to manage the relation their own way, according to their own priorities. So, it is important to understand that the firms cannot manage the net, but can only manage in the net (Ford et al, 2006).

3.1 Managing relationships: business process in industrial networks

Anderson et al (1994), and Ritter and Ford (2004) emphasized that business nets are determined by the connection of relationships. For Håkansson and Snehota (1993), a relationship can be understood as an interaction mutually orientated between two reciprocally engaged parts. According to Ford (1997), business relationships can be described as complex combinations of exchanges and adaptations. The content of the exchanges can be studied according to four types: exchanges of products/services, information, financial and social elements, which lead to a long term relationship characterized by interdependence, reciprocal adaptations and co-ordination of certain activities (Ford, 1997). Therefore, the processes of adaptation take place when one or both parts realize the potential for profit resulting from the relationship and adapt functions, proceedings, tasks, attitudes, values, and objectives in order to obtain a better performance. Möller and Wilson (1995) agree with this idea and claim that an interaction between supplier-buyer can be described also as a process of co-ordination.

For Anderson et al (1994) relationships between firms may have functions divided into two different dimensions: primary and secondary. The primary functions of business relationships concerning the effects, positive or negative, for both parts that interact in a dyadic relationship. The secondary functions, named “net functions”, capture the indirect, positive or negative, effects of the relationships (Anderson et al, 1994). In an attempt to clarify this idea, Anderson et al (1994) discuss some concepts like “net horizons”, “net context” and “net’s identity”. We can understand “net horizons” as a certain firm's perception on how far does the net in which it is embedded stretches out. The “net horizons” depend on the firm's experience and on the net's structural characteristics. This means that the horizons of the net of a certain firm change according to the business relationships it develops. According to Håkansson and Snehota (1993), the part of the net's horizon considered relevant to the firm is called “net context”, and it is structured in three dimensions: actors, activities and resources (Håkansson and Snehota, 1993). It is in the context of the net that the firm develops what is called “net's identity”, i.e. how a firm sees itself in the net and how it is seen by other members of the net. The net's identity can indicate the appeal level of the firm as a partner for business relationships and exchanges of resources. For Anderson et al (1994), firms should develop a strategic net identity, requiring a business model that allows the creation of value.

This way, the literature on Business Models (Morris et al, 2005; Schweizer, 2005; Magretta, 2002) has given contributions to the understanding of how firms can fit strategic, operational and economical decisions, allowing the creation of value. According to Morris et al (2005, p. 727), business models can be understood in an integrative way: “a concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture and economics are addressed to create sustainable competitive advantage in defined markets”. According to Morris et al (2005), Schweizer (2005), Chesbrough and Rosenbloom (2002), and Magretta (2002) business models can be seen as a way to define and implement a process of value creation. Nevertheless, Ramirez (1999), Grönroos (2006), and Vargo and Lusch (2004, 2008) argued that value cannot be “added” to an offer. For these authors, value is co-created among several business actors and the buyer, who has a
fundamental role in defining what value is (as a co-creator). This means that firms cannot offer value, but only suggest ways for a client to obtain value. This way, services have a fundamental role in the process of creating value. In this sense, the following section will analyse the S-D Logic and the Network Approach together.

4. Convergences between the IMP’s Network Approach and the S-D Logic

While the network approach developed by the IMP Group reinforces the notion that firms are interconnected and exchange competences through relationships and technologies, S-D Logic argues that service is the basic unit of exchange for value creation through interactions between businesses-suppliers-clients. The S-D Logic conceptions of Vargo and Lusch (2004a, 2008a) can highlight the importance of relationships between suppliers and clients (and vice-versa). Traditional management theories show that suppliers offer inputs that will be part of a final product. S-D Logic (Vargo and Lusch, 2004a and 2008a) reinforces the idea that what is offered by suppliers is a conjunction of several specialized competences, not only a specific input (more or less tangible). Thus, suppliers can contribute to the composition of the firm’s packet of value, not just with goods, but with competences. The basic premises of S-D Logic, described by Vargo and Lusch (2008a), emphasized the relational background of marketing between firms. Then, both fields of literature are client-oriented, relational and developed in interactive settings. For a clear comprehension, these ideas are presented in Table 1, which compares the main points of these literatures:

<table>
<thead>
<tr>
<th>SD-L FOUNDATIONAL PREMISES (Vargo and Lusch, 2008a)</th>
<th>IMP NETWORK APPROACH</th>
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<tbody>
<tr>
<td>FP1 Service is the fundamental basis of exchange</td>
<td>According to the Network Approach, services and goods are exchanged through relationships and technologies. The focus is on the firm<code>s capacity to manage technology</code>s exchanges through an integrated offer. (Ford et al, 2006)</td>
</tr>
<tr>
<td>FP2 Indirect exchanges masks the fundamental basis of exchange</td>
<td>Relationships and technologies, together, are the fundamental source of competitive advantages (Ford et al, 2006)</td>
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<tr>
<td>FP3 Goods are a distribution mechanism for service provision</td>
<td>The term B2B is used to explain exchanges envolving goods, while B2B Services is use in case of services. (Axelsson and Wynstra, 2002). Nevertheless, the organization offer solutions (more or less tangibles) to answer customer`s needs and value is dynamically developed by relationships (Anderson, 2004)</td>
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<tr>
<td>FP4 Operant resouces are the fundamental source of competitive advantage</td>
<td>The firm cannot deliver value, but only offer value propositions</td>
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<td>FP5 All economies are service economies</td>
<td>A service-centered view is inherently customer-oriented and relational</td>
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<tr>
<td>FP6 The customer is always a co-creator of value</td>
<td>The firm cannot deliver value, but only offer value propositions</td>
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<td>FP7 The firm cannot deliver value, but only offer value propositions</td>
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<tr>
<td>FP9 All social and economic actors are resource integrators</td>
<td>Several business actors in a net are resources integrators (Ritter and Ford, 2004)</td>
</tr>
<tr>
<td>FP10 Value is always uniquely and phenomenologically determined by the beneficiary</td>
<td>Value is dynamically developed by firms. (Anderson, 2004; Cova and Salle, 2008)</td>
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Table 1: Foundational premises of S-D Logic compared to Network Approach
Source: developed by the authors

In the left side of Table 1, it is described the ten basic premises of S-D Logic (Vargo and Lusch, 2008a). Then each one of these premises is analysed by the ideas developed in the IMP`s Network Approach (Ford and Håkansson, 2006; Ford et al, 2006; Ford 1997; Easton,
Table 1 shows how S-D Logic’s foundational premises are similar to some of the ideas of the Network Approach developed by IMP Group. Premises of S-DL described in FP1, FP2 and FP3 highlight that service is the fundamental basis of exchanges and it is not masked by other things, such as physical goods, when these are the focus of the interchange. For the IMP’s Network Approach, services and goods are exchanged as an integrated offer through relationships and technologies and a firm must focus on the capacity to manage technologies through the offers (Ford et al., 2006). This way, analysing theses ideas together, we can suggest that: if technologies are skills to do something (Ford et al., 2006) and service is the application of specialized competences (knowledge and skills) through deeds, processes and performances (Vargo and Lusch, 2004a and 2008a), then we may suggest that service is a way to apply technologies. This way, technology is the skill to produce effects and service is the way to process technologies.

According to the premises of S-DL described in FP4, operant resources (competences or processes, intangible in their essence) are the fundamental source of competitive advantages. This idea is similar to the Network Approach, for which relationships and technologies, together, are the fundamental source of competitive advantages. Confronting these two perspectives, we can suggest that competitive advantages could be created through relationships and the technologies exchanged by them. Therefore, developing processes of business to manage services can be a way to clarify the implementation of the Network Approach.

This way, the premise FP5 highlights that there is a field to be explored regarding the services’ role in the business market. Business-to-Business Services Marketing literature has been developed to answer questions which emerged from the specificities of some business services (professional services, financial services, etc.). Following the IMP approach, studies such as Van Der Valk (2008), Van Der Valk et al. (2007), Proença and Castro (2007 and 2004), Wynstra et al. (2006), and Axelsson and Wynstra (2002) have been developing ways to identify the main differential aspects, as well as trying to characterize different types of services. But, the exploration of the service literature in B2B field must also be able to focus on services that are a process linking business, allowing a value co-creation network.

Analysing the S-D L premises FP6, FP7, FP8, FP9 and FP10, we can affirm that firms identify customer’s uncertainties and develop some kind of solution to solve their problems, but the value is always co-created by the beneficiary (Cova and Salle, 2008). According to Grönroos (2006), and Vargo and Lusch (2004, 2008), and Ramirez (1999) value cannot be “added” to an offer. For these authors, value is co-created among several business actors and the buyer, who has a fundamental role in defining what value is (as a co-creator). This means that firms cannot offer value, but only suggest ways for a client to obtain value. As described in Table 2, according to Ritter and Ford (2004), Anderson (2004), and Cova and Salle (2008), the IMP’s Network Approach value is dynamically built by firms, which are client-oriented, and all economics actors are resources integrators.

5. Conclusion

Receiving contributions from the interaction perspective (Häkansson, 1982) and the network approach (Axelsson and Easton, 1992), studies in the marketing B2B field have been developed focusing the role of the relationships among firms for the value creation. Through the premises of S-D Logic (Vargo and Lusch, 2004a and 2008a), business relationships and networks are the environments where services flow. An integrative perspective between the S-D Logic (Vargo and Lusch, 2004a and 2008a) and the Network Approach developed by the IMP Group shows that processes of value co-creation among firms in a network are achieved
through relationships and by the application of services. Through the premises of the service-
centred logic, firms, essentially, exchange services (involving more or less tangible things). If
service is an application of technologies through dynamic relationships, the management of
the processes of services in business can still illuminate the field of business processes and the
co-creation of value among firms.

According to Vargo and Lusch (2004a), marketing has moved from a goods-dominant
view, in which tangible output and discrete transactions were central, to a service-dominant
view, in which intangibility, exchange processes and relationships are central. This way, in
order to develop competitive advantages, industrial firms must change their position in the
goods-services continuum by continuously extending the service business to their offers
(Gebauer, 2008; Jacob and Ugala, 2008; Teboul, 2006; Oliva and Kallenberg, 2003).
Transforming a manufacturing firm into a service provider means having to adopt a business
model based on relationships and develop profitable service offers (Oliva and Kallenberg,
2003). Further exploratory and descriptive research based on service management processes
must be developed in order to design business models that allow the co-creation of value.
Therefore, the literature of services management processes can be helpful and can be used as
a way to understand the dynamic processes of business in a net. The focus will not be on the
offer (more or less tangible), but rather on the services, which are processes linking
businesses in the net and co-creating value.

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