The yinyang of marketing

“Everything in our Universe is composed of two opposing, but deeply interconnected forces. The interaction of these two forces creates the essence of life around us. One cannot exist without the other, as in their seeming opposition, they deeply support and nourish each other” (Tchi, 2015).

In continuation of classic economic theories, marketing definitions of products and services have been based on opposition and circular referencing. With a touch of humor, the Economist published a description of services as “products of economic activity that you can’t drop on your foot” (Bishop, 2009). Marketing literature has defined services as the non-products (Grönroos, 1998) and characterized them as being intangible, heterogeneous, inseparable and perishable – the IHIP characteristics (Lovelock 1998 and 2004) – in opposition to products.

While the distinction between products and services is necessary and useful in highlighting certain challenges and distinct characteristics when marketing services versus products, a more yinyang approach is practical. Just like the Chinese Taoist concept about two opposing forces Yin and Yang, coexisting in harmony and balancing the Universe, products and services are intertwined: there is a bit of service at the heart of every product, and there are products at the heart of every service. Previous research has described products and services as the two sides of a coin (Achrol & Kotler, 2006) and companies as balancing between servitization and objectification (Lindberg, 2008). Researchers have called for “the mutual entanglement” of the operant and operand resources to be realized (Campbell, 2013, p. 306), with operant defined as resources that produce effects, while operand resources are acted upon by operant resources (Constantine & Lusch, 1994).
Indeed, at a hairdresser’s salon the purest form of service is offered: an intangible, perishable, heterogeneous haircut; and yet, the type and brand of hairbrush and scissors used, the design and feel of the chair and the lights and mirrors in front of the customer contribute significantly above and beyond the skill and knowledge of the hairdresser and together they create the value-in-use of the service. They are products at the heart of the service. On the other side of the coin, a car is the ultimate tangible and manufactured unit: the product. But when selling cars, companies are now including insurance, road registration of your vehicle, financing options and free maintenance checks. They are the services at the heart of the product. Opposing forces working together to create unison in the consumers’ Universe, the yinyang of marketing.

In a compelling proposition in 2004, Stephen Vargo and Robert Lusch ask marketing researchers and practitioners to transcend the goods versus services dichotomy and think about a higher order of concept: the service-dominant logic (S-D) (Vargo & Lusch, 2004). The singular use of “service” in their proposition of a new dominant logic for marketing is to differentiate it from the services described in the preceding paragraph. Vargo and Lusch further enhanced their proposition in 2005 and 2008 with an additional fundamental proposition, and have since sparked a lively discussion in what has come to be known as the S-D logic. The new S-D logic is about the process of value creation and is built on the idea that “exchange is about the process of parties doing things for and with each other, rather than trading units of output, tangible or intangible” – emphasis in the original (Vargo, 2008, p.29). It is contrasted with goods-dominant logic (G-D), in which tangible output is central to economic exchange.

The global economy, post industrialization, is shifting continually towards a bigger composition of services and a shrinking share of manufactured goods / products (The World Bank, 1995). It seems appropriate to consider a major corresponding shift in the science of
marketing as well. The fundamental premises of this shift, which Vargo & Lusch state, describe service as the fundamental unit of exchange. They define “service” as “the application of competences (knowledge and skills) for the benefit of another party” (Vargo, 2008, p. 256). In this shift, goods become transmitters of embedded knowledge; customers become co-creators of value; value is determined by value-in-use; knowledge is the fundamental competitive advantage and all economies are service economies (Vargo & Lusch, 2004). By examining further how these shifts apply in practice, we can demonstrate how service is now at the heart of all marketing.

**Goods as transmitters of knowledge**

Service marketing scientists have long advocated for relationships, rather than transactions and for trust building as the main axis in marketing services (Gummesson, 2002). In an S-D view of the world, the relationship view rather than the transactional view of marketing is embedded in the fact that goods are purely transmitters of knowledge. One example of applying this in practice is the British vacuum cleaner manufacturer Dyson. Vacuum cleaners are units of manufactured output, durable goods which are purchased relatively rarely by households. This is a one-off transaction with little need for repeated purchases and little relationship building with the customer, as vacuum cleaners are sold by third parties and not directly by Dyson. However, Dyson extended their marketing process above and beyond the sale of the good. After purchasing one of their vacuum cleaners, consumers receive appealingly designed, high-quality print reminders (by post or email) for washing the filter of their vacuum cleaner. The filters do not need to be changed, there is no purchase involved in the washing process and no new revenue for
Dyson. But in viewing their product as a transmitter of knowledge about how to clean a house properly and how to use your vacuum cleaner for a long time, Dyson have included in their marketing an effort to keep reminding customers, at specified periods of time, depending on the model and make of the vacuum cleaner, how to operate the goods properly. Courtesy reminders and gestures of care are not direct transactions by any means; they are simply a transfer of knowledge. Dyson cannot expect any revenue from this and cannot turn it into a purchase transaction. But for relationship building, this is crucial. And in the S-D marketing logic, relationship is worth more than a purchase.

Consumers as co-creators of value.

The customer as a co-producer of service, in Vargo & Lusch’s terms, is a concept which challenges traditional view of producers as making something and consumers as devouring it. The goods-dominant view would be demonstrated in the determination of objective quality criteria and in manufacturing standards of prescribed quality levels; a rather positivist view on quality. In a more constructivist approach, quality is subjective, it can be defined by the customer and it can shift temporally, fitting to the needs and purpose at that particular time, for that particular customer.

An example from practice is Dell Computers’ initial model of building customized desktop machines. Customers could mail-order desktops with customized components inside, thus becoming co-creators of the product together with the company. The quality is in this case subjective and determined by each customer; the latest Intel processor may not be a sign of top quality if the computer is used primarily for word processing and internet access. The brightest display with the highest available resolution and the fastest graphics processor, on the other
hand, is crucial quality requirement for an architect working with programs for rendering drawings of buildings. There has been in recent years a proliferation of businesses which let consumers co-create the product: social networks such as LinkedIn, Facebook and Twitter, would be empty if not for the content which users themselves create. Apple Store, Blackberry World and Google Play have allowed anyone to register as a developer and become a creator of value. Companies offering furniture building on demand and perfume creation based on the customer’s composition of aromas have all made the consumer an active participant in co-production of output.

**Knowledge as the only competitive advantage**

Economic researchers have highlighted the shift to the knowledge economy (Mokyr, 2002) and in the S-D logic service becomes the provision of information and the primary flow in the economic exchange (Vargo & Lusch, 2004). In practice, we can see that businesses relying only on intermediation, where there is no new knowledge created or shared, are slowly dying. With the proliferation of internet and the new means to directly connect buyers and sellers, many middleman positions have been eliminated: farmers now market their produce directly to city dwellers, sometimes even inviting people to visit their farm and hand-pick vegetables and fruits. Flight tickets are sold online, directly from the airline to the flying customers, enabled by credit cards and the web reservation systems of airlines. Real estate sales increasingly take place directly between owners and buyers, without the need of an intermediary broker. Knowledge is the ultimate competitive advantage; if the travel agent or the fruit reseller does not create any
new knowledge and the skills needed are now in possession of the average consumer, then the business is under threat of extinction.

**All economies are service economies**

The increasingly dominant role of the service economy has been studied by many researchers, as it is characterized with a focus on the customers and produces an intangible product (Fusch, 1968; Heskett, 1986). In practice, we can see examples of how the shift from manufacturing tangible output into providing services based on knowledge and skills is transforming whole strands of economic activities in a surprising manner. Uber is fast becoming the most globally recognized taxi company, yet it does not own a single car nor a single taxi meter. Mobile Virtual Network Operators (MVNO’s for short) such as Lyca Mobile or PLDT are becoming very successful, yet they do not own a single Base Transceiver Station (BTS), the primary piece of equipment which enables the delivery of mobile communications. To create a print design or an animated video, you don’t even need to own a computer: with the Adobe Creative Cloud, there is no need to worry about processing power or storage on your machine, you only need an internet connection. Perhaps startlingly, Software as a Service, taxi and mobile communications are becoming *pure marketing* businesses. In an S-D universe, “marketing is positioned at the core of the firm’s strategic planning” (Vargo & Lusch, 2004, p. 14).
Concluding remarks

The crystalized S-D logic of marketing is stepping on a lot of previous fundamental research, such as the outlining of marketer’s myopia (Levitt, 1960), the call to break free from product marketing (Shostack, 1977) and the study of resources and how they become (Zimmerman, 1951). There are also researchers who consider elevating services “to occupy a role as a dominant or instrumental logic” not really justified (Achrol & Kotler, 2006, p. 332). Some have also proposed alternative customer-dominant logic of services (Heinonen et al., 2010) or argued that broadening the concept of service carries a danger of losing treasured service-specific knowledge (Stauss, 2005). However, something is inevitably and fundamentally transformed in a world where mobile operator can become the most successful in a country without ever owning a single cable or a base station, and teenagers can start successful business operations in Apple Store. While products and services will continue to be intertwined opposites, interacting with and supporting each other in the balanced yinyang of marketing, the weight has shifted and the wheel has turned. Service is now the eye, the heart and the instrument behind all marketing.


