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What is This?
Theorizing about the service dominant logic: The bridging role of middle range theory

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Abstract
To date, the discourse about service dominant (S-D) logic has been largely theoretical, with the main focus on exploring the foundations for an integrating general theory of markets and marketing. Little attention has been given to the role of theorizing, and how empirical evidence can be used to inform the theoretical development. This paper explores the bridging role of middle range theory in this process. First S-D logic is examined as a foundation for general theory. This leads to a discussion about the use of middle range theory to link general theory and empirical findings. The following sections examine the role that contemporary marketing practices (CMP) research plays in providing a bridge between S-D logic and empirical evidence. The paper concludes by considering implications for further research.

Keywords
empirical evidence, general theory, marketing practices, middle range theory, service-dominant logic, theorizing

Introduction
When Day and Montgomery (1999) assessed the state of the academic development of the marketing discipline at the end of the 20th century, they noted that a major weakness was the
disconnection between the process of theory formulation and verification. Thus they identify the topic ‘rethink the role of theory’ as one of the three most important challenges for academic research in marketing for the 21st century. This paper responds to this challenge by exploring the use of middle range theory as a bridge between general theory and empirical findings and thus provides a connection between theory formulation and verification. While the use of middle range theory has received attention in other management disciplines, including organizational science and strategic management, it is only recently that attention has been drawn to its importance in the marketing discipline. For example the 2010–12 Research Priorities of the Marketing Science Institute identify the need to pay more explicit attention to the development of middle range theory.

In recent decades the scope of marketing has broadened from transactional exchange to relational exchange, which has led a number of scholars to reconsider the nature of the general theories that underpin the marketing discipline. Greater emphasis is now placed on relationships with customers and other stakeholders, including suppliers, channel intermediaries and other market contacts (Wilkie and Moore, 2003). Vargo and Lusch’s (2004) paper published in the *Journal of Marketing* provides a ‘logic’ to unify the transactional and relational perspectives. This is now referred to as the ‘Service-dominant’ (S-D) logic. Central to this logic is a service-centric approach to marketing, where value is co-created, and service is the fundamental basis of exchange.

Vargo and Lusch’s (2004) paper has stimulated considerable interest, with over one thousand citations in Google Scholar by March 2010. In the same time period Google Scholar identified over five hundred articles using the term ‘Service-Dominant (S-D) logic’. Commentaries by seven leading academics were included in the *Journal of Marketing* issue in which it first appeared. The article was followed by the publication of over thirty essays in *The Service-Dominant Logic of Marketing: Dialog, Debate and Directions* (Lusch and Vargo, 2006a), and special issues of journals including *Marketing Theory* in 2006, the *Journal of the Academy of Marketing Science* in 2008 and *Industrial Marketing Management* in 2008. S-D logic has also been featured in special sessions in academic conferences and faculty seminars around the world. Within this discourse, Vargo and Lusch have since published over a dozen academic papers evolving and refining their original ideas. The website http://www.sdlogic.net/ now serves as a hub for the continuing evolution of scholarly thought.

A cross-disciplinary approach referred to as Service Science Management and Engineering (SSME) is emerging in parallel to the academic activity around S-D logic. This has been motivated by the changing educational and managerial requirements of contemporary economies. SSME provides a broader perspective on the importance of service and the need for adopting a ‘service-centric’ approach to management and business. Service science has been defined by Paulson (2006) as ‘a multidisciplinary field that seeks to bring together knowledge from diverse areas to improve the service industry’s operations, performance, and innovation. In essence, it represents a melding of technology with an understanding of business processes and organization’ (2006: 18).

The SSME initiative provides a valuable outside-in, practitioner view, contrasting with the ‘inside out’ academic activity associated with S-D logic. Supporting this contention, in reviewing the interface between SSME and S-D logic, Maglio and Spohrer (2008) suggest that S-D logic may be the ‘philosophical foundation of service science’ (2008: 18).

While S-D logic is still at a ‘pre-theoretic’ stage (Vargo and Lusch, 2008: 9), consideration has been given to the way in which it provides the foundation for the development of general theory. For example in the final essay of their book, Lusch and Vargo (2006a) make a preliminary assessment of the progress S-D logic has made towards general theory development. They find that further theorizing is needed, which gives rise to the issue of the most appropriate process for theory
development. They suggest that S-D logic in its current stage should be treated as ‘open source’ and invite further contributions. This paper responds to that invitation and focuses on the process of theorizing by aligning theorizing within the marketing discipline with developments in the disciplines of strategic management and organizational science, emphasizing theorizing in the middle range. Middle range theory provides a theoretical bridge between empirical findings and general theory, providing a stronger foundation for theory development by showing explicit links between the process of theory formulation and verification.

At the same time that Vargo and Lush were developing S-D logic in the 1990s, a programme of research emerged, known as Contemporary Marketing Practices (CMP), at the University of Auckland, New Zealand. The CMP research programme addressed contemporary marketing issues, as did the S-D logic programme. However, its motivation was rather the development of empirical evidence to understand market and marketing practices than work on general theory. Over 10 years, the CMP programme grew to include a core group of researchers in New Zealand, the US, the UK and Argentina, and more recently a broader network of researchers throughout the world. Nearly fifty CMP-derived journal publications have generated a large number of citations and as a corpus, provide considerable insight into the practice of marketing. Of all of the papers, the most often cited is the original conceptual and empirical work (Brodie et al., 1997; Coviello et al., 1997) and the Journal of Marketing paper that generalizes the initial empirical findings (Coviello et al., 2002). More recently, Brodie et al. (2008) provide an overview of the CMP approach and an assessment of the programme’s overall contribution to marketing knowledge.

The purpose of this paper is to demonstrate the use of middle range theory by exploring how empirical evidence from CMP research can be used to inform the theoretical development of S-D logic. The next section considers how S-D logic provides a foundation for a general theory of markets and marketing. The role of middle range theory in providing a connection between theory formulation and verification is then considered. This is followed by an examination of the links between the CMP typology and S-D logic. The next section examines the extent to which the practices identified with the CMP research align S-D logic. The final section draws conclusions and discusses the implications for further research.

S-D Logic as a foundation for a general theory

In a broad sense S-D logic can be considered as an emerging paradigm or as a school of thought that provides the basis for a new research tradition. For example Möller et al. (2009), in reviewing research and theory development in the marketing discipline, compare S-D logic with six other research traditions. As an emerging paradigm the new ‘logic’ offers a shift in thinking that seeks to unify the traditional transactional and the relational perspectives of marketing that have emerged since the 1980s (market orientation, services marketing, relationship marketing, quality management, value and supply chain management, and network analysis). The basic tenet of S-D logic is that service is exchanged for service, where service is the process that applies competencies for the benefit of another and is the basis for all exchange (Vargo and Lusch, 2008). This leads S-D logic to have a primary focus on operant resources – resources that are intangible and dynamic and are capable of creating value. In contrast, the transactional marketing and relational perspectives tend to have a greater focus on operand resources. These are resources that are tangible and static, and that require action to make them valuable.

In their deliberations about the development of general theory, Vargo and Lusch (2008) recognize the priority of developing a higher order general theory of markets before approaching
theory of managing marketing. S-D logic portrays markets as networks of service systems that connect a network of parties (organizations, customers and stakeholders) performing services (Vargo et al., 2008). Within a service system there are the intermediaries of service-for-service exchange. These are:

- money as a medium of exchange
- goods as distribution channels
- organizations as resource integrators
- networks as linkages for exchange systems.

This is illustrated in Figure 1.

Fundamental to S-D logic are the foundational premises (FPs) that elaborate the nature of service systems. The FPs are seen as precursors to the development of a positive general theory of markets and a normative general theory of marketing. The original eight premises proposed in 2004 have now been modified and extended to 10. Of these, Vargo and Lusch (2008) suggest that four are core to developing a general theory of markets. They are:

FP1: Service is the fundamental basis of exchange.
FP6: The customer is always a co-creator of value.
FP9: All economic and social actors are resource integrators.
FP10: Value is always uniquely and phenomenologically determined by the beneficiary.
FP1 highlights the need to focus on the application of operant resources (knowledge and skills); FP6 emphasizes the interactional nature of value creation; FP9 emphasizes that the context of value creation is within networks; and FP10 recognizes that value is idiosyncratic, experiential and meaning laden.

At the pre-theoretic paradigm level, S-D logic offers a shift in thinking from traditional marketing management, and it brings together a number of concepts. S-D logic thus provides a new lexicon for marketing practices. Table 1 illustrates concepts associated with S-D logic and contrasts them with traditional marketing management concepts and transitional concepts.

More recently Vargo (2009) has paid attention to the transcending conceptualization of relationships within S-D logic by focusing on relationships and interactivity with and within networks. This work leads to a broader, interactive, institutional value-creation-based conceptualization of relationships. In this work FP9 (all economic and social actors are resource integrators) and network theory provide a theoretical foundation.

### Middle range theory as a bridge between general theory and empirical research

General theories can be distinguished from those theories that are at middle range level on the basis of scope and integration (Hunt, 1983). The broader scope of general theories means that they need to explain a larger number of phenomena, while their integrative nature means that they serve to unify less general theories. S-D logic draws together the traditional transactional and emerging relational theories of marketing, providing the basis for a more general theory of markets and marketing. This is underpinned by the notion that goods and services co-exist with a common purpose of service and expressed in the 10 FPs.

General theories are by their nature broad in scope and more abstract. There is thus an inherent difficulty with the interface between general theory and empirical research. For example Hunt (1983: 12) notes:

Theorists concerned with developing general theories should be alert to the problems involved in empirically testing their theoretical constructions. When key constructs in theory become highly
abstract, in the sense of being too far removed from observable reality or in the sense that relationships among key constructs become too loosely specified, then empirical testability suffers, predictive power declines, explanatory impotence sets in.

To overcome the inherent difficulty of interfacing empirical research with general theory, the disciplines of strategic management and organizational theory have recognized that it is necessary to have an intermediary body of theory that is referred to as middle range theory (Weick, 1989; Eisenhardt and Bourgeois III, 1988).

The initial exploration of the need for more explicit attention to middle range theorizing in the social sciences was by Merton (1967) in the field of sociology. He defines middle range theories as:

theories that lie between the minor but necessary working hypotheses that evolve in abundance during day-to-day research and all-inclusive systematic efforts to develop a unified theory that will explain all the uniformities of social behaviour, social organization and social change. (Merton, 1967: 39)

In contrast to general theory, the purpose of a middle range theory is not to attempt to explain everything about a general subject (e.g. how markets function or how to manage markets). Rather it has a focus on a subset of phenomena relevant to a particular context. This means middle range theory can be used as a basis to investigate empirical research questions.

In his cornerstone article, ‘Theory Construction as a Disciplined Imagination’, Weick (1989) provides further reason for middle range theory. He states that general theories about organizations involve so many assumptions, and such a mixture of accuracy and inaccuracy, that virtually all conjectures remain plausible. He argues that self-interest can become a substitute for validation during theory construction. Thus: ‘middle range theories are a necessity if the process is to be keep manageable’ (Weick, 1989: 516).

Pinder and Moore (1979) also recognize the restrictions of working with general theory and the need for the use of middle range theory. In order to elaborate upon what is involved in using middle range theory, they published a book of essays by leading scholars from organizational theory (Pinder and Moore, 1980). The collection of essays provides an excellent debate about the nature, scope and role of middle range theory. It also provides examples of the application of middle range theorizing and its interface with general theory. These applications demonstrate how middle range theory provides the bridge between general theories and empirical findings.

Unlike in other management disciplines, the distinction between general theory and middle range theory has received little explicit attention in the marketing context (Saren and Pels, 2008). An exception is the article by Leong (1985) which examines the testing of alternative general theories by the development of middle range theories. This article builds on the work of Leong (1985) by introducing the notion of the scientific circle of enquiry. Thus it responds to Day and Montgomery’s (1999) call for a more cohesive and comprehensive approach to theorizing in the marketing discipline by providing a connection between theory formulation and verification.

The ‘scientific circle of enquiry’ can be used to demonstrate how middle range theory functions as the bridge between general theory and empirical findings (see Figure 2). In this figure a distinction is made between the context of discovery and the context of justification in the theorizing process – which is based on the work in marketing by Hunt (1991: 22–6) and Yadav (2010: 2–3). In the context of discovery, general theories can be used to formulate propositions and hypotheses that are then associated with middle range theories. The propositions and hypotheses can next be used in empirical investigations. Depending on the research methods used in the investigation,
empirical findings will consist of contextual descriptions and/or quantitative empirical results that could serve as a basis to develop empirical generalizations. In the context of justification, empirical findings can be used to modify and verify the propositions and hypotheses associated with middle range theories, thus refining and expanding the scope of the middle range theory. In turn the modified middle range theories can be used to verify and consolidate general theories and refine and expand their scope.

It is important to note that empirical investigations can involve quantitative methods, interpretive research methods or multi-method approaches. The philosophical position that underpins this multi-method has been referred to as a multi-paradigm approach. Gioa and Pitre (1990: 587) argue that to achieve a more comprehensive portrait of complex organizational phenomena, pluralism in both paradigms and methods should be adopted. There have been several calls arguing that marketing would benefit from abandoning paradigmatic silos and adopting a pluralistic approach (Mick, 1999; Zaltman, 2000; Davies and Fitchett, 2005).4

The CMP typology and S-D logic

In its formative stage, research on S-D logic has focused on the refinement of the fundamental premises that provide the foundation for a general theory. In contrast, the CMP research programme has focused on empirical research that refines middle range theory. This research approach has concentrated on describing and generalizing the practices of managers and organizations. Accordingly, an emphasis upon practical problem solving has been central to these investigations. Thus CMP’s development as a typology was initially driven by the examination of practices, when it became apparent that there was a need for a broader classification scheme. The typology was derived from an extensive content analysis of the marketing and broader management literatures, which drew on a number of research traditions (Coviello et al., 1997). Because the theory development takes place at the middle range, multiple theoretical perspectives can be used to investigate the complexities in marketing practices without the restrictions of an alignment to one paradigmatic lens or school of thought.
In developing the typology, a distinction is drawn between concepts associated with market level practices (i.e. relating to a *theory of markets*); and concepts associated with management practices (i.e. relating to a *theory of marketing*). The five concepts or dimensions relating to a theory of *markets* that are used to distinguish between different aspects of practice are:

- purpose of exchange
- nature of communication
- type of contact
- duration of exchange
- formality of exchange.

Similarly, there are four concepts or dimensions relating to theory of *marketing* that are used to distinguish between different practices. They are:

- managerial intent
- managerial focus
- managerial investment
- managerial level.

Having identified the dimensions that distinguish between market and managerial practices, the literature was then re-analyzed based on those dimensions to identify various generic practices. For the initial classification scheme, four practices were subsequently identified (Coviello et al., 1997). The three most relevant to S-D logic are:

*Transactional Practice* is the traditional managerial approach. It is defined as a practice using the ‘4P’ transactional approach to attract customers in a broad market or specific market segment. This follows a practice that is consistent with the traditional marketing management approach and draws on microeconomics (Vargo and Lusch, 2004). The concepts associated with this practice are outlined in Table 1.

*Traditional Relationship Practice* is the relationship approach articulated since the 1980s and which has its roots in service marketing and B2B marketing (Vargo, 2009). It is defined by the development of personal interactions between employees and individual customers. This follows a practice that is consistent with the transitional services (relational) concepts outlined in the second column in Table 1.

*Network Practice* is characterized by development of relationships with customers and firms within the network and has its roots in the Industrial Marketing and Purchasing (IMP) Group (Axelsson and Easton, 1992). Network Practice is intrinsically linked to S-D logic. For example see FP9 where ‘all economic and social actors are resource integrators’ implies that the context of value creation is within networks. It recognizes the important intermediary role of ‘networks as linkages for exchange’ in a service system (see Figure 1). While Table 1 does not explicitly recognize the network practices, in the third column it underpins S-D logic concepts.

With the emergence of e-business and the internet in the 1990s, it became necessary to revise and expand the original CMP framework to include another generic practice. The framework now recognized the powerful influence that information and communication technologies (ICTs) were having in facilitating change in business and marketing. ICTs were providing platforms for interactivity within and among networks of organizations and customers. What was of particular interest was how ICTs were changing the nature of service systems and service practices. The role of
ICT in facilitating these changes is highlighted by Rust (2004) in his commentary on the original 2004 S-D logic paper.

In essence the service revolution and information revolution are two sides of the same coin. Information technology gives the company the ability to learn and store more information about the customer, which in turn gives it the ability to customize its services, and to develop customer relationships. The result is the ability provided to the customer is increasingly based more on information and less on physical benefits. (Rust, 2004: 24)

As with the development of the original CMP typology, an extensive content analysis was undertaken of the marketing, management and information systems literature to conceptualize the emerging practice. Consistent with the original typology, attention was given to the five market-related dimensions and the four management-related dimensions that distinguish this practice from other practices. In particular, Coviello et al. (2001) drew on the conceptual work of Blattberg and Deighton (1991) and others about the nature of interactivity within and among networks of organizations, customers and other stakeholders. This led to an additional practice.

*Interactive Practice* is defined as ‘using interactive information and communication technologies to create and mediate dialogue between the firm and identified customers’.6 This practice is closely aligned with FP6 of S-D logic (‘the customer is always a co-creator of value’) and the intermediary role of ‘organizations as resource integrators’ in a service system, as outlined in Figure 1. This follows a practice that is consistent with the S-D logic concepts outlined in the third column in Table 1.

Because this interactive practice is linked to interactivity within and among networks, the question arises as to whether it should be treated as distinct from network practice. Vargo (2009) alludes to this when he considers the transcending conceptualization of relationships within S-D logic.

Details of how the five market-related dimensions (i.e. relating to theories of markets), distinguish between practices (transactional, traditional relational, network, interactive) are presented in the 4 by 5 matrix in Table 2.

Details of how the four managerial dimensions (i.e. relating to theories of marketing), distinguish between four practices (transactional, traditional relational, network, interactive) are presented in the 4 by 4 matrix in Table 3.

### Empirical evidence about S-D logic practices

Importantly, the middle range theory approach used in CMP enabled the development of a comprehensive taxonomy that could embrace multiple practices rather than a simple either/or dichotomous classification of practices (i.e. transactions versus relationships). The alternative practices of firms are not assumed to be mutually exclusive, so the empirical research can identify firms with different combinations of transactional, relational, network, and interactive practices. Some firms may have practices with a stronger transactional emphasis while others have practices with a strong relational emphasis, and yet some other firms may have practices that are pluralistic. Thus, the taxonomy allows for a broader view of markets and marketing where the typology can be used to identify, recognize and categorize a rich and thick range of relevant empirical phenomena.

The coexistence of transactional, relational, network and interactive practices may initially appear paradoxical but reframing can lead to resolution. The resolution of paradox has been
<table>
<thead>
<tr>
<th>Dimension</th>
<th>Transactional practice</th>
<th>Traditional relational practice</th>
<th>Network practice</th>
<th>Interactive practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose of exchange</td>
<td>generating a profit or other ‘financial’ measure(s) of performance</td>
<td>building long-term relationships with specific customers</td>
<td>forming strong relationships with a number of organizations in firms’ market(s) or wider marketing system</td>
<td>Communication: information-generating dialogue between a seller and many identified buyers</td>
</tr>
<tr>
<td>Nature of communication</td>
<td>communicating to the mass market</td>
<td>individuals at various levels in the organization personally interacting with their individual customers</td>
<td>senior managers networking with other managers from organizations in the market(s) or wider marketing system</td>
<td>using technology to communicate ‘with’ and ‘among’ many individuals (who may form groups)</td>
</tr>
<tr>
<td>Type of contact</td>
<td>impersonal (e.g. no individualized or personal contact)</td>
<td>interpersonal (e.g. involving one-to-one interaction between people)</td>
<td>interpersonal (e.g. involving one-to-one interaction between people)</td>
<td>continuous (but interactivity occurs in real time)</td>
</tr>
<tr>
<td>Duration of exchange</td>
<td>no future personalized contact with organization</td>
<td>one-to-one personal contact</td>
<td>one-to-one personal contact with people in the organization and wider marketing system</td>
<td>interactive (via communication technology)</td>
</tr>
<tr>
<td>Formality in exchange</td>
<td>mainly at a formal, business level</td>
<td>at both a formal, business and informal, social level</td>
<td>at both a formal, business and informal, social level</td>
<td>formal (yet customized and/or personalized via interactive communication technology)</td>
</tr>
</tbody>
</table>
Table 3. CMP typology for marketing management perspectives

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Transactional practice</th>
<th>Traditional relational practice</th>
<th>Network practice</th>
<th>Interactive practice</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Managerial intent</strong></td>
<td>to attract new customers</td>
<td>to develop cooperative relationships with customers</td>
<td>to coordinate activities between the organizations, customers, and other parties in the wider marketing system</td>
<td>to create ICT-enabled dialogue</td>
</tr>
<tr>
<td><strong>Managerial focus</strong></td>
<td>product /service offering</td>
<td>specific customers in market(s), or individuals in organizations we deal with</td>
<td>networks of relationships between individuals and organizations in the wider marketing system</td>
<td>managing ICT-enabled relationships between the firm and many individuals</td>
</tr>
<tr>
<td><strong>Managerial investment</strong></td>
<td>product, promotion, price, and distribution activities (or some combination of these)</td>
<td>establishing and building personal relationships with individual customers</td>
<td>developing organization’s network relationships within the market(s) or wider marketing system</td>
<td>creation of ICT-enabled dialogue</td>
</tr>
<tr>
<td><strong>Managerial level</strong></td>
<td>functional marketers (e.g. marketing manager, sales manager, major account manager)</td>
<td>non-marketers who have responsibility for marketing and other aspects of the business</td>
<td>Managing Director or CEO</td>
<td>marketing specialists (with) technology specialists and senior managers</td>
</tr>
</tbody>
</table>
examined extensively in the organization and management disciplines. For example Lewis (2000) states: ‘reframing marks a dramatic change in the meaning attributed to a situation as paradoxical tensions become viewed as complementary and interwoven’ (Lewis, 2000: 764).

Drawing on Lewis (2000), O’Driscoll (2008) and Saren and Pels (2008) refer to the apparent paradox created by the pluralism of practices being resolved by taking a ‘both/and’ rather than an ‘either/or’ perspective.

Writings about S-D logic also pay attention to the issue of paradox and the need for reframing to unify the transactional and relational perspectives of marketing. For example Vargo (2007) states:

Service (singular) – the process of doing something for the benefit of another party – is the common denominator of exchange; goods represent mechanisms for service provision. Thus, S-D logic is inherently dualistic while resolving the paradox. Stated slightly differently, plurality is what the discipline has had with the separation of goods marketing and services marketing. In S-D logic, that separation is not only unnecessary; it (arguably) is resolved – services and goods co-exist with a common purpose (service) in S-D logic. (Vargo, 2007: 106)

In developing the updated version of the CMP typology and research instrument, Coviello et al. (2001) examine how practices may lead to reframing of the business approach. The work of Orlikowski (2000) was particularly useful in providing a theoretical framework to conceptualize the nature of the transformational change that led to the reframing of the business approach. Orlikowski took the view – consistent with the CMP perspective – that ‘structures are not located in organizations or in technology but enacted by users’ (Orlikowski, 2000: 404). Thus a critical distinction can be made between combinations of practices that are reinforcing or enhancing, and those combinations of practices that may lead to transformational change and hence the reframing of the business approach. It is suggested that Vargo’s (2007) view about the reframing that unifies the transactional and fragmented relational perspectives (i.e. co-existence of goods and services for the common purpose of ‘service’) and Vargo’s (2009) view of ‘transcending relationships’, align with the transformational ideas outlined by Orlikowski (2000).

As it now includes a measure of transformational change, the more recent CMP research instrument can be used to undertake a preliminary investigation of the prevalence of practices that are consistent with S-D logic. In this sense the CMP research programme can be seen as complementary and can be integrated into the S-D logic research approach. This preliminary investigation follows the ‘circle of scientific enquiry’ outlined in Figure 2. In the context of discovery, the foundational premises of S-D logic and other conceptual discussion can be used to derive empirically testable conditions for the existence of S-D logic practices. The CMP typology can then be used to empirically investigate the conditions. In the context of justification, the empirical findings about S-D logic practices can be used to refine middle range theory about the practices. This in turn informs leads to the refinement and consolidation of the emerging general theory of markets.

Two CMP empirical studies provide quantitative insight about S-D logic practices. The first by Coviello et al. (2003) employed data collected in 2000 and 2001 with a sample of 149 firms in New Zealand (n = 48) and the UK (n = 101). The second by Brodie et al. (2007) analyzed survey data from US firms collected in 2002 (n=212) and 2005 (n=139). Four conditions for the existence of the S-D logic practices can be derived for the FPs and other conceptual writings about S-D logic.

Condition 1: S-D logic practices are based on network practices.
Condition 2: S-D logic practices are based on interactive practices.
Condition 1 is derived from FP9 (all economic and social actors are resource integrators) which is underpinned by network theory; and condition 2 is derived from FP6 (the customer is always a co-creator of value) which emphasizes the interactional nature of value creation. Conditions 1 and 2 can be considered as necessary but not sufficient conditions for the existence of S-D logic practices.

The NZ/UK sample revealed that 50 per cent of the firms had medium levels of network practices while 35 per cent had high levels. The US sample had a similar profile for network practices so there is moderate support for Condition 1. For interactive practices the NZ/UK sample revealed that 58 per cent of firms had medium levels but only showed 5 per cent as having high levels. In contrast, for the US sample 47 per cent medium levels of interactive practices were shown, and 20 per cent had high levels. There is thus less support for Condition 2.

Condition 3: S-D logic practices are based on pluralistic practices.

The third condition is not derived directly from the FPs but comes from interpretation of them. For example Vargo (2007: 106) states ‘services and goods co-exist with a common purpose (service)’. In terms of the CMP results, Condition 3 is met if there is the co-existence of transactional/relational practices and network/interactive practices. Condition 3 is thus a necessary but not sufficient condition for the existence of S-D logic practices. A cluster analysis of the NZ/UK data reveals that approximately a third of the sample had pluralistic practices. For the US sample there were similar results. Hence it can be concluded that only approximately a third of firms meet Condition 3.

Condition 4: S-D logic practices are pluralistic and transformational; leading to the reframing of the business approach.

The fourth condition is also not derived directly from the FPs but comes from interpretation of them – it is based on Vargo’s (2009) view of ‘transcending relationships’ aligned with the transformational ideas outlined by Orlikowski (2000). Condition 4 can be considered as a necessary and sufficient condition for the existence of S-D logic practices. With regard to Condition 4 for the NZ/UK sample, approximately a third of the firms in pluralistic clusters reported management processes that were transformational. Thus approximately just over one tenth of the total sample has pluralistic practices that are transformational. For the US sample there were similar results. Thus it can be concluded that approximately one tenth of firms conform to Condition 4.

These results need to be treated as indicative because the CMP typology and research instrument was not developed specifically for empirical investigation into S-D logic, and the measures used have limitations. This is especially the case for the investigation into business transformation (i.e. Condition 4). Further research could also distinguish between market and managerial practices.

Conclusions and Implications

This paper responds to Day and Montgomery’s (1999) call to ‘rethink the role of theory’ by providing an explicit approach to theorizing that links theory formulation to theory justification. More specifically it responds to the 2010–12 Research Priorities of the Marketing Science Institute to give more explicit attention to middle range theory. The paper suggests that middle range theories play an important role in the ‘scientific circle of enquiry’ in providing a bridge between general theory and empirical findings both in the context of discovery and the context of
justification. In the context of discovery, general theories can be used to formulate propositions and hypotheses that are then associated with middle range theories. The propositions and hypotheses can next be used in empirical investigations. In the context of justification, empirical findings can be used to modify and verify the propositions and hypotheses associated with middle range theories, thus refining and expanding the scope of the middle range theory. In turn the modified middle range theories can be used to verify and consolidate general theories and refine and expand their scope.

The paper explores how middle range theory can be used to provide a bridge between the fundamental premises of S-D logic and empirical evidence about marketing practices. In the context of discovery four conditions are derived from S-D logic and the CMP empirical evidence is used to examine the extent to which they are supported by marketing practices. The research shows that approximately a quarter to a third of the firms in the NZ/UK and US samples meet the necessary conditions for the S-D logic practices (i.e. associated with intensive network/interactive practices that are pluralistic). However, only approximately 10 per cent of the firms in the samples meet the necessary and sufficient condition that practices are pluralistic and transformational. These findings need to be treated as indicative because the CMP research was not developed specifically for empirical investigation into S-D logic. Thus it would be premature to explore its implications of the findings in the context of justification.

The middle range theorizing process illustrated in this paper provides a way to structure future empirical research about S-D logic. Hence it is suggested it should be used to guide the development of the research agenda for empirical investigation into S-D logic. There are many avenues for empirical research about S-D logic and it is beyond the scope of this paper to develop such an agenda. However, of importance is recognition that both quantitative and interpretative methods play important roles in empirical research in the theorizing process both in the context of discovery and justification. In this paper, two quantitative CMP studies were used. CMP studies also use interpretative or mixed method approaches. For example the study by Brookes et al. (2004) into transformational practices provides useful additional qualitative insight about how firms reframe their business processes using mixed methods.

The recent University of Otago forum held in December 2008 (Otago Forum 2) and the EIASM (European Institute for Advanced Studies in Management) forum held in June 2009 (Naples Forum on Service) both included papers employing empirical studies to investigate aspects of S-D logic. These forums highlight the very strong emerging interest among younger marketing academics about S-D logic. While these studies did not explicitly refer to the use of middle range theory, their theorizing procedures implicitly used the process. If more explicit reference had been made to middle range theorizing then the specific contribution of the studies to the theoretical development of S-D logic would have been clearer. Of particular importance is to pay attention to the different roles empirical evidence plays in the contexts of discovery and justification in the theorizing process (Yadav, 2010).

Finally, in developing an agenda for further empirical evidence about S-D logic, recognition needs to be given to the important role of SSME in providing a broader, industry based outside in perspective. This perspective aligns with the CMP research approach that uses multifaceted studies marketing practices. Little et al. (2006) refer to this as ‘living case studies’.

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Notes

1. A recent conference coordinated by the University of Cambridge and IBM involved people from industry and government as well as academics from the management and engineering disciplines. The white paper produced, Succeeding through Service Innovation (http://www.ifm.eng.cam.ac.uk/ssme/default.html) provides an excellent overview of the reasons for the importance of a multidisciplinary service perspective.

2. Further details about the participants, research philosophy and other aspects of the CMP research programme are available at http://cmp.auckland.ac.nz.

3. The terms ‘general theory’ and ‘grand theory’ are often used interchangeably in the marketing discipline. To avoid confusion this paper will use ‘general theory’, as this the term used by Lusch and Vargo (2006a).

4. An elaboration and further justification for the adoption of a multi-paradigm approach in marketing is provided in Möller, Pels and Saren (2009).

5. Traditional Relationship Marketing was referred to as ‘Interaction Marketing’ in the original CMP typology. In addition a fourth aspect of marketing practice, Database Marketing, was included in the original framework but is not included here because it is becoming subsumed by the other practices.

6. The original CMP typology used the term Interaction for Traditional Relationship practice and so Coviello et al. (2001) used the term ‘eMarketing’ to avoid confusion.

References


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