

Applying Service Dominant Logic in Two Wheeler Industry in India

Agrim Verma^{1*} Dr. Monica Bedi²

¹ Research Scholar, University Business School, Panjab University, Chandigarh

² Assistant Professor, University Business School, Panjab University, Chandigarh

Abstract – Marketing has shifted its perspective from goods centred logic to service dominated approach with high emphasis on benefits derived from service quality. Service dominant orientation has been known to impact business firms due to their benefits in the form of performance outcomes. With advancement in marketing literature, the term service dominant logic has progressed to be called as service dominant orientation emphasising on co-creation of value and treating the firm and consumers as resource integrators. This service dominant approach of marketing is also the new dominant logic for marketing today. Service dominant logic is based on certain foundational premises which explain the concept in detail. Over the past few years, India has emerged as the most preferred location for manufacturing of vehicles and other automotive components. In terms of global rankings in manufacturing output, India is presently second largest in case of two wheeler segment. The study aimed to measure service dominant orientation in two wheeler industry in India, to analyse the factors contributing to service dominant orientation in two wheeler industry in India and to study the relationship between service dominant orientation and demographic variables in two wheeler industry in India. Cramer's V and factor analysis were used to analyse the data. The results indicated that applying service dominant logic in marketing practices today is a quintessential phenomenon and improves the quality of buyer seller interaction.

Keywords: Service dominant orientation, Service dominant logic, Two wheeler industry, India

-----X-----

INTRODUCTION

Over the years, the dynamics of business environment have become service oriented. Gone are the days when goods (tangibles) acted as the only medium of exchange. Gradually, the world of marketing started realising and acknowledging the role of services and today, services rein in superior in the race of value creation. Today, the consumers are involved in the complete network of value chain as co-creators of value along with other actors in the value chain network. Service dominant orientation is also considered as a source of competitive advantage. Moreover, service dominant orientation has been known to impact both customer and firm related performance metrics (Wilden, 2017). Strategy is known to be all about making choices for future betterment and enhancement of efficiency. In line with this perspective, service dominant orientation is in conjunction with the long term objectives of a business firm. Moreover, the characteristic feature of value co-creation of service dominant orientation activates the path of growth in the long term and mutual satisfaction of all the parties involved in the value chain network (Karpen et al, 2012).

REVIEW OF LITERATURE

The review of literature for service dominant logic stems from the following research studies. In (Vargo et al, 2004), the study focused on developing a new dominant logic for marketing which is central to marketing practices today. The focus now is on utilising operant resources which at the same time also add value to operand resources. The term 'operand resources' refers to those resources which have to be acted upon by to derive utility. The term 'operant resources' refers to those resources which act upon operand resources and other operant resources to derive results. Apart from this, the focus is now on intangible resources including development of specialised skills and competences, knowledge and relationship building efforts. There has been a paradigmatic shift from goods dominant logic to a service dominant view stressing on intangible components, resource exchange processes and relationship management. In light of the new service dominant view, there is a list of foundational premises (FP) which better explain the new logic. The first foundational premise (FP1) states that according to the new logic, the application of specialised skills and knowledge is used for an

economic exchange to happen as against a mere exchange of goods in case of goods dominant logic. According to the second foundational premise (FP2), in case of service dominant view, the customers act as network partners and co-producers in the complete cycle of production which is not so in case of goods dominant logic. According to the third foundational premise (FP3), it is specialised knowledge and mental skills which affect the whole economic exchange and not just an exchange of goods. In other words, the service dominant view emphasises more on the services and value being derived from the use of physical goods. According to the fourth foundational premise (FP4), application of knowledge and skills is the central source of competitive advantage in case of service dominant view and this is the reason that there is a high focus on operant resources in case of service dominant view. The fifth foundational premise (FP5) stresses that it is in fact the application of mental skills, i.e., service provision which forms the basis for exchange of physical goods in today's economies and the focus on application of specialised skills will increase manifold. According to the sixth foundational premise (FP6), there is a shift in the traditional manufacturing based perspective of goods. According to the new logic, there is an increasing emphasis on the premise that the customer is a co-producer in the whole chain of production. The customers are now actively engaged in the production process and its management. The seventh foundational premise (FP7) focuses on the value creation practices and not on value distribution. The customer is involved in the value creation chain and indulges in co-production. The eighth foundational premise (FP8) stresses that the new service dominant view is inclined towards the customer and that there is an increased emphasis on relationship marketing approach.

In (Lusch et al, 2006), the authors have elaborated on the new service dominant logic as the new lexicon of marketing literature. The authors have emphasised on the growing importance of service dominant logic and the relationship between goods and services in the economic exchange process. At the same time, the authors stressed that there is no winner or loser in the long due debate of goods versus services. The new concept of service dominant logic focuses on overcoming the drawbacks of goods dominant logic and modifying the way value creation process takes place. The authors have also contributed ninth foundational premise (FP9) in line with previous eight foundational premises contributed by (Stephen L. Vargo R. F., 2004). According to the ninth foundational premise (FP), organisations act as resource integrators and transform micro level competences into complex services offered to the customers. In other words, the application of all resources together leads to completing the economic exchange process. The authors further suggested that the sixth foundational premise (FP6) as contributed by (Vargo et al, 2004) was more inclined towards goods dominant logic. So, the authors in their study contributed that the customer is in fact a co-creator of value and not merely a co-producer. The authors also stressed on the importance

of networks and interaction between all resources involved to effect value creation processes in the economic exchange. The authors have emphasised on the transitions in conceptual understanding from goods dominant logic perspective to service dominant logic approach. There was a focus on feature/attribute in case of goods dominant logic which has now shifted to offering solutions to customers as part of service dominant orientation approach. The business firms concentrate on offering experiences to customers under the service dominant orientation approach rather than physical products alone.

In (Lusch et al, 2007), the authors have tried to add to existing knowledge about service dominant logic by demonstrating how marketing literature has advanced with the application of service dominant logic rather than goods dominant logic. The authors have extended the conceptual framing of service dominant logic by developing nine propositions based on the nine foundational premises (FP) of service dominant logic. There is a managerial implication attached with each and every proposition. The propositions emphasise the role of services and that ultimately, services become a source of competitive advantage for business firms. The propositions also emphasise that collaboration further leads to co-production and co-creation of value. There are six factors which motivate a customer to be engaged in co-production. These factors are the level of expertise a customer possesses, the amount of control that a customer wants to exercise over the production process, the required physical capital or tools, the risk taking ability of the customer, psychic benefits derived by customers, economic benefits involved. Moreover, the authors also suggested for adopting a service based culture by treating employees as operant resources and not as operand resources. In application, service dominant logic is more than just premises and propositions but a new logic of marketing. Strategy is known to be the art of creating value and the way a business firm links its customers and competences.

In (Lusch et al, 2008), the authors suggested eight key behaviours which signify the implementation of service dominant logic in practice. Service dominant logic encourages an interaction between producer and seller making way for co-production. This is a feature of service dominant logic which is not applicable in case of goods dominant logic. On the other hand, the approach of service dominant logic encourages business firms to match their knowledge and expertise with needs of the customers. This helps in co-creation of value. The new mindset of service dominant logic has transitioned from goods dominant logic. The new service dominant logic has shifted its focus from goods to services, tangibles to intangibles, operand resources to operant resources, the use of asymmetric information to symmetric information. These features assist in smooth and better flow of production and satisfaction of customer needs because the customers today demand a relational exchange rather than transactional

exchange which is also one of the features of service dominant logic.

In (Lusch et al, 2008), the authors have highlighted the points of difference between goods dominant logic and service dominant logic. The authors by highlighting the points of difference convey that service dominant logic approach has greater emphasis on efficiency and effectiveness. According to the service dominant logic, the concept of production has undergone a transformation to “resourcing”. Resourcing focuses on collaborating on value co-creation practices whereby all parties involved in a value chain network join hands to co-create value. The authors have also highlighted the distinction between operand and operant resources and how treating resources as operant resources has become a matter of paramount importance. In goods dominant logic, the entire focus was on operand resources which have to be acted upon by other resources whereas in case of service dominant logic, there is focus on operant resources which have the capacity to work on operand resources and other operant resources in order to create value. The authors also iterated that the concept of acquiring resources has progressed to resourcing. Resourcing as an activity includes three different aspects, i.e., resource creation, resource integration and removal of resources. The traditional concept of distinguishing between goods and services has now transformed to servicing and experiencing in case of service dominant logic. According to servicing and experiencing, service dominant logic focuses on interaction ability between all the resources involved in the value chain. On the other hand, the focus of goods dominant logic was on transfer of ownership of goods itself. But, the service dominant logic places a huge emphasis on fulfilling the needs and enhancing the customer interaction experience. According to the service dominant logic, the concept of price focus has moved to value proposing. Value proposing goes beyond the price factor and views the exchange process as an integration of inputs provided by all parties involved in the value exchange process for the purpose of value creation. The goods dominant logic treats customers as operand resources which means it focuses on promotional activities of a business firm to facilitate economic exchange of goods. But, service dominant logic approach focuses on treating the customer as an operant resource and facilitating co-creation of value with the customer. The goods dominant logic focused on supply chain management practices whereas service dominant logic focuses on value creation networks and its participants. Furthermore, the goods dominant logic laid huge emphasis on profit maximisation whereas service dominant logic focused on encouraging exchange process as a learning experience. The goods dominant logic was about managing customers a business firm has to “market to”. This involved segmenting, classifying and targeting customers. Whereas, according to service dominant logic, there is emphasis on collaborative marketing. Collaborative marketing refers to a “marketing with” approach.

In (Karpen et al, 2015), in their study focused on the importance of service oriented interaction with customers. The study has been an attempt towards empirically depicting the importance of the underlying principles of the service dominant logic by developing it in the form of a construct called as service dominant orientation. The authors have developed the measurement instrument and applied it to an automotive retail setting. The authors also stressed that service dominant orientation is a quintessential propagator for not only firm related performance measures but also customer related performance measures like customer satisfaction, value creation, commitment, loyalty and trust. The results of the study also indicate that business firms generally benefit from co-creation capabilities of customers. Customers act as network partners in the chain of benefitting from firm resources and ultimately converting them into useful outcomes. Moreover, firms exhibiting high levels of service dominant orientation are those who are resourceful and make the best possible use of their resources. The results also elaborated that application of superior co creation capabilities enable the customers to benefit significantly from their interaction experiences with the firm.

NEED FOR STUDY

The need for present study stems from the reason that the two wheeler industry in India accounts for 80% of the automobile industry in the country. Moreover, the automobile industry is a major contributor to gross domestic product of the country with a volume share of 7.1% (India, 2017). India is also known to be the second largest country in terms of manufacturing output as per global rankings (Enterprises, 2016). India is the largest producer of two wheeler vehicles in the world and is expected to be the third largest automotive market in the world by 2020 (India, 2017). Keeping these considerations in mind, there is ample scope in the two wheeler industry to grow and contribute to the economy. In addition to this, the rising importance of relationship management and after sales services makes it imperative to study the importance of service dominant orientation in two wheeler industry in India.

RESEARCH OBJECTIVES

1. To measure service dominant orientation in two wheeler industry in India
2. To analyse the factors contributing to service dominant orientation in two wheeler industry in India
3. To study the relationship between service dominant orientation and demographic variables in two wheeler industry in India

RESEARCH METHODOLOGY

The research study was descriptive in nature and includes a survey of two wheeler vehicle drivers. Convenience sampling was used for the collection of data from a sample of 149 respondents. A questionnaire was designed for the survey and the level of agreement of respondents was measured on 5 point Likert scale. Service dominant orientation was measured using a scale validated and developed by (Karpen et al, 2015) called “service dominant orientation”. The scale comprises of 24 items. The scale is composed of six dimensions, namely, relational, ethical, individuated, empowered, concerted and developmental interaction. In this study (Karpen et al, 2015), the authors have applied the service dominant orientation scale to the automobile industry. But, keeping in mind that the context of scale is industry and country specific by nature, therefore the scale was adapted from the given scale and applied to two wheeler industry in India. The concept of service dominant orientation was first introduced by (Karpen et al, 2012) in order for organisations to be able to co create value with customers and other partners involved in the process of exchange. Demographic information including gender, age, marital status, monthly household income, educational qualification and profession were collected. Factor analysis and Cramer's V were used to analyse data. Cramer's V is a statistical test used to determine strengths of association between two categorical variables. It is a number between 0 and 1 indicating the strength of association between any two categorical variables. Analysis was performed using SPSS version 20.

RESULTS AND DISCUSSION

This section is divided into four parts including the profile of respondents, factor analysis, descriptive statistics of sample, and Cramer's V.

Profile of sample

Table 1 represents the profile of respondents who had participated in the research study. In terms of gender, the sample was a fair representation as 51.68% of the sample constituted male respondents and 48.32% of the sample constituted female respondents. 89.93% of the sample size belongs to the age group of 16 to 29 years indicating that it is a youth dominated sample as two wheeler vehicles are a preferred choice of the youth in the country. Almost half of the sample belongs to the household monthly income group of more than Rupees 40000. 86.58% of the sample is unmarried and only 13.42% of the sample is married because of the reason that it is a youth dominated sample. The sample mix shows that 32.21% of the sample includes post graduates, 59.06% graduates and 8.72% high school pass outs. In terms of the profession, the sample constitutes 57.05% students because of the reason of it being a youth dominated sample.

Table 1: Profile of sample

Particulars		n	%
Gender	Male	77	51.68
	Female	72	48.32
Age (In years)	16 to 29	134	89.93
	30 to 60	15	10.07
Household monthly income (In Rupees)	Less than 20000	40	26.85
	20001 to 40000	27	18.12
	More than 40000	82	55.03
Marital status	Unmarried	129	86.58
	Married	20	13.42
Educational qualification	Class XII	13	8.72
	Graduate	88	59.06
	Post Graduate	48	32.21
Profession	Service	31	20.81
	Business	18	12.08
	Profession	15	10.07
	Student	85	57.05

Research Objective 1: To measure service dominant orientation in two wheeler industry in India

Table 2 shown above depicts the descriptive statistics of the sample including mean and standard deviation (S.D.) values of the observed dimensions of service dominant orientation. The descriptive statistics below show the pattern of score distribution. The statistics show that the mean value for service dominant orientation construct is 87.70 with a standard deviation of 16.689. In terms of the various dimensions of service dominant orientation, relational interaction has the highest mean value of 15.32 with standard deviation of 3.087 followed by concerted interaction with a mean value of 14.99 and standard deviation of 3.003.

Research objective 2: To analyse the factors contributing to service dominant orientation in two wheeler industry in India

The next portion of analysis presents the results of factor analysis. Factor analysis was used for reducing the number of variables of service dominant orientation scale. The results are as follows. The measure, Kaiser-Meyer-Olkin measure of sampling adequacy is 0.932 which means that value is high which shows that it gives a better fit for the results. Factor analysis can be applied on the study. Thus, the data was found to be useful for factor analysis. This was confirmed further by the significance of the Bartlett's Test of Sphericity tests ($\chi^2 = 2347.060$, $df = 276$, $sig. = 0.00$) indicating that the items were not unrelated and therefore suitable for factor analysis. The results also show that four factors have been extracted from service dominant orientation scale and explains 65.133% of variance. Therefore, four factors have been extracted. In short, four factors can be re-grouped as relational interaction, ethical interaction, personalised interaction and comprehensive interaction.

RELIABILITY AND VALIDITY

A measure or a scale is valid to the extent that it measures what it intended to measure. There are many distinct forms of validity which assist in

assessing the psychometric soundness of a scale: face validity, content validity, convergent validity and discriminant validity. As the service dominant orientation construct has been identified from the literature, its selection and application for the study is justified which ensures the face validity of the instrument. Content validity is ensured when the items representing the construct of an instrument are supported by a comprehensive review of the extant literature. Thus, both, face and content validity are ensured. Convergent validity of an instrument is ensured due to high values of Cronbach's alpha values as have been shown in Table 2. Thus, convergent validity is also ensured. Because perceived service dominant orientation in the two wheeler sector and the construct of perceived service dominant orientation in general are not sufficiently different, therefore, discriminant validity is ensured. The coefficient alpha is an indicator of reliability of scale. Coefficient alpha reflects the degree of cohesiveness which exists among the scale items and it also acts as an indirect indicator of convergent validity. The Cronbach's alpha values for all six dimensions were found to be fairly high as shown in Table 2.

Table 2: Results of factor analysis, descriptive statistics and Cronbach's alpha

Sr. No.	Statements	Dimension	Mean	Standard Deviation	Factor loadings	Cronbach's alpha
1	"This automobile dealership and its representatives make me feel at ease during our dealings" (R11)	Relational interaction	3.90	0.883	0.592	0.821
2	"This automobile dealership and its representatives try to establish rapport with me" (R12)		3.69	0.986	0.798	
3	"This automobile dealership and its representatives encourage two-way communication with me" (R13)		3.79	1.028	0.759	
4	"This automobile dealership and its representatives show genuine interest in engaging me" (R14)		3.94	0.924	0.674	
5	"This automobile dealership and its representatives do not try to take advantage of me" (ET11)	Ethical interaction	3.58	1.14	0.793	0.881
6	"This automobile dealership and its representatives do not pressure me in any way" (ET12)		3.56	1.176	0.718	
7	"This automobile dealership and its representatives do not mislead me in any way" (ET13)		3.54	1.081	0.807	
8	"This automobile dealership and its representatives do not try to manipulate me" (ET14)		3.46	1.118	0.703	
9	"This automobile dealership and its representatives make an effort to understand my individual needs" (I11)	Individual interaction	3.76	0.949	0.492	0.852
10	"This automobile dealership and its representatives are sensitive to my individual situation" (I12)		3.47	1.017	0.62	
11	"This automobile dealership and its representatives make an effort to find out what kind of offering is most helpful to me" (I13)		3.71	0.932	0.71	
12	"This automobile dealership and its representatives seek to identify my personal expectations" (I14)		3.66	0.949	0.649	
13	"This automobile dealership and its representatives invite me to provide ideas or suggestions" (EM11)	Empowered interaction	3.29	1.232	0.733	0.849
14	"This automobile dealership and its representatives encourage me to shape the service I receive" (EM12)		3.46	1.01	0.705	
15	"This automobile dealership and its representatives provide me with control over my experiences" (EM13)		3.56	0.91	0.626	
16	"This automobile dealership and its representatives let me interact with them in my preferred way" (EM14)		3.84	0.893	0.45	
17	"This automobile dealership and its representatives work together seamlessly in serving to me" (C11)	Concerted interaction	3.76	0.827	0.517	0.828
18	"This automobile dealership and its representatives act as one unit when dealing with me" (C12)		3.87	0.898	0.737	
19	"This automobile dealership and its representatives provide messages to me that are consistent with each other" (C13)		3.63	1.002	0.631	
20	"This automobile dealership and its representatives ensure they have smooth procedures for interacting with me" (C14)		3.74	0.961	0.744	
21	"This automobile dealership and its representatives share useful information with me" (D11)	Developmental interaction	3.72	1.027	0.581	0.866
22	"This automobile dealership and its representatives help me become more knowledgeable" (D12)		3.57	1.048	0.52	
23	"This automobile dealership and its representatives provide me with the advice I need to use their offerings successfully" (D13)		3.68	0.952	0.525	
24	"This automobile dealership and its representatives offer me expertise that I can learn from" (D14)		3.52	1.024	0.64	

Research objective 3: To study the relationship between service dominant orientation and demographic variables in two wheeler industry in India

Cramer's V was used to study the relationship between service dominant orientation and demographic variables, i.e., gender, age, monthly income, marital status, educational qualification and profession. Table 3 shows the results of the analysis. In terms of the relationship between service dominant orientation and demographic variables, the results

indicate that service dominant orientation has a very strong relationship with age. This shows that the categories of age have an impact on the service dominant orientation. Further, three dimensions of service dominant orientation have a significant relationship with age. Out of the three significant dimensions, two dimensions, i.e., relational interaction and developmental interaction each have a worrisomely strong relationship with age factor. Concerted interaction has a strong relationship with age. In addition to this, there is a strong relationship between concerted interaction and educational qualification.

Table 3: Results of Cramer's V

Particulars	Age		Income		Marital status		Educational qualification		Profession		Gender	
	Cramer's s V	Sig.	Cramer's s V	Sig.	Cramer's V	Sig.	Cramer's V	Sig.	Cramer's s V	Sig.	Cramer's s V	Sig.
Relational interaction	0.442*	0.000	0.317	0.214	0.372	0.080	0.319	0.255	0.299	0.429	0.321	0.288
Ethical interaction	0.354	0.240	0.352	0.184	0.371	0.197	0.318	0.557	0.293	0.841	0.188	0.994
Individualized interaction	0.278	0.733	0.296	0.617	0.270	0.699	0.369	0.057	0.315	0.373	0.239	0.862
Empowered interaction	0.273	0.771	0.309	0.435	0.311	0.423	0.329	0.266	0.288	0.685	0.237	0.868
Concerted interaction	0.388*	0.023	0.337	0.139	0.367	0.129	0.383*	0.029	0.326	0.261	0.371	0.115
Developmental interaction	0.455*	0.001	0.334	0.261	0.382	0.116	0.332	0.327	0.348	0.165	0.372	0.150
Service dominant orientation	0.701*	0.030	0.644	0.241	0.648	0.319	0.578	0.864	0.641	0.295	0.642	0.352

*Significant at 0.05 level

CONCLUSION AND MANAGERIAL IMPLICATIONS

The results of the study imply that service dominant orientation will determine the way business firms will conduct their practices. There are numerous benefits of service dominant orientation. It has become essential to incorporate customers as contributors to the value chain. In addition to this, the two wheeler industry in India is a vibrant and evolving industry and the growth and development of the industry is here to have a significant impact on the progress of economy. Hence, the two wheeler industry is of crucial importance for the economy.

LIMITATIONS AND FUTURE RESEARCH

The present study focuses specifically on the two wheeler industry but in reality, the scope of application of service dominant orientation as the new logic of marketing can be extended to the entire automotive industry. Further, the influence of service dominant orientation on consumer behaviour should be studied in further extensions of the study. Moreover, the sample size of the study should also be increased so that the responses of consumers can be studied at national level.

REFERENCES

- Enterprises, M. O. (2016). Automotive Mission Plan 2006 - 16. Ministry of Heavy Industries and Public Enterprises.
- India, G. O. (2017). Make in India. Retrieved from Make in India: <http://www.makeinindia.com/sector/automobiles>

- Ingo Karpen, L. B. (2012, February). Linking Service-Dominant Logic and Strategic Business Practice: A Conceptual Model of a Service-Dominant Orientation. *Journal of Service Research*, 15(1), pp. 21-38.
- Ingo O. Karpen, L. L. (2015, January). Service-Dominant Orientation: Measurement and Impact on Performance Outcomes. *Journal of Retailing*, 91, pp. 89-108.
- R. F. Lusch, S. L. (2008). Toward a conceptual foundation for service science: Contributions from service-dominant logic. *IBM Systems Journal*, 47(1), pp. 5-14.
- Ralf Wilden, S. G. (2017). Service-dominant orientation, dynamic capabilities and firm performance. *Journal of Service Theory and Practice*, 27(4), pp. 808 -832.
- Robert F. Lusch, S. L. (2006). Service-dominant logic: reactions, reflections and refinements. 6(3), pp. 281-288.
- Robert F. Lusch, S. L. (2007, January). Competing through service: Insights from service-dominant logic. *Journal of Retailing*, 83, pp. 5-18.
- Robert F. Lusch, S. L. (2008). The Service-Dominant Mindset. In S. L. Robert F. Lusch, *Service Science: Research and Innovations in the Service Economy* (pp. 89 - 96).
- Stephen L. Vargo, R. F. (2004, January). Evolving to a New Dominant Logic for Marketing. *Journal of Marketing*, 68, pp. 1-17.
- Stephen L. Vargo, R. L. (2008, January). Service-dominant logic: continuing the evolution . *Journal of the Academy of Marketing Science*, 36, pp. 1-10.

Corresponding Author

Agrim Verma*

Research Scholar, University Business School, Panjab University, Chandigarh