

The service dominant logic marketing essay



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The idea of service as being the dominant logic for marketing was presented by Steve Vargo and Robert Lusch in 2004. This idea revolved around the central theme that customers determine the value of a good dependent on how useful they find the particular good after making the purchase decision. Unlike the conventional notion which views service as the dominant logic for marketing since it makes up a huge portion of economic activity of any country, Vargo and Lusch take a totally different approach and opine that service is the governing marketing phenomenon since it unifies different business relationships from marketing to production and from consumption to resource procurement. In the contemporary academic circles the service dominant logic is gaining attention. Service dominant logic has become an appealing concept since it has replaced the redundant resource allocation model signified by 4P's with a more open and dynamic holistic marketing approach. The Otago Forum, American Marketing Association conferences, European Academy of Marketing are some of the leading agencies actively involved in propagation of service dominant idea. Intangible resources, co-creation of value, internal marketing and relationship strategies are the current focus of contemporary marketing literature.

In the ensuing paragraphs a detailed discussion on internal marketing and relationship strategies will be done keeping in mind the service dominant marketing literature.

Internal marketing concept was introduced in the mid 1970's. According to Lewis and Varey (2012) the internal marketing concept has emerged from a much broader services marketing concept. Aimed at service based business organizations initially the main aim of internal marketing concept was to help

front line and contact staff in enhancement of their skills for giving superior performance in service encounters (Varey & Lewis, 2000). Over the passage of time the concept of internal marketing has moved beyond service based businesses to all other types of organizations including marketing and manufacturing organizations (Kusluvan, 2003).

The foundation of the internal marketing concept was built on the premise that since employees serve customers so in order to have satisfied customers one must have satisfied employees (Brink & Berndt, 2009).

Leonard Berry while elaborating on the concept of internal marketing emphasized that it is the process of applying marketing strategies to people serving within the organization so that best people can be retained within the organization and they can do the best possible work (as cited in Varey & Lewis, 2000). The focus of Berry's concept of internal marketing was on employee recruitment and motivation, with the employee being viewed as a customer and the job being seen as a product.

Internal marketing also refers to the use of a marketing-like approach to motivate, assimilate and coordinate employees towards integration of an organization's marketing strategy. The main goal of internal marketing concept is to help all employees understand and accept their role in the execution of organization's strategy, create motivated and customer-oriented employees and deliver external customer satisfaction (Ferrell & Hartline, 2010). Thus, main goal of internal marketing concept is on development and delivery of high standard service quality and using a systematic approach for creating marketing strategies for employees serving within the organization (Graham, 2008).

Internal Marketing at Southwest Airlines

In order to have satisfied and motivated employees a number of internal marketing strategies have been used by Southwest Airlines. Some of them are outlined below:

At Southwest Airlines face-to-face communication between employees and managers is encouraged and managers are expected to be on a first-name basis with their immediate workers so that an air of friendliness can be developed in the manager-employee relationship (Nykiel, 2007).

Southwest Airlines provides greatest job security to employees in the airline industry which translates into higher rates of satisfaction and motivation among employees.

Relationship Marketing

In the 21st century the business scenario has changed beyond comprehension. Rapid technological advances, globalization, increased competition, increasing diversity and rigorous ethical monitoring are some of the forces that have completely changed the dynamics of the global marketplace (David, 2009). As the global marketplace changed the old marketing models like the 4P's model were replaced by emerging new concepts such as Relationship Marketing (Peck, Christopher, & Payne, 2012).

The earliest forms of the relationship based model focused on the development of long-term mutually satisfying relationships between an organization and a defined customer group (Varey & Lewis, 2000). With the passage of time the internal marketing idea was encompassed within the relationship marketing concept giving credence to the fact that beneficial

external relationships can only be developed when relationships within the organization are supportive and are properly aligned (Gummesson, 2012).

Payne, Ballantyne, Christopher (2005) presented the proposition that relationship marketing refers to convergence of marketing, total quality movement and customer service and stresses the process dependent nature of relationship marketing (Little & Marandi, 2003). The six markets model presented by Payne et al., (2005) gives a wonderful starting point for any organization to properly analyze the different kinds of relationships existing within the organization. This model also helps different organizations to analyze which relationship needs their maximum attention.

Six markets model: The six main components of this model are:

Customer markets: An organization has to be careful in maintaining excellent relationship with its customers both existing and prospective.

Internal markets: Internal market includes an organization and its staff.

Influence markets: A wide range of institutions form the influence market for an organization, ranging from government regulators to financial institutions and lobbyists (Biswas, 2011).

Employee markets: According to Payne et al., (2005) framework employee market represents potential employees of an organization who have the skills and abilities to enhance an organization's core capacities. The employee market also includes schools, colleges, universities and other recruitment agencies.

Supplier markets: Organizations across the world place importance on maintaining strong relationship with their suppliers either traditional or those with whom they have some form of strategic alliance.

Referral markets: Referrals are a very important factor in the creation of long-lasting relationships between an organization and its customers. The referral market may further be classified into two important categories; satisfied customers recommending their supplier to others and referral sources.

Relationship Marketing Strategies at Southwest Airlines

Southwest Airline believes in maintain excellent relationships with all the six important stakeholder groups. Some important relationship management strategies being followed at Southwest Airline are:

Travelling in Southwest Airline provides customers with the obvious cost advantage; Southwest Airline has the cheapest fares in the US airlines industry (Gitman & McDaniel, 2008). In addition to this employees are trained to provide excellent service to customers.

At Southwest Airline trust is put in employee's capabilities and the employees are given the authority freedom to perform their jobs up to the best of their abilities which in turn ensures excellent relationship with employees.

Southwest Airline is committed to building and maintaining strategic relationship with its key suppliers and other important stakeholder groups

existing within and outside the organization (Capasso, Dagnino, & Lanza, 2005).