Chapter 1

Logistics Innovation: A Service-Dominant Logic-Based Conceptual Framework

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ABSTRACT

Customers demand new services due to a dynamic and complex business environment. Innovation is a response to these challenges in various industries. Logistics service providers are under great pressure to be innovative due to their changing business environment and customer demands. Logistics innovation can be considered service innovations triggered by technological innovations. Service innovation should be examined with a service-dominant logic perspective by considering properties of services. Service-dominant logic as an evolving view in marketing highlights the importance of value co-creation, relationships, processes, and operant resources in the service exchanges of the organizations. In this chapter, important determinants related to logistics innovation are derived by a comprehensive literature review. Furthermore, a conceptual model of logistics innovation within a service-dominant logic perspective is established. This study is novel in that it focuses on the unexplored research of logistics innovation from the perspective of service-dominant logic by taking a holistic approach integrating technology, knowledge, and relationship orientation concepts with value co-creation.

INTRODUCTION

Innovation is a required process for adapting dynamic business environments and deriving value to customers. Innovation has great effect on performance regardless of industry and organization type. Though there are four innovation types, product innovations related studies are mostly common in literature (Grawe, Chen, & Daugherty, 2009). Due to the dynamics of the knowledge economy and society, the importance of delivering innovative services increases due
to an accelerated pace of technical and scientific advancement. The key component of the knowledge economy is a greater reliance on intellectual capabilities than on physical inputs. Due to the increased importance of services and service innovation, it is necessary to conduct research on service innovation. Product and service innovations have different characteristics; therefore, service innovations must be considered with respect to service properties. Service-dominant logic should be considered in service innovation related studies which emphasizes co-creation of value, learning, and value creation network.

The logistics industry and its service providers are also affected by changes in the global marketplace. Hence, innovation is also a key process for logistics service providers. However, there is still a high failure in logistics innovation in practice (Buse & Wallenburg, 2011) even though research on logistics innovation has increased since 2005. Accordingly, innovation related research considering the unique properties of logistics service will contribute both to logistics practices and the extant academic literature. Therefore, the goal of the study is to explore the main mechanisms which enable logistics service providers to deliver value with their innovations via feedback from a service-dominant logistics perspective by a conceptual model and developing propositions.

The study is structured in three main parts: literature review, conceptual framework, and conclusion. After a brief introduction on innovation in general and logistics innovation in particular, the relationship between determinants of logistics innovation within the context of detailed literature review is discussed. Following the literature review, a conceptual model is developed showing the relations between determinants and outcomes of logistics innovation process. Finally, the study is concluded with implications for theory and practice as well as mention of the limitations of the study.

**BACKGROUND LITERATURE**

### Logistics Innovation

Innovation is considered an evolutionary process within an organization to adopt any change regarding a device, system, process, policy, or service which is new to the organization (Damanpour, 1987; Calantone, Cavusgil, & Zhao, 2002). Innovation is also regarded as an organizational capability since the organization deploys resources with a new ability to create value. This capability is basically about the organization’s ability to continuously transform the existing knowledge and ideas into new products, processes and systems (Hurley & Hult, 1998).

Many developments in today’s business environment such as increased competition, a complex global environment, and the needs of customers for more customized services have motivated companies to seek new and innovative ways to achieve competitive advantage. The global marketplace, with ever-changing technological and relational options, has driven businesses to discover new ways to innovate (Flint, Larsson, Gammelgaard, & Mentzer, 2005). In this sense, logistics is suggested as a set of services spanning the boundaries between suppliers, service providers, customers, and other related parties, and also as an important process for successful supply chain operations (Stank, Goldsby, Vickery, & Savitskie, 2003).

Multiple environmental trends have required logistics service providers (LSPs) to be innovative and intensive competitive pressures forced for new ways to handle what have previously been considered standard logistics practices (Busse & Wallenburg, 2011; Wu, 2006; Evangelista, McKinnon & Sweeney, 2007; Daugherty, Chen & Ferrin, 2011). It is also proven that logistics enterprises improve their logistics ability by innovation (Daugherty, Chen & Ferrin, 2011). However; LSPs are not innovative (Busse & Wallenburg, 2011)
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