EDITORIALE

THE THREE SERVICE MARKETING PARADIGMS: WHICH ONE ARE YOU GUIDED BY?

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Introduction

In an article on the history of services marketing, Fisk et al. (1993) identified three stages: crawling out (pre-1980), scurrying about (1980-1985), and walking erect (1985-). The idea was that in the mid-1980s service marketing had reached maturity and recognition as a subdiscipline of "general" marketing. All the basics were in order and now it was a matter of incremental changes "polishing" the concept.

The stages stood out as reasonable at the time. But we did not see the forest for the trees. The need to take a network and systemic view to understand the enormous complexity of service was not understood. Research, articles and books were immersed in fragmented studies. Moreover, maturity is not a stable state; in nature it is superseded by decline, death and rebirth. Now being able to draw on a further two decades, I have identified three paradigms in the development of service marketing.

The article starts with a discourse on paradigms and paradigm shifts in general. It proceeds with defining the three paradigms, and above all the paradigm for the 2000s. The article concludes with mementos for marketing practice, research and education.

1. On Paradigms and Paradigm Shifts

It is easy to grasp paradigm shifts in technology because they are obtrusive; they come as machines and other objects with instructions on what to do. Everybody understands that a steam engine is not based on the same

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principles as a computer and that they cannot be operated the same way. They need hands-on action and perhaps oil, gas or electricity to work. If you don't do what you should, the machine does not work. The outcome is obvious to everyone.

The outcome of management and marketing is not as obvious. These are not machines but thought products. Their ideas, concepts, categories, models and theories are carried by words and images and are "operated" by individual brains who perceive them in many diverse ways.

A paradigm consists of principles, assumptions and axioms which we take for granted and on which we base our research and practice often even without knowing it. They are often not proven; they may be the best we have for the time being but they may also be just myths. They form the stage for the marketing opera.

Important phenomena have many words. When I look up ”handsome man” on Google I get over 30 synonyms. Paradigm shifts cannot beat that but I find at least three common words trying to pinpoint the same idea: tipping-point, discontinuity and quantum leap. They all refer to major changes that require us to rethink and act in new ways. Thomas Kuhn called paradigm shifts revolutions. One of the most deep going paradigm shifts in history is when we determined that the earth is not a flat disc but a round ball.

In my experience paradigms and paradigm shifts are little understood in marketing. It takes time and conflict to shift a paradigm – but how long should it take? We claim we live in a fast-moving society but how true is it? Different paradigms can also exist side by side, each working well in its specific context. This contributes to a necessary diversity but when not understood it causes confusion.

The biggest problem for service marketing in the 2000s is that an inadequate paradigm lingers and the new is kept at bay. Kuhn developed the paradigm idea based on experiences in natural sciences. I have transferred my perception of paradigm to my experience from the management disciplines and made it an important tool for my understanding of theory, research and practice. A paradigm shift is necessary when deviations from the established – anomalies – occur and don't find a convincing explanation within the mainstream paradigm. We may have to live with some anomalies but as long as they are not severe we may just let them be. When a science is rooted in a widespread theory and institutions have been built, academic chairs have been established and funds raised, there is the risk that the anomalies are ignored and those who try to change the status quo are perceived as a threat and are actively opposed.

Since we started with service research in the 1970s, I have experienced anomalies in service marketing in the form of confusing definitions, overreliance on certain research techniques, the choice of service problems to address, and more. Incremental improvements may have helped to some extent, but many critical anomalies have stayed on. When anomalies pile up it is high time for new theory and practice based on a paradigm shift. Three service marketing paradigms will be explained in the next sections. They provide an updated alternative to the Fisk et al. stages.

1.1. Paradigm 1 (pre-1970s): Services Are Not Recognized, All Is Goods and Manufacturing

Although economic philosophers had analyzed services centuries ago and others brought them up in the 1960s, they remained absent in research, textbooks, education and politics. The industrial era and manufactured goods had hegemony over all economic and management thinking. Service was not recognized as a productive economic contribution and was called leftovers, invisibles or intangibles. The service sector hosted professionals like medical doctors and lawyers that had gradually gained high status and new jobs like airline pilot had high status from the beginning. Most of the service jobs were found at the other end of the scale: maid, cleaner, waiter, shop-assistant and so on. These were considered menial at the time and are still the jobs that are offered to immigrants and people who lack education. In between we find trained nurses, teachers, craftsmen and others. In economic theory Adam Smith (1723-1790) and Jean-Baptist Say (1767-1832) debated their importance but Karl Marx (1818-1883) only accepted one service as productive, transportation, as being an extension of manufacturing. This was so even in the 1970s despite the fact that the service sector, as defined in official statistics accounted for more that 50% of the GPD and employment in developed economies. However, these official statistics are of very doubtful quality (Gummesson, 2007).

1.2. Paradigm 2 (1970s-2000s): The Era of Goods-Service Differences

In the 1970s services were identified and recognized in research in marketing as pivotal economic activity and air travel, hotels, banks, repair and professional services were among the early ones to be addressed by researchers. They also gained growing attention among providers. One opinion stood out clearly among customers: services were bad and government services were the worst.

The vantage point for research became differences between goods and services and a consequent need for special services marketing to add to the existing goods marketing. It was claimed that the hallmark of service was intangibility accompanied by three other criteria: heterogeneity ("services cannot be standardized"), inseparability ("simultaneity of production and consumption") and perishability ("services cannot be stored"), referred too as the IHIPs. This was repeated over and over again until it was perceived as a deep truth. That and some other criteria turned out to be no more than possible properties of anything (Lovelock and Gummesson, 2004). The real consequences and how they affected marketing strategy were never sorted out; most of what was written was mere speculation and advocacy. Even so university textbooks were full of it and more shockingly: they still are.

The stressing of differences was probably necessary to put the service properties of economic activity on the agenda. But it was still services as a goods anomaly; it was not services on their own terms. Paradigm 2 encompasses the stages defined by Fisk et al. US research came to dominate and other research was perhaps recognized but did not spread widely except in the Nordic countries, Italy and some other countries. As active in service research I felt a gradual stagnation with more-of-the-same, self-satisfaction, mainstream intersubjective approval of unsupported claims, and mid-range theory. Service researchers had turned from poor immigrants to an established middle class.

A ray of light came from more general approaches based on relational aspects, both presented in services business-to-business (B2B) marketing in the 1980s. It eventually led to the concepts of relationship marketing, CRM (Customer Relationship Management) and one-to-one marketing. The early Nordic contributions about relationships, networks and interaction from the 1970s were not particularly recognized but were now getting a stronger platform (Grönroos, 1994; Gummesson, 2008a). It was also now that information technology, a "joker" and technical quantum leap matured. A new infrastructure was created by the Internet, mobile communication, and social media. They began to redraw the service and marketing map. The scattered ideas and results from the 1980s and 1990s had to be organized.

1.3. Paradigm 3 (2000s-): The Era of Commonalities, Interdependencies and a Systemic Approach

Goods and services are not two distinct categories. Nobody has been able to define them in any reasonable way. The best definition of a service so far is still the one published in *The Economist* in the 1980s: "A service can be bought and sold but not be dropped on your foot." It's good because it shows a sense of humor. But the "definitions" that are used by statisticians and in research are not humorous; they are dull in all meanings of the word. The lack of definition should have alerted us earlier and the simple truth, which has also been pointed out during the Paradigm 2 period but never raised any interest, is that they are not generally applicable categories but are usually impossible to separate.

Whereas the prior paradigms were based on differences we now enter an era where commonalities and interdependencies are in focus. Three approaches in particular opened up for a paradigm shift: service-dominant (S-D) logic, service science, and studies of complexity through case study research, network theory and systems theory. These also became the "3 Pillars" on which the international Naples Forum on Service was founded. The Forum so far has been held in Capri in 2009 and 2011 with the next conference planned for 2013.

S-D logic. It was introduced by Steve Vargo and Bob Lusch in 2004. Their first article took ten years to write and five years to get through the journal review process in which the article was rejected but brought back again after negotiations. It immediately struck a cord with readers but there were those who felt threatened and still reject S-D logic. The authors had inventoried research from all over, including the Nordic School, and not just US publications. They offered a synthesis of scattered research results and re-conceptualization of service, keeping the viable parts and tacitly and tactfully dropping the mythology. They strived for theory generation on a higher level. In doing so they keep applying an open source code and everyone can contribute. Vargo and Lusch (2008) developed the message from the first article by defining ten foundational premises. They have since authored numerous articles, spoken at the Naples Forum on Service, and keep stimulating researchers from all over the world to further develop S-D logic.

Service science. About the same time as S-D logic was introduced, IBM, today the world's largest consulting group with over 400,000 employees, started its service science program. There must have been something in the air or more likely thoughts had been brewing in the minds of many; there was time for rethinking. IBM was once the acronym for International Business Machines, but IBM has kept shifting its business mission – which is the paradigm of a business firm – from office machines to data processing to computer science and in the 2000s introducing service science, continuously climbing the ladder toward generality and deeper insights. The IBM research team based its work on the observation that service systems in society are often inefficient from the customer's and citizen's perspective and are not sufficiently innovative. Service science sees society as a network of service systems and now want to "Create a smarter planet" as their slogan goes (Maglio and Spohrer 2008; Maglio et al, 2010). This was also a shift from supplier centricity (computer hardware and software production) to customer centricity (functional service systems that add value-in-use). The service science program found that institutes of technology had no research or training is service management and marketing but they found it in business schools. When the service science program director Jim Spohrer learnt about S-D logic it clicked: This is a theory for service science! Currently IBM has agreements with 500 schools of higher learning to run courses in service and to do research.

Complexity studies. Marketing complexity can be studied through case study research, network theory and systems theory. Case study research has especially been used by Nordic School researchers to generate theory by accepting complexity and the ambiguity of what happens in marketing situations (Gummesson, 2012). The concept "many-to-many marketing" describes, analyzes and utilizes the network properties of marketing (Gummesson, 2008). It applies to marketing in general and recognizes that both suppliers and customers operate in complex and dynamic network contexts. The Viable Systems Approach (VSA), grounded in systems theory postulates that every business and its service is a system immersed in a relational context looking for competitive profiles (viability) through interaction with other actors and stakeholders (Barile and Polese, 2010; Mele et al., 2010). The complexity-oriented methodologies contribute to more systemic and holistic understanding of the service-based society. These methodologies offer both ways of thinking in terms of relationships and interaction, and research techniques for implementing studies. They can be used with different degrees of sophistication: as a basis for verbal treatise (discussion or text), graphics (from manual sketches to computer generated diagrams), or mathematical applications and computer simulations. However, there are no shortcuts. We cannot begin with tightly controlled and quantitative research before we understand the basics and the substantive details of marketing. Therefore, if complexity is accepted as a reality, we have to be humble and start with the verbal and graphical applications and only later, when the time is ripe, make excursions into more sophisticated approaches. Network theory has mainly been applied to B2B marketing but has equal potential for B2C/C2B (business-to-consumer/consumer-to-business) marketing and consequently to marketing in general. Marketing is part of or a perspective on management and to become efficient it should be treated in a management context as marketing-oriented management rather than marketing management. Marketing (including sales) is not an independent silo alongside other silos in the organization but a dimension of the management of a company. This was stressed early through the term service management (Normann, 2001) and by the IMP (Industrial Marketing and Purchasing) Group in B2B (Håkansson et al., 2009). In marketing it has been further stressed by the concepts of "full-time marketers" (who are hired for handling customer relationships) and "part-time marketers" (which are all other employees, and others such as customers, suppliers who on part of their time have an influence of a firm's marketing but have another main role (Gummesson, 2008a).

In Paradigm 3 we see service and value as the outcome of value propositions through the cocreation of value and integration of resources from many stakeholders. Value may be created in the supplier-customer relationship through interaction but also by the supplier and the customer individually. To recognize that a network consists of multiple stakeholders and avoid the limitation to customers and suppliers, the general concepts of actor and actor-to-actor interaction, A2A, have been introduced. Cocreation in this broad sense also means that suppliers do not just do things *to* but *with* customers. The customer or any other actor then is an active resource and not just passive. Further, the concepts of balanced centricity and value-in-context elevates mid-range marketing theory in the direction of more general theory by uniting the two-party separation of value-in-use (customer centric) and value-in-exchange (supplier centric) (Gummesson, 2008b).

What is new – and that is more dramatic than one might realize at first – is the effort to better utilize accumulated knowledge fragments through reconceptualization, thus making complex knowledge more coherent and presentable. It is an arduous task to raise theory to a higher level. It is therefore in need of dialog and suggestions for improvement – or another theory. A rich literature has emerged, adding to or arguing against the new logic (Grönroos, 2006; Gummesson et al., 2010; Grönroos and Ravald, 2011).

2. Mementos for Marketing Practice, Research and Education

As in all walks of life there are encouragements and disappointments. Paradigm 2 was characterized by overexposed, underexposed and unexposed contributions. Articles published in major US journals were no doubt overexposed, those published in UK and other international journal were underexposed, and what was published in reports, books, and in other languages than English was unexposed internationally although it was exposed nationally.

Going back to contributions from the 1970s and 1980s, it is amazing how much was already discovered in the "crawling out" stage. The Paradigm 2 period of the 1970s through the 1990s added knowledge to service but it also built a backpack of myths that most researchers carried into the new millennium, including an overindulgence in satisfaction surveys and studies of service quality. They may have built up knowledge and provided a necessary stepping stone but when new insights have emerged it is time to leave the old behind and not keep walking down memory lane.

Academics, both in research and education are especially urged to note the following:

- Slow acceptance of scholarly contributions and the over-selling of simplistic studies and techniques at the cost of addressing complexity. Paradigm 2 service marketing developed its own mainstream mythology which seems to be sacrosanct but has to be phased out.
- Textbooks on service marketing increasingly stand out as history books. The textbooks of marketing, which influence the attitudes of young student in their most formative years, are still primarily stuck in the marketing mix theory from the 1960s. The 40 years of contributions from Paradigm 2 have only been noted as a special case but have had no impact on the marketing mix theory. Paradigm 3 has gone unnoticed and not generated more inclusive and general theory. This is scary and intriguing and cannot be explained intellectually; it has to do with power, recognition, money and other aspects that are unworthy of a scholarly environment.
- Economics and official statistics are keeping up the centuries old but long obsolete division in the manufacturing, service and agricultural sectors which are supplier-centric (employment, cost, revenue) and neglect the customer and actual consumption.
- Finally, does service research engage in important issues that have an impact? In recent years finance has taken over and the customer has been sent to the background. Especially the long term financial world crisis that started in 2008 has shown that the financial sector has misused customer trust with the single purpose of maximizing short term profits. The major issues of value creation to the benefit of consumers, businesses, governments and society at large have been absent.

The effect on practice, both corporate behavior and customer behavior, is impossible to measure quantitatively as there is too much variety among firms and cultures and the marketing has adapted to changing customer needs and wants and the new infrastructure of the Internet and mobile communication. But eventually we have to address the very basic and crucial question: *Have marketing and service become better during the past decades of intense research and practical efforts?*

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